

Consolidated Statements of Cash Flows

NEC CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 1996, 1997 and 1998

	In millions of yen			In thousands of U.S. dollars (Note 3)
	1996	1997	1998	1998
Cash flows from operating activities:				
Net income	¥ 77,166	¥ 91,581	¥ 41,302	\$ 310,541
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation	260,247	272,933	285,862	2,149,338
Deferred income taxes	(31,878)	(2,193)	(11,073)	(83,256)
Accrual for pension and severance costs, less payments	16,407	10,614	(5,197)	(39,075)
Equity in earnings of affiliated companies, net of dividends	(1,760)	12,514	8,596	64,632
Minority interest in consolidated subsidiary companies	4,029	5,018	2,839	21,346
(Increase) decrease in notes and accounts receivable	(174,871)	46,925	(30,913)	(232,429)
(Increase) decrease in inventories	(146,225)	126,946	77,655	583,872
Increase (decrease) in notes and accounts payable	296,144	(179,355)	(54,706)	(411,323)
Increase (decrease) in accrued taxes on income	15,774	(48,009)	(3,885)	(29,210)
Increase (decrease) in employees' savings deposits	5,333	(92,302)	(3,914)	(29,428)
Other, net	(36,568)	12,277	(10,431)	(78,429)
Net cash provided by operating activities	283,798	256,949	296,135	2,226,579
Cash flows from investing activities:				
Proceeds from sales of property, plant and equipment	12,394	40,072	5,794	43,564
Additions to property, plant and equipment	(341,907)	(452,109)	(393,776)	(2,960,722)
Proceeds from sales of marketable securities	11,506	118,259	22,419	168,564
Payments for purchase of marketable securities	(22,117)	(104,419)	(46,606)	(350,421)
Investments in affiliated companies	(22,367)	(71,064)	(71,803)	(539,872)
Disbursements for long-term loans	(16,067)	(5,694)	(2,703)	(20,323)
Decrease in long-term loans	19,349	10,236	11,642	87,533
Other, net	3,255	(2,981)	(38,547)	(289,827)
Net cash used in investing activities	(355,954)	(467,700)	(513,580)	(3,861,504)
Cash flows from financing activities:				
Proceeds from long-term debt	146,433	252,152	360,892	2,713,474
Repayment of long-term debt	(156,516)	(150,220)	(167,762)	(1,261,368)
Increase in short-term borrowings	26,644	91,252	10,032	75,429
Dividends paid	(15,426)	(17,782)	(17,407)	(130,880)
Other, net	(259)	(540)	749	5,631
Net cash provided by financing activities	876	174,862	186,504	1,402,286
Effect of exchange rate changes on cash and cash equivalents	6,238	5,378	(577)	(4,338)
Net decrease in cash and cash equivalents	(65,042)	(30,511)	(31,518)	(236,977)
Cash and cash equivalents at beginning of year	446,047	381,005	350,494	2,635,293
Cash and cash equivalents at end of year	¥381,005	¥350,494	¥318,976	\$2,398,316
Supplemental disclosures of cash flow information:				
Cash paid during the year for—				
Interest	¥ 71,138	¥ 62,941	¥ 61,412	\$ 461,744
Income taxes	¥ 87,780	¥ 71,399	¥ 88,844	\$ 668,000
Supplemental information of noncash financing activities:				
Conversion of convertible debt into common stock and additional paid-in capital	¥ 4,568	¥ 19,326	¥ 33,957	\$ 255,316

The accompanying notes are an integral part of these statements.