

Consolidated Statements of Cash Flows

Toagosei Co., Ltd. and Consolidated Subsidiaries

December 31

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2005	2006
Operating activities			
Income before income taxes and minority interests	¥13,522	¥16,846	\$113,529
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	7,908	7,516	66,397
Impairment loss on property, plant and equipment	1,623	8	13,634
Decrease in provision for doubtful receivables	(222)	(749)	(1,866)
(Decrease) increase in provision of reserve for loss on guarantees granted to the obligations of others	(1,085)	63	(9,114)
Reversal of provision for retirement benefits	(747)	(530)	(6,273)
Increase (decrease) in other provisions	4	(8)	36
Interest and dividend income	(508)	(491)	(4,270)
Interest expense	363	384	3,053
Foreign currency exchange loss (gain)	556	(186)	4,671
Equity in earnings of affiliates	(583)	(439)	(4,895)
Gain on change in equity ownership percentage	(1,205)	—	(10,121)
Gain on sales of property, plant and equipment	—	(415)	—
Gain on sales of investments in securities	(617)	(14)	(5,186)
Loss on disposal of property, plant and equipment	496	998	4,166
Out-of-court settlement of accident claim	—	(200)	—
Decrease (increase) in receivables	651	(1,714)	5,466
Increase in inventories	(2,044)	(1,525)	(17,168)
(Decrease) increase in payables	(951)	755	(7,986)
Directors' bonuses paid	(32)	(24)	(271)
Other	357	1,259	3,002
subtotal	17,485	21,533	146,803
Interest and dividend received	972	491	8,161
Interest paid	(370)	(389)	(3,110)
Income taxes paid	(5,310)	(3,428)	(44,582)
Payment for guarantees of obligation	(1,173)	—	(9,881)
Settlement package received for accident	—	200	—
Cost related to accident restoration paid	—	(27)	—
Net cash provided by operating activities	11,600	18,380	97,390
Investing activities			
Purchases of time deposits	(1)	(28)	(10)
Proceeds from sales of marketable securities	—	140	—
Purchases of investments in securities	(922)	(63)	(7,741)
Proceeds from sales of investments in securities	713	33	5,991
Purchases of property, plant and equipment	(9,225)	(7,333)	(77,450)
Proceeds from sales of property, plant and equipment	117	438	984
(Increase) decrease in short-term loans	(332)	406	(2,787)
Long-term loans made	(27)	(118)	(226)
Collection of long-term loans	90	5	756
Proceeds from purchase of a newly consolidated subsidiary	272	—	2,285
Other, net	(779)	(368)	(6,546)
Net cash used in investing activities	(10,093)	(6,889)	(84,744)
Financing activities			
Increase in short-term bank loans	583	—	4,898
Increase (decrease) in commercial paper	6,000	(6,000)	50,373
Proceeds from long-term loans	3,300	—	27,705
Repayment of long-term loans	(1,892)	(2,545)	(15,885)
Redemption of bonds	(5,000)	—	(41,978)
Proceeds from sales of treasury stock	30	118	253
Purchases of treasury stock	(98)	(150)	(828)
Repayment of lease obligation	(146)	(154)	(1,231)
Cash dividends to shareholders	(2,192)	(1,979)	(18,408)
Net cash provided by (used in) financing activities	583	(10,711)	4,895
Effect of exchange rate changes on cash and cash equivalents	91	160	770
Net increase in cash and cash equivalents	2,181	940	18,331
Cash and cash equivalents at beginning of the year	11,400	10,500	96,052
Cash and cash equivalents of a newly consolidated subsidiary	564	—	4,737
Cash and cash equivalents at end of the year	¥14,186	¥11,440	\$119,101

See accompanying notes to consolidated financial statements.