

Consolidated Statements of Cash Flows

Toagosei Co., Ltd. and Consolidated Subsidiaries

Years ended December 31

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Operating activities			
Income before income taxes and minority interests	¥13,295	¥13,522	\$116,475
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization.....	9,002	7,908	78,867
Impairment loss on property, plant and equipment.....	2,394	1,623	20,972
Increase (decrease) in provision for doubtful receivables.....	309	(222)	2,712
Decrease in provision of reserve for loss on guarantees granted to the obligations of others	—	(1,085)	—
Reversal of provision for retirement benefits	(904)	(747)	(7,922)
Increase (decrease) in other provisions	(72)	4	(631)
Interest and dividend income	(743)	(508)	(6,509)
Interest expense	442	363	3,878
Foreign currency exchange loss (gain)	(63)	556	(560)
Equity in earnings of affiliates	(523)	(583)	(4,585)
Gain on change in equity ownership percentage	—	(1,205)	—
Gain from disposition of manufacturing license	(226)	—	(1,980)
Gain on sales of property, plant and equipment	(30)	—	(266)
Gain on sales of investments in securities.....	(2,568)	(617)	(22,504)
Subsidy income	(298)	—	(2,610)
Loss on disposal of property, plant and equipment	636	496	5,576
Loss on valuation of investment in securities	64	—	562
Decrease (increase) in receivables.....	(1,934)	651	(16,947)
Increase in inventories	(102)	(2,044)	(898)
(Decrease) increase in payables	397	(951)	3,479
Directors' bonuses paid	—	(32)	—
Other	(69)	357	(612)
Subtotal	19,005	17,485	166,495
Interest and dividends received	1,623	972	14,221
Interest paid.....	(438)	(370)	(3,838)
Income taxes paid	(4,538)	(5,310)	(39,761)
Payment for guarantees of obligation	—	(1,176)	—
Net cash provided by operating activities.....	15,651	11,600	137,117
Investing activities			
Purchases of time deposits	—	(1)	—
Purchases of investments in securities	(158)	(922)	(1,392)
Proceeds from sales of investments in securities	3,407	713	29,852
Purchases of property, plant and equipment	(7,559)	(9,225)	(66,225)
Proceeds from sales of property, plant and equipment	48	117	428
Proceeds from disposition of manufacturing license	226	—	1,980
Proceeds from subsidy income	298	—	2,610
(Increase) decrease in short-term loans.....	605	(332)	5,300
Long-term loans made	—	(27)	—
Collection of long-term loans.....	79	90	699
Proceeds from purchase of a newly consolidated subsidiary	—	272	—
Payment for investment in consolidated subsidiaries.....	(80)	—	(705)
Other, net	(1,076)	(779)	(9,427)
Net cash used in investing activities.....	(4,209)	(10,093)	(36,878)
Financing activities			
Increase in short-term bank loans.....	87	583	766
Increase (decrease) in commercial paper.....	(4,000)	6,000	(35,041)
Proceeds from long-term loans	—	3,300	—
Repayment of long-term loans	(9,623)	(1,892)	(84,309)
Redemption of bonds	—	(5,000)	—
Proceeds from sales of treasury stock	9	30	78
Purchases of treasury stock	(105)	(98)	(921)
Repayment of lease obligation	(1)	(146)	(12)
Cash dividends to shareholders	(2,260)	(2,192)	(19,806)
Net cash provided by (used in) financing activities	(15,894)	583	(139,245)
Effect of exchange rate changes on cash and cash equivalents	(23)	91	(204)
Net increase (decrease) in cash and cash equivalents.....	(4,476)	2,181	(39,211)
Cash and cash equivalents at beginning of the year	14,186	11,440	124,276
Cash and cash equivalents of a newly consolidated subsidiary	—	564	—
Cash and cash equivalents at end of the year.....	¥ 9,710	¥14,186	\$ 85,064

See accompanying notes to consolidated financial statements.