

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)
	2008	2007	2008
Operating activities			
Income before income taxes and minority interests	¥ 6,869	¥13,295	\$ 75,458
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	9,713	9,002	106,706
Impairment losses on property, plant and equipment	674	2,394	7,410
Increase in provision for doubtful receivables	1,917	309	21,059
Reversal of provision for retirement benefits	(861)	(904)	(9,460)
Decrease in other provisions	(30)	(72)	(332)
Interest and dividend income	(607)	(743)	(6,673)
Interest expense	313	442	3,439
Foreign currency exchange loss (gain)	312	(63)	3,436
Equity in earnings of affiliates	(265)	(523)	(2,911)
Gain from disposition of manufacturing license	—	(226)	—
Gain on sales of property, plant and equipment	(15)	(30)	(168)
Gain on sales of investments in securities	(36)	(2,568)	(402)
Subsidy income	—	(298)	—
Loss on disposal of property, plant and equipment	837	636	9,195
Loss on valuation of investment in securities	777	64	8,545
Decrease (increase) in receivables	2,367	(1,934)	26,004
Increase in inventories	(1,986)	(102)	(21,827)
(Decrease) increase in payables	(1,175)	397	(12,910)
Other, net	(467)	(69)	(5,137)
Subtotal	18,336	19,005	201,431
Interest and dividends received	1,064	1,623	11,697
Interest paid	(268)	(438)	(2,946)
Income taxes paid	(5,852)	(4,538)	(64,291)
Net cash provided by operating activities	13,280	15,651	145,890
Investing activities			
Purchases of investments in securities	(1,068)	(158)	(11,743)
Proceeds from sales of investments in securities	205	3,407	2,256
Purchases of property, plant and equipment	(6,494)	(7,559)	(71,345)
Proceeds from sales of property, plant and equipment	189	48	2,082
Proceeds from disposition of manufacturing license	—	226	—
Proceeds from subsidy income	—	298	—
Increase (decrease) in short-term loans receivable	(60)	605	(659)
Increase in overdue loans receivable	(548)	—	(6,019)
Collection of long-term loans receivable	72	79	798
Payment for purchase of a newly consolidated subsidiary	(382)	—	(4,199)
Payment for investment in consolidated subsidiaries	—	(80)	—
Other, net	(690)	(1,076)	(7,583)
Net cash used in investing activities	(8,776)	(4,209)	(96,412)
Financing activities			
Increase in short-term bank loans	4,291	87	47,147
Decrease in commercial paper	(5,000)	(4,000)	(54,926)
Proceeds from long-term debt	3,000	—	32,956
Repayment of long-term debt	(3,708)	(9,623)	(40,737)
Proceeds from sales of treasury stock	62	9	690
Purchases of treasury stock	(202)	(105)	(2,227)
Repayment of lease obligations	(9)	(1)	(100)
Cash dividends to shareholders	(2,492)	(2,260)	(27,379)
Net cash used in financing activities	(4,057)	(15,894)	(44,578)
Effect of exchange rate changes on cash and cash equivalents	(330)	(23)	(3,625)
Net increase (decrease) in cash and cash equivalents	115	(4,476)	1,274
Cash and cash equivalents at beginning of the year	9,710	14,186	106,669
Cash and cash equivalents at end of the year	¥ 9,826	¥ 9,710	\$107,943

See accompanying notes to consolidated financial statements.