

Consolidated Statements of Cash Flows

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries
Years Ended May 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Cash flows from operating activities			
Income before income taxes and minority interests.....	¥21,308	¥11,099	\$263,452
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization.....	9,029	10,028	111,634
Loss on impairment of fixed assets.....	-	2,366	-
Increase (decrease) in provisions.....	(1,723)	216	(21,303)
Interest and dividend income.....	(402)	(465)	(4,970)
Interest expense.....	358	484	4,426
Equity in earnings of affiliates.....	(298)	(97)	(3,684)
(Gain) loss on disposal or sales of property, plant and equipment, net.....	584	(177)	7,220
Gain on sales of investment securities, net.....	(2)	(3)	(24)
Loss on revaluation of investment securities.....	169	2,148	2,089
Reversal of foreign currency translation adjustments.....	(2,145)	-	(26,520)
(Increase) decrease in notes and accounts receivable – trade.....	(117)	(3,220)	(1,446)
(Increase) decrease in inventories.....	153	(1,722)	1,891
Increase (decrease) in notes and accounts payable – trade.....	(2)	2,364	(24)
Increase (decrease) in payables – other.....	(123)	134	(1,520)
Other.....	(3,837)	1,770	(47,440)
Subtotal.....	22,948	24,928	283,728
Interest and dividends received.....	588	578	7,270
Interest paid.....	(360)	(512)	(4,451)
Income taxes paid.....	(4,214)	(5,041)	(52,101)
Income taxes refund.....	7	332	86
Net cash provided by operating activities.....	18,969	20,284	234,532
Cash flows from investing activities			
(Increase) decrease in time deposits, net.....	1	(24)	12
Purchases of property, plant and equipment.....	(8,110)	(6,786)	(100,272)
Proceeds from sales of property, plant and equipment.....	414	976	5,118
Acquisition of goodwill and other intangible assets.....	(330)	(97)	(4,080)
Proceeds of investment securities, net.....	9	7	111
Payment for removal loss of property, plant and equipment.....	(413)	(214)	(5,106)
Net (increase) decrease in short-term loans.....	243	(115)	3,004
Proceeds from sales of investment securities in subsidiaries and affiliates.....	800	800	9,891
Purchases of investment in subsidiaries.....	-	(256)	-
Other.....	252	(108)	3,115
Net cash used in investing activities.....	(7,132)	(5,817)	(88,180)
Cash flows from financing activities			
Net (decrease) increase in short-term bank loans.....	(345)	(1,350)	(4,265)
Proceeds from long-term bank loans.....	5,000	1,500	61,819
Repayment of long-term bank loans.....	(5,794)	(5,325)	(71,636)
Repayment of construction cooperation fund.....	(985)	(985)	(12,178)
Cash dividends paid.....	(3,615)	(3,616)	(44,695)
Payment for purchase of treasury stock by the consolidated subsidiary.....	-	(3,463)	-
Other.....	(251)	(349)	(3,103)
Net cash used in financing activities.....	(5,992)	(13,590)	(74,085)
Effect of exchange rate changes on cash and cash equivalents.....	(352)	(124)	(4,352)
Increase in cash and cash equivalents, net.....	5,491	751	67,890
Cash and cash equivalents at beginning of the year.....	35,813	35,061	442,791
Cash and cash equivalents at end of the year.....	¥41,304	¥35,813	\$510,682

See accompanying notes to consolidated financial statements.