

Consolidated Statements of Cash Flows

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries
Years Ended May 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Cash flows from operating activities			
Income before income taxes and minority interests	¥12,688	¥13,608	\$126,639
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	10,867	8,730	108,463
Loss on impairment of fixed assets	–	819	–
Changes in reserves	795	1,255	7,934
Interest and dividend income	(503)	(361)	(5,020)
Interest expense	527	450	5,260
Equity in earnings of affiliates	(259)	(142)	(2,585)
Loss (gain) on disposal of property, plant and equipment, net	(2,623)	831	(26,180)
Gain on sales of investment securities, net	(435)	(191)	(4,341)
Loss on revaluation of investment securities	82	–	818
Changes in operating assets and liabilities:			
Notes and accounts receivable – trade	(2,435)	(355)	(24,303)
Inventories	578	681	5,769
Notes and accounts payable – trade	2,521	(1,244)	25,162
Payables – other	979	(757)	9,771
Other	232	(380)	2,315
Subtotal	23,015	22,944	229,713
Interest and dividends received	789	638	7,875
Interest paid	(503)	(542)	(5,020)
Income taxes paid	(7,327)	(2,839)	(73,131)
Net cash provided by operating activities	15,975	20,201	159,447
Cash flows from investing activities			
Decrease in time deposits, net	(74)	(46)	(738)
Proceeds from sales of marketable securities, net	–	5,497	–
Purchases of property, plant and equipment	(14,222)	(17,219)	(141,950)
Proceeds from sales of property, plant and equipment	4,230	307	42,219
Acquisition of goodwill and other intangible assets	(275)	(185)	(2,744)
Purchases of investment securities, net	(1,010)	(3,406)	(10,080)
Removal loss of property, plant and equipment	(885)	(2,223)	(8,833)
Net decrease in short-term loan	(2,615)	–	(26,100)
Cash paid in business acquisitions, net of cash acquired	(2,037)	–	(20,331)
Other	(1,038)	(606)	(10,360)
Net cash used in investing activities	(17,929)	(17,882)	(178,949)
Cash flows from financing activities			
Net change in short-term debt	2,280	61	22,756
Proceeds from long-term debt	5,000	10,000	49,905
Repayment of long-term debt	(4,853)	(3,232)	(48,437)
Repayment of construction cooperation fund	(234)	(234)	(2,335)
Cash dividends paid	(3,621)	(4,434)	(36,141)
Other	(450)	(600)	(4,491)
Net cash provided by (used in) financing activities	(1,880)	1,559	(18,764)
Effect of exchange rate changes on cash and cash equivalents	9	166	89
Increase(decrease) in cash and cash equivalents, net	(3,826)	4,044	(38,187)
Cash and cash equivalents at beginning of year	25,589	21,424	255,404
Increase due to inclusion in consolidation	–	119	–
Decrease due to exclusion from consolidation	(100)	–	(998)
Cash and cash equivalents at end of year	¥21,662	¥25,589	\$216,209

See accompanying notes to consolidated financial statements.