

Consolidated Statements of Cash Flows

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries
Years Ended May 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
Cash flows from operating activities			
Income before income taxes and minority interests.....	¥ 6,902	¥12,688	\$ 71,538
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	10,742	10,867	111,339
Changes in reserves.....	403	795	4,177
Interest and dividend income	(555)	(503)	(5,752)
Interest expense	455	527	4,716
Equity in earnings of affiliates	(471)	(259)	(4,881)
Loss (gain) on disposal of property, plant and equipment, net.....	316	(2,623)	3,275
Gain on sales of investment securities, net.....	(2)	(435)	(20)
Gain on sales of investment securities in subsidiaries and affiliates.....	(1,679)	–	(17,402)
Loss on revaluation of investment securities	–	82	–
Loss on revaluation of investment securities in subsidiaries and affiliates	2,028	–	21,019
Changes in operating assets and liabilities:			
Notes and accounts receivable – trade.....	4,202	(2,435)	43,553
Inventories.....	608	578	6,301
Notes and accounts payable – trade.....	(5,552)	2,521	(57,545)
Payables – other	300	979	3,109
Other	3,219	232	33,364
Subtotal	20,918	23,015	216,811
Interest and dividends received	885	789	9,172
Interest paid	(482)	(503)	(4,995)
Income taxes paid	(3,284)	(7,327)	(34,038)
Net cash provided by operating activities	18,037	15,975	183,950
Cash flows from investing activities			
Decrease in time deposits, net.....	336	(74)	3,482
Purchases of property, plant and equipment	(9,611)	(14,222)	(99,616)
Proceeds from sales of property, plant and equipment	697	4,230	7,224
Acquisition of goodwill and other intangible assets	(400)	(275)	(4,145)
Purchases of investment securities, net	(761)	(1,010)	(7,877)
Removal loss of property, plant and equipment.....	(347)	(885)	(3,596)
Net decrease in short-term loan	(80)	(2,615)	(829)
Cash paid in business acquisitions, net of cash acquired.....	–	(2,037)	–
Proceeds from sales of investment securities in subsidiaries and affiliates.....	837	–	8,675
Other.....	(120)	(1,038)	(1,243)
Net cash used in investing activities	(9,448)	(17,929)	(97,927)
Cash flows from financing activities			
Net change in short-term debt	5,281	2,280	54,736
Proceeds from long-term debt.....	9,236	5,000	95,729
Repayment of long-term debt.....	(4,914)	(4,853)	(50,932)
Repayment of construction cooperation fund	(959)	(234)	(9,939)
Cash dividends paid	(3,629)	(3,621)	(37,614)
Other.....	(456)	(450)	(4,726)
Net cash provided by (used in) financing activities	4,558	(1,880)	47,242
Effect of exchange rate changes on cash and cash equivalents	(510)	9	(5,286)
Increase (decrease) in cash and cash equivalents, net.....	12,636	(3,826)	130,970
Cash and cash equivalents at beginning of year	21,662	25,589	224,523
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation.....	762	–	7,898
Decrease due to exclusion from consolidation	–	(100)	–
Cash and cash equivalents at end of year.....	¥35,061	¥21,662	\$363,401

See accompanying notes to consolidated financial statements.