

CONSOLIDATED STATEMENTS OF CASH FLOWS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	2016
Cash flows from operating activities				
Income before income taxes and non-controlling interests	¥ 30,602	¥ 28,175	¥ 15,601	\$ 271,583
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:				
Depreciation and amortization	26,438	23,739	20,629	234,629
Impairment loss	1,536	—	—	13,632
Gain on negative goodwill	(1,313)	—	—	(11,652)
Restructuring charges	—	—	9,121	—
Increase (decrease) in provision for retirement benefits	—	—	(19,654)	—
Increase (decrease) in net defined benefit liability	429	640	20,389	3,807
Decrease (increase) in net defined benefit asset	425	(2,450)	(4,972)	3,772
Increase (decrease) in allowance for doubtful accounts	14	6	(26)	124
Interest and dividends income	(1,483)	(1,576)	(1,895)	(13,161)
Interest expenses	1,199	1,224	1,013	10,641
Loss on disposal of property, plant and equipment	824	(2,009)	1,706	7,313
Subsidy income	—	(1,617)	—	—
Gain on sales of investment securities	—	—	(728)	—
Gain on step acquisitions	(230)	—	—	(2,041)
Equity in earnings of affiliates, net	(281)	(212)	(335)	(2,494)
Decrease (increase) in notes and accounts receivable—trade	6,933	(2,500)	173	61,528
Decrease (increase) in inventories	(1,596)	(1,448)	(9,371)	(14,164)
Increase (decrease) in notes and accounts payable—trade	(4,566)	(3,863)	1,227	(40,522)
Others	5,733	2,128	2,915	50,877
Subtotal	64,664	40,237	35,793	573,872
Interest and dividends income received	1,600	1,684	1,968	14,200
Interest expenses paid	(1,172)	(1,207)	(1,010)	(10,401)
Income taxes paid	(5,387)	(7,111)	(2,826)	(47,808)
Net cash provided by operating activities	59,705	33,603	33,925	529,863
Cash flows from investing activities				
Purchase of property, plant and equipment	(38,552)	(41,720)	(34,926)	(342,137)
Proceeds from sales of property, plant and equipment	466	3,656	538	4,136
Purchase of intangible assets	(2,880)	(2,075)	(2,712)	(25,559)
Proceeds from subsidy income	—	1,465	—	—
Purchase of investment securities	(70)	(455)	(79)	(621)
Proceeds from sales and distributions of investment securities	386	1,073	1,823	3,426
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,538	—	—	13,649
Purchase of stocks of subsidiaries and affiliates	—	(105)	(1,058)	—
Payments for transfer of business	—	—	(697)	—
Payments of loans receivable	(1,462)	(862)	(765)	(12,975)
Collection of loans receivable	930	602	758	8,253
Others	(1,108)	207	(1,599)	(9,833)
Net cash used in investing activities	(40,752)	(38,214)	(38,717)	(361,661)
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	1,359	122	4,184	12,061
Proceeds from long-term loans payable	13,326	16,673	17,083	118,264
Repayment of long-term loans payable	(9,301)	(5,192)	(9,707)	(82,543)
Redemption of bonds payable	—	(5,000)	—	—
Proceeds from sales and leasebacks	280	—	—	2,485
Repayments of lease obligations	(101)	(195)	(333)	(896)
Proceeds from share issuance to non-controlling shareholders	—	—	225	—
Cash dividends paid	(5,345)	(5,392)	(5,392)	(47,435)
Cash dividends paid to non-controlling interests	(243)	(205)	(143)	(2,157)
Purchase of treasury stock	(3,585)	(1,615)	(60)	(31,816)
Proceeds from sales of treasury stock	74	0	1	657
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(16)	—	—	(143)
Net cash provided by (used in) financing activities	(3,552)	(804)	5,858	(31,523)
Effect of exchange rate change on cash and cash equivalents	(259)	(388)	815	(2,299)
Net increase (decrease) in cash and cash equivalents	15,142	(5,803)	1,881	134,380
Cash and cash equivalents at beginning of period	28,020	33,804	31,748	248,669
Increase in cash and cash equivalents resulting from change of scope of consolidation	—	19	175	—
Cash and cash equivalents at the end of period	¥ 43,162	¥ 28,020	¥ 33,804	\$ 383,049

See accompanying notes.