

Consolidated Statements of Cash Flows

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2009, 2008, and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ (754)	¥ 31,237	¥ 32,657	\$ (7,676)
Adjustments to reconcile net income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	27,353	24,911	24,584	278,459
Impairment losses on fixed assets	1,467	1,171	1,864	14,934
Increase (decrease) in provision for severance and retirement benefits	6	(1,635)	(1,308)	61
Increase (decrease) in allowance for doubtful receivables	(25)	95	4	(254)
Interest and dividend income	(1,455)	(1,601)	(1,164)	(14,812)
Interest expense	1,258	1,488	1,719	12,807
Loss on sells and disposals of property, plant and equipment	2,999	770	1,400	30,530
Gain on sales of subsidiaries' stock	—	—	(2,726)	—
Loss on valuation of investments in securities	4,207	—	—	42,828
Loss on liquidation of business	925	1,458	—	9,417
Gain on sales of investments in securities	(850)	(940)	(1,661)	(8,653)
Expenses to restructure functional foodstuffs business	—	—	4,447	—
Settlement of U.S. class action lawsuit	—	—	697	—
Equity in losses (gains) of unconsolidated subsidiaries and affiliates	489	(60)	(5)	4,978
Decrease (increase) in trade receivables	24,595	4,110	(9,220)	250,382
Decrease (increase) in inventories	1,688	(7,236)	(9,324)	17,184
Increase (decrease) in trade payables	(23,814)	(322)	8,316	(242,431)
Other, net	(3,909)	(539)	1,138	(39,795)
Subtotal	34,180	52,907	51,418	347,959
Interest and dividends received	1,465	1,605	1,159	14,914
Interest paid	(1,342)	(1,584)	(1,648)	(13,662)
Income taxes paid	(7,838)	(13,510)	(18,186)	(79,792)
Net cash provided by operating activities	26,465	39,418	32,743	269,419
Cash flows from investing activities:				
Proceeds from sales of marketable securities	—	—	1,600	—
Purchases of property, plant and equipment	(35,328)	(32,991)	(34,879)	(359,646)
Purchases of intangible assets	(969)	(684)	(769)	(9,864)
Purchases of investments in securities	(4,489)	(2,867)	(4,886)	(45,699)
Proceeds from sales investments in securities	4,675	1,853	2,893	47,592
Purchases of subsidiaries' stock	(761)	—	(57)	(7,747)
Proceeds from sales of subsidiaries' stock	550	—	2,860	5,599
Payments for loans receivable	(199)	(67)	(401)	(2,026)
Proceeds from collections of loans receivable	96	300	376	977
Other, net	76	(532)	(632)	774
Net cash used in investing activities	(36,349)	(34,988)	(33,895)	(370,040)
Cash flows from financing activities:				
Increase in short-term borrowings	18,947	3,166	6,653	192,884
Proceeds from long-term debt	5,842	867	6,915	59,473
Repayment of long-term debt	(836)	(1,152)	(7,822)	(8,511)
Payment for the redemption of bonds	(5,000)	—	—	(50,901)
Repayment of lease obligations	(543)	—	—	(5,528)
Dividends paid	(5,442)	(5,467)	(5,500)	(55,401)
Dividends paid to minority shareholders	(119)	(211)	(203)	(1,211)
Purchases of treasury stock	(605)	(1,647)	(2,130)	(6,159)
Proceeds from reissuance of treasury stock	29	10	5	295
Other, net	35	—	—	357
Net cash provided by financing activities	12,308	(4,434)	(2,082)	125,298
Effect of exchange rate changes on cash and cash equivalents	(171)	(644)	301	(1,741)
Net increase (decrease) in cash and cash equivalents	2,253	(648)	(2,933)	22,936
Effect of changes in consolidated subsidiaries	—	—	524	—
Cash and cash equivalents at beginning of year	21,988	22,636	25,045	223,842
Cash and cash equivalents at end of year	¥ 24,241	¥ 21,988	¥ 22,636	\$ 246,778

See accompanying notes.