

# Consolidated Statements of Cash Flows

## Showa Denko K.K. and Consolidated Subsidiaries

For the years ended December 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 9,964	¥24,033	\$82,655
Adjustments for:			
Depreciation and amortization	40,673	39,779	337,399
Impairment loss	3,747	1,357	31,085
Amortization of goodwill	1,696	1,447	14,065
Increase (Decrease) in provision for retirement benefits	—	(3,159)	—
Increase (Decrease) in net defined benefit liability	1,987	—	16,484
Interest and dividends income	(3,715)	(1,300)	(30,819)
Interest expenses	4,546	4,126	37,711
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(1,212)	264	(10,055)
Loss (Gain) on sales and valuation of investment securities	1,047	(4,586)	8,688
Loss on retirement of noncurrent assets	4,168	1,444	34,575
Loss (Gain) on sales of noncurrent assets	(28)	(66)	(233)
Decrease (Increase) in notes and accounts receivable-trade	6,829	(8,373)	56,648
Decrease (Increase) in inventories	1,453	9,113	12,052
Increase (Decrease) in notes and accounts payable-trade	(3,087)	10,226	(25,611)
Other, net	829	(3,770)	6,879
Subtotal	68,897	70,535	571,522
Interest and dividends income received	4,250	1,923	35,258
Interest expenses paid	(4,293)	(4,078)	(35,609)
Income taxes paid (refund)	(2,859)	(4,814)	(23,715)
Net cash provided by (used in) operating activities	65,996	63,565	547,457
<b>Cash flows from investing activities</b>			
Proceeds from sales and redemption of securities	—	2	—
Purchase of property, plant and equipment	(44,278)	(44,114)	(367,297)
Proceeds from sales of property, plant and equipment	901	218	7,475
Proceeds from transfer of business	—	15	—
Purchase of investment securities	(8,147)	(15,000)	(67,583)
Proceeds from sales of investment securities	10,365	14,244	85,984
Purchase of investments in subsidiaries	—	(3)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(5,533)	(887)	(45,896)
Net decrease (increase) in short-term loans receivable	(2)	506	(13)
Payments of long-term loans receivable	—	(1,414)	—
Collection of long-term loans receivable	234	1,434	1,941
Other, net	(766)	(1,740)	(6,355)
Net cash provided by (used in) investing activities	(47,225)	(46,738)	(391,745)
<b>Cash flows from financing activities</b>			
Increase (Decrease) in short-term debt, net	(24,907)	318	(206,610)
Proceeds from long-term loans payable	71,455	49,230	592,746
Repayments of long-term loans payable	(43,370)	(47,148)	(359,766)
Proceeds from issuance of bonds	15,000	—	124,430
Payments for retirement by purchase of Preferred equity securities	(24,000)	—	(199,088)
Proceeds from stock issuance to minority shareholders	—	1,031	—
Net decrease (increase) in treasury shares	(10,004)	(4)	(82,989)
Cash dividends paid	(4,477)	(4,472)	(37,135)
Cash dividends paid to minority shareholders	(1,291)	(1,749)	(10,711)
Other, net	(3,431)	(4,011)	(28,458)
Net cash provided by (used in) financing activities	(25,024)	(6,805)	(207,581)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	3,597	5,638	29,837
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,656)	15,660	(22,032)
<b>Cash and cash equivalents at beginning of the year</b>	68,175	51,254	565,533
<b>Increase in cash and cash equivalents resulting from newly consolidated subsidiaries</b>	996	1,249	8,261
<b>Increase in cash and cash equivalents resulting from merger</b>	—	12	—
<b>Cash and cash equivalents at end of the year (Note 6)</b>	¥66,515	¥68,175	\$551,762

See notes to financial statements.