

# Consolidated Statements of Cash Flows

## Showa Denko K.K. and Consolidated Subsidiaries

For the years ended December 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2018	2017	2018
<b>Cash flows from operating activities</b>			
Income before income taxes and non-controlling interests	¥ 145,509	¥ 50,531	\$ 1,310,890
Adjustments for:			
Depreciation and amortization	39,459	38,565	355,489
Impairment loss	22,573	7,204	203,362
Amortization of negative goodwill	(19)	(12)	(167)
Increase (decrease) in allowance for doubtful accounts	(2,134)	2,757	(19,224)
Increase (decrease) in provision for business restructuring	(704)	2,106	(6,339)
Increase (decrease) in provision for loss on guarantees	(2,640)	2,640	(23,783)
Increase (decrease) in net defined benefit liability	3,522	(10,610)	31,732
Interest and dividends income	(2,354)	(1,893)	(21,207)
Interest expenses	2,983	3,100	26,871
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(1,253)	7,689	(11,290)
Loss (gain) on sales and valuation of investment securities	1,062	(358)	9,567
Loss on retirement of non-current assets	4,851	5,310	43,706
Loss (gain) on sales of non-current assets	141	(880)	1,274
Decrease (increase) in notes and accounts receivable-trade	(29,583)	(23,253)	(266,509)
Decrease (increase) in inventories	(40,469)	(12,005)	(364,587)
Increase (decrease) in notes and accounts payable-trade	20,397	10,172	183,757
Other, net	6,162	(8,712)	55,518
Subtotal	167,506	72,351	1,509,060
Interest and dividends income received	4,005	4,410	36,085
Interest expenses paid	(4,269)	(2,828)	(38,459)
Income taxes (paid) refund	(17,457)	(6,698)	(157,270)
Net cash provided by (used in) operating activities	149,785	67,235	1,349,415
<b>Cash flows from investing activities</b>			
Payments into time deposits	(172)	(9,606)	(1,547)
Proceeds from withdrawal of time deposits	210	23,268	1,890
Purchase of property, plant and equipment	(41,269)	(38,872)	(371,792)
Proceeds from sales of property, plant and equipment	392	1,067	3,528
Purchase of investment securities	(703)	(1,646)	(6,337)
Proceeds from sales of investment securities	3,975	15,086	35,811
Purchase of investments in subsidiaries resulting in change in the scope of consolidation (Note 6)	—	(14,827)	—
Net decrease (increase) in short-term loans receivable	197	(754)	1,776
Payments of long-term loans receivable	(2,950)	(1,045)	(26,575)
Collection of long-term loans receivable	672	609	6,058
Other, net	(9,690)	(3,145)	(87,300)
Net cash provided by (used in) investing activities	(49,338)	(29,866)	(444,487)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term debt	(9,507)	19,921	(85,647)
Proceeds from long-term loans payable	33,206	22,328	299,149
Repayments of long-term loans payable	(81,559)	(44,813)	(734,768)
Redemption of bonds	—	(10,000)	—
Purchase of treasury stock	(10,016)	(12)	(90,238)
Proceeds from sales of treasury stock	26,104	0	235,172
Cash dividends paid	(10,084)	(4,277)	(90,847)
Cash dividends paid to non-controlling shareholders	(2,365)	(1,648)	(21,302)
Other, net	(6,840)	130	(61,622)
Net cash provided by (used in) financing activities	(61,061)	(18,370)	(550,104)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(3,231)	953	(29,108)
<b>Net increase (decrease) in cash and cash equivalents</b>	36,154	19,952	325,716
<b>Cash and cash equivalents at the beginning of the year</b>	76,833	56,186	692,193
<b>Increase in cash and cash equivalents resulting from newly consolidated subsidiaries</b>	—	696	—
<b>Decrease in cash and cash equivalents resulting from change in scope of consolidation</b>	(153)	—	(1,377)
<b>Cash and cash equivalents at the end of the year</b> (Note 6)	¥ 112,835	¥ 76,833	\$ 1,016,532

See notes to financial statements.