



Consolidated Statements of Cash Flows

Showa Denko K.K. and Consolidated Subsidiaries

For the years ended December 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2019	2018	2019
Cash flows from operating activities			
Income before income taxes and non-controlling interests	¥ 97,883	¥ 145,509	\$ 893,415
Adjustments for:			
Depreciation and amortization	37,704	39,459	344,141
Impairment loss	15,662	22,573	142,956
Amortization of goodwill	98	—	894
Amortization of negative goodwill	—	(19)	—
Increase (decrease) in allowance for doubtful accounts	(700)	(2,134)	(6,390)
Increase (decrease) in provision for business restructuring	(494)	(704)	(4,511)
Increase (decrease) in provision for loss on guarantees	—	(2,640)	—
Increase (decrease) in net defined benefit liability	(11,757)	3,522	(107,308)
Interest and dividends income	(2,568)	(2,354)	(23,437)
Interest expenses	2,255	2,983	20,587
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(748)	(1,253)	(6,826)
Loss (gain) on sales and valuation of investment securities	(1,735)	1,062	(15,833)
Loss on retirement of non-current assets	5,070	4,851	46,279
Loss (gain) on sales of non-current assets	(615)	141	(5,614)
Decrease (increase) in notes and accounts receivable-trade	33,489	(29,583)	305,671
Decrease (increase) in inventories	(21,585)	(40,469)	(197,020)
Increase (decrease) in notes and accounts payable-trade	(21,898)	20,397	(199,870)
Other, net	(25,591)	6,162	(233,577)
Subtotal	104,472	167,506	953,558
Interest and dividends income received	3,431	4,005	31,312
Interest expenses paid	(2,326)	(4,269)	(21,233)
Income taxes (paid) refund	(27,022)	(17,457)	(246,646)
Net cash provided by (used in) operating activities	78,554	149,785	716,991
Cash flows from investing activities			
Payments into time deposits	(53)	(172)	(484)
Proceeds from withdrawal of time deposits	53	210	479
Purchase of property, plant and equipment	(40,708)	(41,269)	(371,559)
Proceeds from sales of property, plant and equipment	1,251	392	11,414
Purchase of investment securities	(864)	(703)	(7,888)
Proceeds from sales of investment securities	5,677	3,975	51,814
Purchase of investments in subsidiaries resulting in change in the scope of consolidation	(4,851)	—	(44,278)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	529	—	4,826
Net decrease (increase) in short-term loans receivable	450	197	4,108
Payments of long-term loans receivable	(558)	(2,950)	(5,097)
Collection of long-term loans receivable	289	672	2,636
Other, net	(9,369)	(9,690)	(85,513)
Net cash provided by (used in) investing activities	(48,156)	(49,338)	(439,542)
Cash flows from financing activities			
Net increase (decrease) in short-term debt	(29,545)	(9,507)	(269,669)
Proceeds from long-term loans payable	64,396	33,206	587,768
Repayments of long-term loans payable	(47,206)	(81,559)	(430,873)
Proceeds from share issuance of bonds	20,000	—	182,548
Purchase of treasury stock	(9)	(10,016)	(81)
Proceeds from sales of treasury stock	0	26,104	1
Cash dividends paid	(21,861)	(10,084)	(199,531)
Cash dividends paid to non-controlling shareholders	(1,329)	(2,365)	(12,133)
Other, net	(2,992)	(6,840)	(27,306)
Net cash provided by (used in) financing activities	(18,546)	(61,061)	(169,276)
Effect of exchange rate changes on cash and cash equivalents	(2,388)	(3,231)	(21,792)
Net increase (decrease) in cash and cash equivalents	9,464	36,154	86,381
Cash and cash equivalents at the beginning of the year	112,835	76,833	1,029,893
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	310	—	2,826
Decrease in cash and cash equivalents resulting from change in scope of consolidation	(875)	(153)	(7,982)
Cash and cash equivalents at the end of the year (Note 6)	¥ 121,734	¥ 112,835	\$ 1,111,118

See notes to financial statements.