

USHIO INC. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

	<b>Years ended March 31</b>		
	<b>2017</b>	2016	<b>2017</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
<b>Operating activities</b>			
Profit before income taxes	¥ 11,617	¥ 15,187	\$ 103,551
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation	6,587	6,495	58,717
Impairment loss	240	244	2,146
Increase in net defined benefit liability	77	227	694
Amortization of goodwill	1,321	1,003	11,777
Gain on bargain purchase	–	(579)	–
Increase in provision for environmental measures	–	236	–
Business structure improvement expenses	2,089	–	18,625
Interest and dividends income	(2,147)	(1,899)	(19,138)
Interest expenses	308	250	2,751
(Gain) loss on trading securities	(435)	341	(3,878)
Share of loss of entities accounted for using equity method	8	12	80
Gain on sales of investment securities	(2,761)	(253)	(24,616)
Loss on valuation of investment securities	10	–	90
(Increase) decrease in notes and accounts receivable – trade	(3,850)	501	(34,325)
Decrease (increase) in inventories	2,733	(8,108)	24,364
Decrease in notes and accounts payable – trade	(916)	(34)	(8,172)
Other	(1,023)	1,021	(9,118)
Subtotal	13,861	14,648	123,549
Interest and dividends received	2,129	1,982	18,981
Interest paid	(301)	(250)	(2,684)
Payment of business structure improvement expenses	(609)	–	(5,434)
Income taxes paid	(2,455)	(4,349)	(21,883)
Net cash provided by operating activities	12,624	12,031	112,529
<b>Investing activities</b>			
Payments into time deposits	(15,090)	(13,766)	(134,512)
Proceeds from withdrawal of time deposits	10,493	15,432	93,537
Payments of short-term loans receivable	(455)	(322)	(4,059)
Collection of short-term loans receivable	401	212	3,578
Purchase of securities	(3,197)	(3,940)	(28,499)
Proceeds from sales and redemption of securities	5,992	7,248	53,416
Purchase of property, plant and equipment	(8,828)	(7,903)	(78,694)
Proceeds from sales of property, plant and equipment	1,068	1,953	9,520
Purchase of intangible assets	(825)	(189)	(7,361)
Purchase of investment securities	(10,467)	(6,134)	(93,300)
Proceeds from sales and redemption of investment securities	6,164	671	54,947
Payments from purchases of shares in subsidiaries resulting in a change in scope of consolidation	(490)	(3,883)	(4,368)
Payments of long-term loans receivable	(20)	(13)	(178)
Collection of long-term loans receivable	0	221	1
Other	0	46	0
Net cash used in investing activities	(15,254)	(10,367)	(135,972)

USHIO INC. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

	<b>Years ended March 31</b>		
	<b>2017</b>	2016	<b>2017</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 2)</i>
<b>Financing activities</b>			
Net increase in short-term loans payable	<b>796</b>	66	<b>7,099</b>
Proceeds from long-term loans payable	<b>15,601</b>	1,212	<b>139,064</b>
Repayment of long-term loans payable	<b>(3,376)</b>	(1,373)	<b>(30,099)</b>
Purchase of treasury shares	<b>(1,201)</b>	(3,177)	<b>(10,710)</b>
Cash dividends paid	<b>(3,347)</b>	(3,133)	<b>(29,840)</b>
Cash dividends paid to non-controlling shareholders	<b>(15)</b>	(28)	<b>(134)</b>
Payments from purchases of shares in subsidiaries not resulting in a change in scope of consolidation	<b>(1,591)</b>	(1,415)	<b>(14,190)</b>
Net cash provided by (used in) financing activities	<b>6,864</b>	(7,849)	<b>61,190</b>
Effect of exchange rate changes on cash and cash equivalents	<b>(1,073)</b>	(2,991)	<b>(9,569)</b>
Net increase (decrease) in cash and cash equivalents	<b>3,161</b>	(9,176)	<b>28,177</b>
Cash and cash equivalents at beginning of year	<b>47,813</b>	56,989	<b>426,179</b>
Cash and cash equivalents at end of year <i>(Note 19)</i>	<b>¥ 50,974</b>	¥ 47,813	<b>\$ 454,356</b>

*See notes to consolidated financial statements.*