

Consolidated Statement of Cash Flows

Showa Shell Sekiyu K.K. and Consolidated Subsidiaries
Year ended 31 December 2006

Million Yen

	2006	2005
Cash flows from operating activities		
Net income before taxes	¥77,190	¥99,119
Depreciation	27,329	23,979
Impairment losses	2,462	1,894
Loss from disposal of fixed assets	3,869	1,663
Profit from sales of fixed assets	(5,119)	(1,824)
Valuation losses on investment securities	118	43
Change in provisions for doubtful debts	330	(473)
Change in provisions for directors' bonuses	62	—
Change in provisions for retirement benefits	(1,131)	(1,041)
Interest and dividend income	(665)	(520)
Interest expense	3,729	2,620
Change in accounts receivable	(14,923)	(69,675)
Change in inventories	(39,271)	(58,678)
Change in accounts payable	44,809	50,812
Others	(18,893)	16,781
Subtotal	79,896	64,700
Interests and dividends received	701	896
Interests paid	(3,912)	(2,986)
Corporate taxes paid	(47,373)	(36,803)
Cash flow from operating activities	29,312	25,806
Cash flows from investing activities		
Payments for purchase of fixed assets	(32,540)	(17,442)
Proceeds from sales of fixed assets	6,485	3,347
Payments for purchase of investment securities	(1,559)	(10,420)
Proceeds from sales of investment securities	1,064	471
Change in short-term loans	(919)	415
Payments for long-term loans	(97)	(117)
Proceeds from collection of long-term loans	67	12
Payments for additional acquisition of consolidated subsidiary shares	—	(949)
Others	(1,385)	(3,866)
Cash flow from investing activities	(28,883)	(28,548)
Cash flows from financing activities		
Change in short-term debts	13,053	(14,292)
Change in commercial papers	(18,000)	63,000
Proceeds from long-term debts	—	9,500
Repayments of long-term debts	(11,367)	(10,012)
Proceeds from bond issues	15,000	—
Payments for redemptions of bonds	—	(15,000)
Payments for purchase of treasury shares	(9)	(9)
Dividends paid	(12,412)	(13,133)
Dividend paid to minority interests	(349)	(101)
Others	373	775
Cash flow from financing activities	(13,712)	20,725
Change in cash and cash equivalents	(13,282)	17,982
Opening balance in cash and cash equivalents	29,354	8,313
Increase in cash and cash equivalents from newly consolidated subsidiaries	469	3,057
Increase in cash and cash equivalents due to merger of consolidated subsidiaries	—	1
Closing balance in cash and cash equivalents	¥16,541	¥29,354

Relation between cash and cash equivalents at year-end and cash in hand and at bank on the balance sheets

Million Yen

	2006	2005
Cash and deposits on the balance sheets	¥16,645	¥29,651
Time deposits exceeding three months	(104)	(296)
Cash and cash equivalents	¥16,541	¥29,354

Fractions below 1 million yen are rounded off.