

CONSOLIDATED STATEMENTS OF CASH FLOWS

Sawai Pharmaceutical Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2008
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	¥3,129	¥4,166	¥5,043	\$31,228
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	2,575	1,964	1,640	25,699
Loss due to impairment	—	297	27	—
Amortization of negative goodwill	(12)	(5)	—	(120)
Reserve for sales rebates for the previous period	207	—	—	2,066
Increase in reserve for sales rebates	57	—	—	569
Increase (decrease) in allowance for doubtful receivables	(24)	47	(6)	(240)
Increase in accrued bonuses to employees	106	134	101	1,058
Increase (decrease) in accrued bonuses to directors and corporate auditors	(3)	48	—	(30)
Increase in reserve for loss on sales returns	77	24	13	768
Increase (decrease) in employees' retirement benefits	(17)	0	(595)	(170)
Increase in retirement benefits to directors and corporate auditors	6	19	11	60
Interest and dividend income	(17)	(17)	(10)	(170)
Interest expense	192	116	68	1,916
Gain on transfer of products' distributorship	—	(109)	—	—
Loss on devaluation of investments in securities	50	—	—	499
Loss on disposal of buildings and structures	25	62	36	250
Decrease (increase) in trade notes and accounts receivable	1,271	(4,156)	(1,867)	12,685
Decrease (increase) in inventories	267	(3,931)	(2,589)	2,665
Increase (decrease) in trade notes and accounts payable	2,420	(501)	1,039	24,152
Increase (decrease) in long-term prepaid expenses	(35)	55	4	(349)
Increase (decrease) in other accounts payable	838	442	(509)	8,363
Payment of bonuses to directors and corporate auditors	—	(46)	(30)	—
Gain on fixed assets received	—	—	(675)	—
Loss on transfer of shareholders' interest	—	—	63	—
Other	226	(81)	222	2,255
Sub total	11,338	(1,472)	1,986	113,154
Interest and dividends received	17	17	9	170
Interest paid	(189)	(117)	(62)	(1,886)
Income taxes paid	(1,617)	(2,798)	(49)	(16,138)
Net cash provided by (used in) operating activities	9,549	(4,370)	1,884	95,300
Cash Flows from Investing Activities:				
Payments for purchase of securities	(2)	(159)	(74)	(20)
Proceeds from sale of securities	7	61	379	70
Payments for purchase of property, plant and equipment	(6,286)	(9,719)	(2,515)	(62,735)
Payments for purchase of intangible assets	(281)	(158)	(754)	(2,804)
Proceeds from sale of real estate in trust beneficial interest	—	—	712	—
Proceeds from transfer of product's approval	—	—	100	—
Payments for long-term loan	—	—	(180)	—
Proceeds from collection of long-term loan	20	20	6	200
Payments for purchase of subsidiary's securities with change in scope of the consolidation	—	(255)	—	—
Payment for additional acquisition of subsidiary's securities	(21)	(343)	—	(210)
Other	1	2	13	10
Net cash used in investing activities	(6,562)	(10,551)	(2,313)	(65,489)
Cash Flows from Financing Activities:				
Net increase in bank loans	(2,000)	1,700	(1,170)	(19,960)
Proceeds from long-term debt	1,150	8,000	4,500	11,477
Repayment of long-term debt	(3,168)	(2,314)	(1,989)	(31,617)
Proceeds from issuance of stock	—	8,959	—	—
Payments for purchase of treasury stock	0	(1)	—	0
Proceeds from payment of minority shareholders	—	—	1,227	—
Cash dividends paid	(864)	(887)	(546)	(8,623)
Cash dividends paid to minority shareholders	(78)	(8)	—	(778)
Other	2	—	—	20
Net cash provided by financing activities	(4,958)	15,449	2,022	(49,481)
Net increase in cash and cash equivalents	(1,971)	528	1,593	(19,670)
Cash and cash equivalents at beginning of year	7,360	6,832	5,239	73,453
Cash and cash equivalents at end of year	¥5,389	¥7,360	¥6,832	\$53,783

The accompanying notes to the consolidated financial statements are an integral part of these statements.