

**Solution:**

To prepare the statement using direct method, we need to show the operating activities' cash flows directly and not provide a schedule that reconciles the net income to the operating activities. The financial as well as investing activities remains similar. So, the statement is prepared below:

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**STATEMENT OF CASH FLOW**  
**(Amount in millions of ¥)**

**Name: Hiramatsu Exports, Inc.**  
**For: Fiscal 2010**

Particulars	Amount
<b>CASH PROVIDED (USED) BY OPERATIONS</b>	
Cash Sales to Customers	2,515
Less: Payment on Trade Accounts Payable	(1,758)
Less: Salary & Wages Paid	(305)
Less: Other Operating Expense	(94)
Interest Received (Paid)	(26)
Income Taxes Paid	(108)
<b>Net Cash Provided (used) by Operations</b>	<b>224</b>
<b>CASH PROVIDED (USED) BY INVESTMENTS</b>	
Purchase of New Warehouse	(540)
Sales of Old Equipment	47
<b>Net Cash Provided (used) by Investments</b>	<b>(493)</b>
<b>CASH PROVIDED (USED) BY FINANCIAL ACTIVITIES</b>	
Issuance of Common Stock	28
Retirement of Long-Term Debt	(21)
Dividends Paid to Shareholders	(98)
<b>Net Cash Provided (used) by Financial Activities</b>	<b>(91)</b>
<b>Net Cash Provided (used) by (Operations + Financial + Investment) activities</b>	<b>(360)</b>
Cash and Equivalents as of January 1, 2010	369
<b>Cash and Equivalents as of December 31, 2010</b>	<b>9</b>

The original cash balance on January 1, 2010 was ¥369 million hence.