

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:

STATEMENT OF CASH FLOW
(Amount in millions of ¥)

Name: Hiramatsu Exports, Inc.
For: Fiscal 2010

Particulars	Amount
CASH PROVIDED (USED) BY OPERATIONS	
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)
Net Cash Provided (used) by Operations	224
CASH PROVIDED (USED) BY INVESTMENTS	
Purchase of New Warehouse	(540)
Sales of Old Equipment	47
Net Cash Provided (used) by Investments	(493)
CASH PROVIDED (USED) BY FINANCIAL ACTIVITIES	
Issuance of Common Stock	28
Retirement of Long-Term Debt	(21)
Dividends Paid to Shareholders	(98)
Net Cash Provided (used) by Financial Activities	(91)
Net Cash Provided (used) by (Operations + Financial + Investment) activities	(360)
Cash and Equivalents as of January 1, 2010	369
Cash and Equivalents as of December 31, 2010	9

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