

Consolidated Statements of Cash Flows

THE SEIYU, LTD. AND SUBSIDIARIES

For the periods ended December 31, 2004 and 2003, and February 28, 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Year ended December 31, 2004	Period from March 1 to December 31, 2003	Year ended February 28, 2003	Year ended December 31, 2004
Cash flows from operating activities:				
Loss before income taxes	¥ (3,780)	¥ (4,363)	¥(81,792)	\$ (36,273)
Adjustments for:				
Depreciation and amortization	19,710	15,840	20,870	189,137
Decrease in allowance for doubtful accounts	534	31	9,650	5,124
Increase (decrease) in accrued employees' severance indemnities	4,385	2,591	(6,827)	42,078
Decrease in accrued bonuses to employees	(59)	(246)	—	(566)
Interest and dividend income	(769)	(896)	(1,349)	(7,379)
Interest expense	10,380	8,507	9,347	99,607
Equity in (earnings) loss of unconsolidated subsidiaries and affiliates	(204)	195	(381)	(1,958)
Gain on sale of investments in securities	(5,746)	(3,123)	(411)	(55,139)
Loss on sale of investment in securities	43	40	238	413
Loss on write-down of securities	522	500	40,415	5,009
Losses on restructuring	—	—	38,088	—
Loss on disposal/sale of property and equipment, net	1,567	2,560	3,875	15,037
(Increase) decrease in notes and trade receivables	(2,532)	(13,278)	407	(24,297)
(Increase) decrease in inventories	(2,168)	(7,826)	4,290	(20,804)
Decrease in finance receivables	—	—	2,313	—
(Decrease) increase in payables	(10,805)	56,129	(9,743)	(103,685)
Other, net	(4,459)	6,479	3,414	(42,788)
Sub total	6,619	63,140	32,404	63,516
Interest and dividend received	768	1,031	1,632	7,370
Interest paid	(10,380)	(8,854)	(8,567)	(99,607)
Income tax paid	(1,261)	(2,318)	(1,255)	(12,100)
Net cash (used for) provided by operating activities	(4,254)	52,999	24,214	(40,821)
Cash flows from investing activities:				
(Increase) decrease in time deposits, net	(1,316)	(439)	2,367	(12,628)
Purchase of marketable securities	—	—	(485)	—
Proceeds from sale of marketable securities	—	43	50	—
Purchase of property and equipment	(19,399)	(32,153)	(34,172)	(186,153)
Proceeds from sale of property and equipment	4,171	1,190	4,511	40,025
Purchase of investment securities	(3,142)	(1,024)	(1,634)	(30,151)

... Consolidated Statements of Cash Flows, continued

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Year ended December 31, 2004	Period from March 1 to December 31, 2003	Year ended February 28, 2003	Year ended December 31, 2004
Proceeds from sale of investment securities	17,903	8,447	1,708	171,797
Proceeds from sales of subsidiaries' stock resulting in changes in the scope of consolidation	(188)	(4,033)	—	(1,804)
Payment for restructuring	—	—	(21,011)	—
Payment for long-term loan receivables	(770)	(578)	(1,455)	(7,389)
Payment for short-term loan receivables	(2,410)	—	(3,429)	(23,126)
Proceeds from long-term loan receivables	8,276	2,791	4,337	79,417
Payment for leasehold deposits	(323)	(1,944)	(792)	(3,100)
Proceeds from leasehold deposits	1,138	1,562	2,122	10,920
Other, net	(12,578)	(5,226)	(5,900)	(120,698)
Net cash used for investing activities	(8,638)	(31,364)	(53,783)	(82,890)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings and commercial paper, net	4,337	17,086	(210,281)	41,618
Payment for long-term debt	(54,417)	(83,009)	(182,385)	(522,186)
Proceeds from long-term debt	50,665	52,039	402,059	486,182
Proceeds from issuance of new shares of common stock	4,551	7,735	63,091	43,671
Cash dividends to minority shareholders in consolidated subsidiaries ..	—	(62)	(80)	—
Other, net	(27)	305	(129)	(259)
Net cash provided by (used for) financing activities	5,109	(5,906)	72,275	49,026
Effect of exchange rate changes on cash and cash equivalents	172	(359)	(289)	1,650
Net (decrease) increase in cash and cash equivalents	(7,611)	15,370	42,417	(73,035)
Cash and cash equivalents at beginning of period	95,858	80,571	38,167	919,854
Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation	—	(83)	(13)	—
Cash and cash equivalents at end of period (Notes 3 and 4)	¥ 88,247	¥ 95,858	¥ 80,571	\$ 846,819

See accompanying notes to the consolidated financial statements.