

CONSOLIDATED STATEMENTS OF CASH FLOWS

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the years ended February 28, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Cash flows from operating activities:			
Income before income taxes and minority interests.....	¥ 243,060	¥ 178,518	\$ 2,059,831
Depreciation and amortization.....	132,693	97,811	1,124,517
Impairment loss on property and equipment.....	14,199	31,040	120,331
Decrease in allowance for bonuses to employees.....	(449)	(1,047)	(3,805)
Decrease in allowance for accrued pension and severance costs.....	(159)	(7,540)	(1,348)
Increase in prepaid pension cost.....	(5,232)	—	(44,339)
Interest and dividend income.....	(4,583)	(3,058)	(38,839)
Interest expenses.....	11,174	6,363	94,695
Foreign currency exchange losses (gains).....	419	(2,717)	3,551
Gain on sales of subsidiary's common stock.....	—	(947)	—
Equity in earnings of affiliates.....	(1,321)	(1,993)	(11,195)
Gain on sales of property and equipment.....	(2,793)	(1,843)	(23,669)
Loss on disposals of property and equipment.....	18,782	8,185	159,169
Increase in notes and accounts receivable, trade.....	(17,030)	(16,478)	(144,322)
Increase in notes and accounts receivable, financial services.....	(36,669)	(4,722)	(310,755)
Increase in inventories.....	(2,870)	(3,255)	(24,322)
Increase (decrease) in notes and accounts payable.....	2,718	(21,291)	23,034
Proceeds from debts in banking business.....	64,000	21,000	542,373
Net increase in deposits received in banking business.....	9,921	29,873	84,076
Net increase in call loan in banking business.....	(131,300)	—	(1,112,712)
Net decrease in call money in banking business.....	—	(25,000)	—
Other.....	20,592	34,493	174,508
Sub-total.....	315,152	317,392	2,670,779
Interest and dividends received.....	3,605	2,384	30,551
Interest paid.....	(10,167)	(6,015)	(86,161)
Income taxes paid.....	(151,381)	(96,435)	(1,282,890)
Net cash provided by operating activities.....	157,209	217,326	1,332,279
Cash flows from investing activities:			
Acquisition of property and equipment.....	(220,541)	(146,180)	(1,868,992)
Proceeds from sales of property and equipment.....	9,907	4,703	83,958
Acquisition of intangible assets.....	(18,848)	(13,695)	(159,729)
Payment for purchase of investments in securities.....	(159,372)	(101,808)	(1,350,610)
Proceeds from sales and maturity of investments in securities.....	147,518	69,727	1,250,153
Acquisition of investments in subsidiaries.....	(24,667)	(133,451)	(209,042)
Proceeds from sales of investments in subsidiary.....	6,094	4,346	51,644
Acquisition of investments in newly consolidated subsidiaries.....	(6,195)	(74,709)	(52,500)
Proceeds from acquisition of investments in newly consolidated subsidiaries..	20,687	—	175,314
Payment of loans receivable.....	(51,316)	(3,561)	(434,882)
Collection of loans receivable.....	51,327	1,099	434,974
Payment for long-term leasehold deposits and advances for store construction.....	(24,934)	(24,412)	(211,305)
Refund of long-term leasehold deposits.....	30,449	29,776	258,042
Proceeds from deposits from tenants.....	7,483	6,668	63,415
Refund of deposits from tenants.....	(4,611)	(4,483)	(39,076)
Other.....	1,036	(2,100)	8,780
Net cash used in investing activities.....	(235,983)	(388,080)	(1,999,856)
Cash flows from financing activities:			
Increase (decrease) in short-term loans.....	63,945	(2,471)	541,907
Proceeds from long-term debt.....	227,695	41,500	1,929,619
Repayment of long-term debt.....	(215,317)	(12,533)	(1,824,720)
Proceeds from commercial paper.....	680,261	554,046	5,764,924
Payment for redemption of commercial paper.....	(683,990)	(544,532)	(5,796,526)
Payment for redemption of bonds.....	(300)	(20,000)	(2,542)
Dividends paid for minority interests.....	(48,881)	(16,045)	(414,246)
Payment in relation to stock transfer.....	—	(14,400)	—
Capital contribution from minority interests.....	6,191	941	52,466
Purchase of treasury stock.....	(128)	(127,102)	(1,085)
Proceeds from sale of treasury stock.....	10,184	238,222	86,305
Other.....	(2,419)	5,467	(20,500)
Net cash provided by financing activities.....	37,241	103,093	315,602
Effect of exchange rate changes on cash and cash equivalents.....	790	(4,562)	6,695
Net decrease in cash and cash equivalents.....	(40,743)	(72,223)	(345,280)
Cash and cash equivalents at beginning of year.....	610,877	683,100	5,176,924
Cash and cash equivalents at end of year.....	¥ 570,134	¥ 610,877	\$ 4,831,644

The accompanying notes are an integral part of these statements.