

# Flash Report for the Year Ended March 31, 2008 (Consolidated)

April 28, 2008

Name of the listed company: **JFE Shoji Holdings, Inc.**

Code No.: 3332 Stock exchange: Tokyo Stock Exchange and Osaka Securities Exchange (1<sup>st</sup> section)

URL: <http://www.jfe-shoji-hd.co.jp>

Representative: Mikio Fukushima, President and CEO

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Scheduled date for annual general meeting of shareholders: June 27, 2008

Date for initiation of dividend payments (subject to change): June 30, 2008

Scheduled date for submission of Securities Report: June 27, 2008

\* All amounts are rounded down to the nearest million yen.

## 1. Consolidated Results for the Year Ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(1) Operating results (¥ million)

	Net sales		Operating income		Recurring profit		Net income	
Year ended March 31, 2008	¥2,404,659	8.5%	¥37,443	15.3%	¥39,235	11.5%	¥23,426	33.9%
Year ended March 31, 2007	2,215,349	8.5	32,486	4.2	35,193	5.5	17,495	(4.3)

	Earnings per share (¥)		Return on equity	Recurring profit to total assets	Operating income to net sales
	Basic	Diluted			
Year ended March 31, 2008	¥97.35	¥—	22.2%	6.1%	1.6%
Year ended March 31, 2007	72.42	—	19.0	5.7	1.5

Notes: 1. Percentage figures for net sales, operating income, recurring profit and net income represent year-on-year comparisons.

2. Earnings from investments in equity-method affiliates

Year ended March 31, 2008: ¥1,681 million Year ended March 31, 2007: ¥2,473 million

(2) Financial position (¥ million)

	Total assets	Net assets	Equity ratio	Net assets per share (¥)
As of March 31, 2008	¥656,379	¥117,244	17.0%	¥369.08
As of March 31, 2007	626,785	105,475	16.0	308.82

Note: Owners' equity

As of March 31, 2008: ¥111,225 million As of March 31, 2007: ¥100,181 million

(3) Cash flows (¥ million)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Year ended March 31, 2008	¥ 8,832	¥(5,560)	¥ (6,785)	¥26,281
Year ended March 31, 2007	39,864	(2,745)	(34,304)	30,003

## 2. Dividends

	Annual dividends per share (¥)			Total dividends (full term) (¥ million)	Payout ratio (consolidated)	Dividends as a percentage of net assets (consolidated)
	Interim	Year-end	Annual			
Ordinary share:						
Year ended March 31, 2008	¥0.00	¥10.00	¥10.00	¥2,366	10.3%	3.0%
Year ended March 31, 2007	0.00	7.00	7.00	1,656	9.7	2.6
Year ending March 31, 2009 (forecast)	5.00	5.00	10.00	—	9.6	—
Type A preferred share:						
Year ended March 31, 2008	¥0.00	¥9.05	¥0.95	¥427		
Year ended March 31, 2007	0.00	6.71	6.71	360		
Year ending March 31, 2009 (forecast)	*	*	*	*		

Notes: Number of Type A preferred shares issued at the end of the year

As of March 31, 2008: 47,224,743 shares As of March 31, 2007: 53,714,068 shares

\* Not yet decided

### 3. Business Performance Forecasts for the Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(¥ million)

	Net sales		Operating income		Recurring profit		Net income		Earnings per share (¥)
First-half period	¥1,290,000	8.2%	¥19,000	9.0%	¥19,000	(3.7)%	¥10,500	(10.5)%	¥ 44.45
Full term	2,740,000	13.9	43,500	16.2	43,000	9.6	24,500	4.6	103.71

Notes: 1. Percentage figures represent year-on-year comparisons.

2. Earnings per share forecast for the current term above was made without taking into account dividends to holders of Type A preferred shares, as the dividend amounts have not been decided yet.

The above forecasts are based on data available as of the date of release of this document as well as assumptions based on uncertain factors, which might have a material effect on the Company's performance in the future. Readers are advised that actual results may differ substantially from the above forecasts due to various unforeseeable factors.

### 4. Others

(1) Changes in the scope of consolidation

Inclusion: none

Exclusion: none

(2) Changes in significant accounting policies

Changes in accounting standard: applicable

Other: none

(3) Number of ordinary shares issued at the end of the year

As of March 31, 2008: 236,777,704 shares As of March 31, 2007: 236,777,704 shares

Number of shares in treasury at the end of the year

As of March 31, 2008: 557,613 shares As of March 31, 2007: 517,420 shares

### 5. Non-Consolidated Results for the Year Ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(1) Operating results

(¥ million)

	Net sales		Operating income		Recurring profit	
Year ended March 31, 2008	¥13,607	8.4%	¥12,942	8.6%	¥13,055	9.3%
Year ended March 31, 2007	12,554	47.9	11,914	52.4	11,947	52.1

  

	Net income		Earnings per share (¥)	
			Basic	Diluted
Year ended March 31, 2008	¥12,970	52.5%	¥53.00	¥—
Year ended March 31, 2007	8,506	9.1	34.41	—

Note: Percentage figures represent year-on-year comparisons.

(2) Financial position

(¥ million)

	Total assets	Net assets	Equity ratio	Net assets per share (¥)
As of March 31, 2008	¥60,786	¥60,683	99.8%	¥154.86
As of March 31, 2007	53,077	53,006	99.9	108.97

Note: Owners' equity

As of March 31, 2008: ¥60,683 million As of March 31, 2007: ¥53,006 million

# Operating Results

## 1. Analysis of Business Performance

### Operating environment

The Japanese economy in the reporting term saw slack internal demand as a result of the impact of the U.S. subprime loan crisis, continued high raw materials prices, and a decline in housing investment caused by the enforcement of stricter construction standards. However, weak domestic demand was more than offset by increased exports to fast-growing countries on the Asian mainland, notably China. As a result, the Japanese economy recorded moderate growth.

In the steel industry, which is the principal business arena for the JFE Shoji Group, slack demand for steel in Japan — due to a decrease in the number of housing construction starts — was counterbalanced by increased export demand, mainly from the manufacturing sector, notably the automotive, shipbuilding, and industrial machinery industries. Within this export demand, particularly strong exports were seen of high-quality steel, mainly to East Asian countries. Against this backdrop, Japan's total crude steel production hit an all-time record of 120.2 million metric tonnes.

### Business performance (consolidated basis)

Business performance for fiscal 2007, on a consolidated basis, was as follows.

#### *Breakdown of Business Performance by Segment*

In the steel business, the staff of the JFE Group's core trading company JFE Shoji Trade Corporation (JSTC) worked to expand sales volume and improve earnings. Both domestic and overseas JFE Shoji Group companies invested actively in plant and equipment, and took steps to reorganize their business operations through rationalization and amalgamation. Measures were also implemented to improve earnings by expanding the Group's steel sales volume and the number of its steel processing facilities.

In domestic operations, in the thick steel plate processing business we established Kitakanto Steel Inc. as a joint venture with Marubeni-Itochu Steel Inc. to meet demand from the construction industry and help secure a stable earnings base. To strengthen our capability in thick sheet steel processing, we established JFE Shoji Ibaraki Tech Co., Ltd. and decided to make capital investments in Tochigi Shearing Co., Ltd. To bolster the Group's marketing strength in thin steel plates for construction use in the Eastern Japan region, we concentrated responsibility for logistics operations with respect to these products in the hands of JFE Shoji Construction Materials Sales Corporation.

Overseas, we made further capital investments for new equipment at our existing coil centers, particularly those in China and Mexico, and set up JFE Shoji Trade India DVT. LDT. to expand the Group's sales in the Indian market.

In the procurement of raw materials, we continued our efforts to expand our range of sources of superior-grade iron ore and coking coal so as to improve the long-term reliability of our resources supply system. Responding to steelmakers' increased production levels and their stepped up focus on reducing carbon dioxide emissions, we invested considerable time and effort in expanding our steel scrap business.

In the materials and equipment field, in line with the expanded production capacity of the steelmakers in the JFE Group, we strengthened collaboration with machinery manufacturers in Japan and overseas to expand the scale of our transactions in machinery, including parts.

As a result of these activities, the JFE Shoji Group's steel and steel-peripheral businesses recorded combined sales of ¥2,346,939 million, for a year-on-year increase of ¥182,559 million. Operating income rose ¥4,782 million to ¥36,937 million.

In the Food business, we continued working to expand sales of Geisha brand canned food products, particularly in the Middle East and West Africa. During the reporting period we also increased our trading volume in Prime Draft, a "third-category beer" made by a Korean brewer with which we have a business agreement. As a result of our efforts, sales of this business rose ¥4,136 million over the previous year, to ¥41,427 million, but operating income posted a decrease of ¥153 million to ¥279 million due to a lower volume of seafood and Chinese food products handled.

In recent years, the level of consumer concern over food safety has been rising significantly. Our subsidiary Kawasho Foods Corporation procures food products from suppliers on which it makes rigorous assessment of safety and hygiene management systems. The subsidiary is currently taking steps to further reinforce its product quality control system.

In the semiconductor business, we synchronized our sales strategy with that of Kawasaki Microelectronics of the JFE Group in our main-earner field of ASICs products, with the aim of increasing our sales in the Japanese market and our transactions with Japanese-owned companies operating in other East Asian countries.

In addition, we developed a monitor camera incorporating U.S.-made semiconductors, and made efforts to acquire new customers. As a result, the semiconductor business recorded sales of ¥15,206 million, up ¥2,209 million year-on-year, and operating income of ¥322 million, up ¥188 million.

In the Real Estate business, to facilitate the early sale of landholdings in the Otsuno Hills development at Tsuchiura New Town in Tsuchiura City, Ibaraki Prefecture, our subsidiary Kawasho Real Estate Corporation strengthened its collaboration with housing construction companies and took part in campaigns to persuade companies to set up facilities there. As a result of this, sales of the real estate business rose ¥406 million over the previous term, to ¥1,085 million, while the operating loss posted for the business recorded an improvement of ¥127 million, to ¥138 million.

*Business Performance of JFE Shoji Holdings on a Nonconsolidated Basis*

The Company received ¥707 million in management fees from its four consolidated operating subsidiaries, as well as ¥12,900 million in dividends from JFE Shoji Trade Corporation (JSTC). As a result, operating income came to ¥12,942 million, ordinary income to ¥13,055 million, and net income to ¥12,970 million, all on a nonconsolidated basis.

*Results of Operations (consolidated)*

Sales posted an increase of ¥189,310 million over the previous year, to ¥2,404,659 million, operating income was up by ¥4,957 million at ¥37,443 million, and ordinary income rose ¥4,042 million to ¥39,235 million.

Extraordinary gains of ¥1,684 million were recognized on the sale of property and equipment, but this was almost completely offset by extraordinary losses from impairment losses on property and equipment in the amount of ¥742 million. As a result, net income for the reporting term came to ¥23,426 million, for a year-on-year increase of ¥5,931 million.

In recognition of their stable earnings and sound financial position, JFE Shoji Holdings, Inc. and its subsidiary JSTC have received ratings of A+ for their long-term preferred debt securities from the Japan Credit Rating Agency, Ltd. (JCR). In addition, JSTC's commercial paper was rated at J-1. JSTC has already taken advantage of this rating to raise funds through the issuance of commercial paper, helping to lower its overall fund procurement costs.

## 2. Analysis of Financial Condition

### Cash Flows

Net cash provided by operating activities for the reporting period decreased to ¥8,832 million. This is mainly attributable to an increase in trade receivables accompanying a growth in the volume of the Group's transactions, despite high profitability thanks to strong demand for steel products.

Net cash used in investing activities totaled ¥5,560 million. Although further sales of idle real estate assets were made, active investment was seen in the expansion of capacity at steel product processing centers both in Japan and overseas, as well as in the establishment of new processing subsidiaries.

Net cash used in financing activities amounted to ¥6,785 million, owing to expenditures for the redemption of preferred shares, and the repayment of interest-bearing debt to reduce the outstanding debt burden.

As a result of the above, cash and cash equivalents as of the reporting term-end stood at ¥26,281 million.

### Major financial indicators

	FY2004	FY2005	FY2006	FY2007
Equity ratio	10.3%	14.0%	16.0%	17.0%
Equity ratio (mark-to-market basis)	20.9%	24.6%	22.2%	25.1%
Debt redemption ratio	7.1	5.2	2.5	10.9
Interest coverage ratio	7.2	8.5	12.9	2.8

Note: Calculated using consolidated financial figures

Equity ratio: Owners' equity (net assets – minority interests) / Total assets

Equity ratio (mark-to-market basis): Market capitalization <sup>\*1</sup> / Total assets

Debt redemption ratio: Interest-bearing liabilities <sup>\*2</sup> / Cash flows from operating activities <sup>\*3</sup>

Interest coverage ratio: Cash flows from operating activities <sup>\*3</sup> / Interest expenses <sup>\*4</sup>

\*1. Share price at the end of the fiscal year x the number of shares issued and outstanding at end of fiscal year

\*2. Total borrowings

\*3. Cash flows from operating activities appearing in the consolidated statement of cash flows

\*4. Interest expenses registered on the consolidated statement of cash flows

## 3. Basic Policy on Distribution of Retained Earnings, and Dividends for the Reporting and Current Terms

Basic policy on distribution of retained earnings, and dividends for the reporting and current terms

The Company's dividend policy makes dividend payments to shareholders a priority, while giving full consideration to the Company's earnings trends, as well as the need to retain sufficient earnings to strengthen the business foundation of the Group as a whole and redeem preferred shares.

Accordingly, in view of the Company's strong business results, we decided to increase dividends paid to holders of ordinary shares of common stock by ¥3 yen per share to ¥10 yen per share. The dividend for Class A preferred shares was determined according to the stipulations in the Company's Articles of Incorporation as ¥9.5 per share (par value of ¥500 multiplied by 1.809%, that is, the Japan Bankers' Association TIBOR rate +1.0%).

In preparation for requests by holders of Class A preferred shares to have their shares redeemed, the Company plans to make a provision for the redemption of Class A preferred shares in the amount of ¥5,088,488,500.

Regarding dividend payments for the current term, we are considering instituting payment of an interim dividend. At this time, we anticipate both interim and term-end dividends of ¥5 per ordinary share of common stock, for a total full-term dividend of ¥10 per share.

## Consolidated Balance Sheets

As of March 31	Millions of yen		
	2008	2007	Change
<b>Assets</b>			
Current assets:			
Cash and deposits	¥ 26,645	¥ 30,346	¥ (3,701)
Trade notes and accounts receivable	403,307	368,155	35,152
Inventories	81,207	82,480	(1,273)
Other current assets	39,980	38,402	1,578
Allowance for doubtful receivables	(2,328)	(3,958)	1,630
<b>Total current assets</b>	<b>548,812</b>	<b>515,426</b>	<b>33,386</b>
Non-current assets:			
Tangible fixed assets:			
Buildings and structures	10,985	10,937	48
Machinery, equipment and vehicles	8,278	6,809	1,469
Land	18,170	17,734	436
Other	1,559	1,385	174
<b>Total tangible fixed assets</b>	<b>38,994</b>	<b>36,866</b>	<b>2,128</b>
Intangible assets	8,049	7,008	1,041
Investments and other assets:			
Investments in securities	46,150	56,412	(10,262)
Other	22,787	21,237	1,550
Allowance for doubtful receivables	(8,414)	(10,166)	1,752
<b>Total investments and other assets</b>	<b>60,523</b>	<b>67,484</b>	<b>(6,961)</b>
<b>Total non-current assets</b>	<b>107,567</b>	<b>111,359</b>	<b>(3,792)</b>
<b>Total assets</b>	<b>¥656,379</b>	<b>¥626,785</b>	<b>¥29,594</b>

Note: Amounts under one million yen are omitted.

As of March 31	Millions of yen		
	2008	2007	Change
<b>Liabilities</b>			
Current liabilities:			
Trade notes and accounts payable	<b>¥399,316</b>	¥388,893	¥10,423
Short-term borrowings	<b>67,158</b>	75,660	(8,502)
Accrued income taxes	<b>9,030</b>	6,294	2,736
Other reserve	<b>9</b>	—	9
Commercial paper	<b>6,997</b>	—	6,997
Other current liabilities	<b>28,030</b>	19,148	8,882
Total current liabilities	<b>510,542</b>	489,997	20,545
Non-current liabilities:			
Long-term debt	<b>22,270</b>	22,205	65
Accrued retirement benefits	<b>3,565</b>	3,694	(129)
Accrued directors' retirement benefits	<b>558</b>	—	558
Other reserve	<b>20</b>	—	20
Other	<b>2,177</b>	5,412	(3,235)
Total non-current liabilities	<b>28,592</b>	31,312	(2,720)
Total liabilities	<b>539,135</b>	521,310	17,825
<b>Net assets</b>			
Shareholders' equity:			
Share capital	<b>20,000</b>	20,000	—
Capital surplus	<b>17,428</b>	17,428	—
Retained earnings	<b>73,126</b>	54,961	18,165
Treasury stock	<b>(317)</b>	(286)	(31)
Total shareholders' equity	<b>110,237</b>	92,103	18,134
Valuation and translation adjustments:			
Net unrealized holding gain on securities	<b>4,920</b>	11,787	(6,867)
Net unrealized deferred gain (loss) on hedges	<b>(69)</b>	1	(70)
Land revaluation reserve	<b>(410)</b>	(410)	(0)
Translation adjustments	<b>(3,452)</b>	(3,301)	(151)
Total valuation and translation adjustments	<b>987</b>	8,077	(7,090)
Minority interests	<b>6,019</b>	5,293	726
Total net assets	<b>117,244</b>	105,475	11,769
Total liabilities and net assets	<b>¥656,379</b>	¥626,785	¥29,594

## Consolidated Statements of Income

Years ended March 31	Millions of yen					Change
	2008		2007			
	Amount	Ratio to net sales	Amount	Ratio to net sales		
Net sales	<b>¥2,404,659</b>	<b>100.0%</b>	¥2,215,349	100.0%	¥189,310	
Cost of sales	<b>2,313,340</b>	<b>96.2</b>	2,131,290	96.2	182,050	
Gross profit	<b>91,318</b>	<b>3.8</b>	84,058	3.8	7,260	
Selling, general and administrative expenses	<b>53,874</b>	<b>2.2</b>	51,571	2.3	2,303	
Operating income	<b>37,443</b>	<b>1.6</b>	32,486	1.5	4,957	
Non-operating income:						
Interest income	<b>1,238</b>		1,166		72	
Dividend received	<b>1,103</b>		1,177		(74)	
Equity in earnings of unconsolidated subsidiaries and affiliates	<b>1,681</b>		2,473		(792)	
Other	<b>3,235</b>		2,711		524	
Total non-operating income	<b>7,259</b>	<b>0.3</b>	7,529	0.3	(270)	
Non-operating expenses:						
Interest expense	<b>3,171</b>		2,879		292	
Loss on sale of trade note and accounts receivable	<b>819</b>		636		183	
Other	<b>1,475</b>		1,305		170	
Total non-operating expenses	<b>5,467</b>	<b>0.2</b>	4,822	0.2	645	
Recurring profit	<b>39,235</b>	<b>1.7</b>	35,193	1.6	4,042	
Extraordinary income:						
Reversal of allowance for doubtful receivables	<b>949</b>		—		949	
Gain on sale of tangible fixed assets	<b>735</b>		852		(117)	
Total extraordinary income	<b>1,684</b>	<b>0.0</b>	852	0.0	832	
Extraordinary losses:						
Loss on impairment of fixed assets	<b>533</b>		393		140	
Provision for directors' retirement benefits	<b>209</b>		—		209	
Loss on devaluation of real estate for sale	<b>—</b>		2,905		(2,905)	
Loss on liquidation of consolidated subsidiaries and affiliates	<b>—</b>		1,357		(1,357)	
Loss on sale of tangible fixed assets	<b>—</b>		574		(574)	
Loss on sale of shares of consolidated subsidiaries and affiliates	<b>—</b>		382		(382)	
Total extraordinary losses	<b>742</b>	<b>0.0</b>	5,612	0.2	(4,870)	
Income before income taxes and minority interests	<b>40,177</b>	<b>1.7</b>	30,433	1.4	9,744	
Income taxes – current	<b>14,849</b>		10,241		4,608	
Income taxes – deferred	<b>972</b>		1,937		(965)	
Minority interests	<b>929</b>	<b>0.0</b>	758	0.0	171	
Net income	<b>¥ 23,426</b>	<b>1.0</b>	¥ 17,495	0.8	¥ 5,931	

Note: Amounts under one million yen are omitted.

## Consolidated Statements of Changes in Net Assets

Year ended March 31, 2008	Millions of yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	¥20,000	¥17,428	¥54,961	¥ (286)	¥ 92,103
Changes during year:					
Cash dividends			(2,017)		(2,017)
Net income			23,426		23,426
Purchases of treasury stock				(3,276)	(3,276)
Retirement of treasury stock		(3,244)		3,244	—
Transfer		3,244	(3,244)		—
Reversal of land revaluation reserve			0		0
Net changes in items other than shareholders' equity					
Total changes during year	—	—	18,165	(31)	18,133
Balance at March 31, 2008	¥20,000	¥17,428	¥73,126	¥ (317)	¥110,237

Year ended March 31, 2008	Valuation and translation adjustments						
	Net unrealized holding gain on securities	Net unrealized gain (loss) on hedges	Land revaluation reserve	Translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	¥11,787	¥ 1	¥(410)	¥(3,301)	¥8,077	¥5,293	¥105,475
Changes during year:							
Cash dividends							(2,017)
Net income							23,426
Purchases of treasury stock							(3,276)
Retirement of treasury stock							—
Transfer							—
Reversal of land revaluation reserve							0
Net changes in items other than shareholders' equity	(6,866)	(71)	(0)	(151)	(7,090)	725	(6,364)
Total changes during year	(6,866)	(71)	(0)	(151)	(7,090)	725	11,769
Balance at March 31, 2008	¥ 4,920	¥(69)	¥(410)	¥(3,452)	¥ 987	¥6,019	¥117,244

Note: Amounts under one million yen are omitted.

Year ended March 31, 2007	Millions of yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	¥20,000	¥17,454	¥42,097	¥ (53)	¥79,498
Changes during year:					
Cash dividends*			(1,514)		(1,514)
Net income			17,495		17,495
Purchases of treasury stock				(3,376)	(3,376)
Retirement of treasury stock		(3,142)		3,142	—
Transfer		3,117	(3,117)		—
Net changes in items other than shareholders' equity					
Total changes during year	—	(25)	12,863	(233)	12,604
Balance at March 31, 2007	¥20,000	¥17,428	¥54,961	¥ (286)	¥92,103

Year ended March 31, 2007	Valuation and translation adjustments						
	Net unrealized holding gain on securities	Net unrealized gain (loss) on hedges	Land revaluation reserve	Translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	¥ 9,156	¥—	¥(410)	¥(4,553)	¥4,192	¥4,629	¥ 88,321
Changes during year:							
Cash dividends*							(1,514)
Net income							17,495
Purchases of treasury stock							(3,376)
Retirement of treasury stock							—
Transfer							—
Net changes in items other than shareholders' equity	2,631	1	—	1,252	3,885	664	4,549
Total changes during year	2,631	1	—	1,252	3,885	664	17,154
Balance at March 31, 2007	¥11,787	¥ 1	¥(410)	¥(3,301)	¥8,077	¥5,293	¥105,475

Note: Amounts under one million yen are omitted.

\*Appropriation of retained earnings approved at the ordinary shareholders' meeting held on June 2006.

## Consolidated Statements of Cash Flows

Years ended March 31	Millions of yen		
	2008	2007	Change
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥40,177	¥30,433	¥ 9,744
Depreciation and amortization	3,994	3,495	499
Loss on impairment of fixed assets	533	393	140
Gain on sale of tangible fixed assets	(735)	(852)	117
Loss on liquidation of consolidated subsidiaries and affiliates	—	1,357	(1,357)
Loss on sale of tangible fixed assets	—	574	(574)
Loss on sale of shares of consolidated subsidiaries and affiliates	—	382	(382)
Decrease in allowance for doubtful receivables	(2,069)	(3,429)	1,360
Increase (decrease) in accrued retirement benefits	(109)	380	(489)
Increase in accrued directors' retirement benefits	311	—	311
Interest and dividend income	(2,341)	(2,343)	2
Interest expense	3,171	2,879	292
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,681)	(2,473)	792
Increase in trade notes and accounts receivable	(34,904)	(23,249)	(11,655)
Decrease in inventories	686	6,355	(5,669)
Increase in trade notes and accounts payable	10,518	33,924	(23,406)
Other, net	1,304	(2,557)	3,861
Subtotal	18,857	45,269	(26,412)
Interest and dividend received	2,896	2,848	48
Interest paid	(3,211)	(3,084)	(127)
Income taxes paid	(12,072)	(6,752)	(5,320)
Income taxes refunded	2,361	1,582	779
Net cash provided by operating activities	8,832	39,864	(31,032)
<b>Cash flows from investing activities</b>			
Increase in time deposits	(744)	(305)	(439)
Proceeds from withdrawal of time deposits	731	242	489
Purchases of tangible fixed assets	(6,491)	(2,914)	(3,577)
Proceeds from sale of tangible fixed assets	1,519	1,747	(228)
Purchases of intangible assets	(1,622)	(2,331)	709
Purchases of investments in securities	(190)	(452)	262
Proceeds from sale of investments in securities	238	646	(408)
Increase in loans receivable	(1,317)	(121)	(1,196)
Collection of loans receivable	1,574	614	960
Other, net	742	129	613
Net cash used in investing activities	(5,560)	(2,745)	(2,815)
<b>Cash flows from financing activities</b>			
Decrease in short-term borrowings	(22,495)	(31,221)	8,726
Increase in commercial paper	6,997	—	6,997
Proceeds from long-term debt	14,229	3,026	11,203
Repayment of long-term debt	—	(1,204)	1,204
Purchases of treasury stock	(3,276)	(3,157)	(119)
Cash dividends paid	(2,014)	(1,511)	(503)
Cash dividends paid to minority shareholders	(382)	(280)	(102)
Other, net	157	44	113
Net cash used in financing activities	(6,785)	(34,304)	27,519
Effect of exchange rate changes on cash and cash equivalents	(131)	152	(283)
Net increase (decrease) in cash and cash equivalents	(3,644)	2,966	(6,610)
Cash and cash equivalents at beginning of year	30,003	27,322	2,681
Decrease resulting from exclusion of subsidiaries from consolidation	(77)	(285)	208
Cash and cash equivalents at end of year	¥26,281	¥30,003	¥ (3,722)

Note: Amounts under one million yen are omitted.

## Segment Information

### Business segment information

	Millions of yen						
	Year ended March 31, 2008						
	Steel and Steel Peripherals	Food	Semiconductors	Real Estate	Total	Eliminations or Corporate	Consolidated
Net sales:							
Outside customers	¥2,364,939	¥41,427	¥15,206	¥ 1,085	¥2,404,659	¥ —	¥2,404,659
Intersegment	0	6	21	56	83	(83)	—
Total	2,364,939	41,434	15,227	1,141	2,404,743	(83)	2,404,659
Operating expenses	2,310,002	41,154	14,904	1,279	2,367,341	(126)	2,367,215
Operating income (loss)	¥ 36,937	¥ 279	¥ 322	¥ (138)	¥ 37,401	¥ 42	¥ 37,443
Total assets	¥ 630,641	¥ 9,447	¥ 4,450	¥17,577	¥ 662,118	¥(5,738)	¥ 656,379
Depreciation and amortization	3,894	69	7	3	3,974	19	3,994
Impairment loss	533	—	—	—	533	—	533
Capital expenditures	8,213	56	7	1	8,278	10	8,289
	Year ended March 31, 2007						
	Steel and Steel Peripherals	Food	Semiconductors	Real Estate	Total	Eliminations or Corporate	Consolidated
Net sales:							
Outside customers	¥2,164,380	¥37,291	¥12,997	¥ 679	¥2,215,349	¥ —	¥2,215,349
Intersegment	4	68	39	22	134	(134)	—
Total	2,164,385	37,360	13,036	702	2,215,484	(134)	2,215,349
Operating expenses	2,132,229	36,927	12,902	967	2,183,026	(164)	2,182,862
Operating income (loss)	¥ 32,155	¥ 432	¥ 134	¥ (265)	¥ 32,457	¥ 29	¥ 32,486
Total assets	¥ 599,954	¥11,137	¥ 4,074	¥18,354	¥ 633,521	¥(6,736)	¥ 626,785
Depreciation and amortization	3,394	67	5	3	3,470	24	3,495
Impairment loss	393	—	—	—	393	—	393
Capital expenditures	5,462	46	2	—	5,511	6	5,518

Note: Amounts under one million yen are omitted.

Unallocated operating expenses of ¥664 million and ¥640 million for the years ended March 31, 2008 and 2007, respectively, included in the “Elimination or Corporate” column, consisted primarily of general and administrative expenses incurred at the Company.

Corporate assets of ¥2,748 million and ¥2,625 million for the years ended March 31, 2008 and 2007, respectively, included in the “Elimination or Corporate” column, consisted primarily of a refundable corporate tax asset of the Company.

“Capital expenditures” do not include any increase due to the merger, and so forth.

## Geographic segment information

	Millions of yen				
	Year ended March 31, 2008				
	Japan	Other areas	Total	Eliminations or Corporate	Consolidated
Net sales:					
Outside customers	¥2,258,372	¥146,286	¥2,404,659	¥ —	¥2,404,659
Intersegment	75,281	5,283	80,564	(80,564)	—
Total	2,333,654	151,569	2,485,224	(80,564)	2,404,659
Operating expenses	2,300,224	147,526	2,447,751	(80,535)	2,367,215
Operating income	¥ 33,429	¥ 4,043	¥ 37,472	¥ (28)	¥ 37,443
Total assets	¥ 607,407	¥ 82,759	¥ 690,167	¥(33,787)	¥ 656,379
	Year ended March 31, 2007				
	Japan	Other areas	Total	Eliminations or Corporate	Consolidated
Net sales:					
Outside customers	¥2,061,959	¥153,389	¥2,215,349	¥ —	¥2,215,349
Intersegment	80,415	3,104	83,519	(83,519)	—
Total	2,142,375	156,494	2,298,869	(83,519)	2,215,349
Operating expenses	2,114,597	151,777	2,266,375	(83,512)	2,182,862
Operating income	¥ 27,777	¥ 4,716	¥ 32,494	¥ (7)	¥ 32,486
Total assets	¥ 584,947	¥ 76,482	¥ 661,430	¥(34,644)	¥ 626,785

Note: Amounts under one million yen are omitted.

Other areas: U.S.A., China, Thailand, Malaysia

## Overseas sales

	Millions of yen		
	Year ended March 31, 2008		
	Asia	Other areas	Total
Overseas sales	¥606,089	¥171,667	¥ 777,756
Overseas sales as a percentage of consolidated net sales	25.2%	7.1%	32.3%
Consolidated net sales			¥2,404,659
	Year ended March 31, 2007		
	Asia	Other areas	Total
Overseas sales	¥530,874	¥159,196	¥ 690,071
Overseas sales as a percentage of consolidated net sales	24.0%	7.2%	31.2%
Consolidated net sales			¥2,215,349

Note: Amounts under one million yen are omitted.

Asia: South Korea, China, Thailand

Other areas: U.S.A., Liberia, Panama

Overseas sales consist of sales of the Company and its consolidated subsidiaries outside Japan.