

# **ANNUAL REPORT 2012**

**MARCH 31, 2012**

**YAMATO KOGYO CO., LTD.**

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## Group Vision



President Hiroyuki Inoue

Technology and globalization are the two themes that constantly spur the Yamato Kogyo Group to new levels.

By honing our skills as a railroad parts manufacturer, our overseas expansion has progressed so rapidly that the Yamato Kogyo Group is now one of only a few electrical furnace manufacturers in Japan with a global presence. Our products have received high praise both domestically and internationally due to the vast technology and expertise incorporated within them.

Forming the psychological core of our company is the theory of Five Lessons of a Stream of Water that provides the continual driving force for our company. Obstructions are overcome with a renewed energy and provide the power to rise again. We motivate ourselves in the same way that water behaves, pushing us forward to new heights.

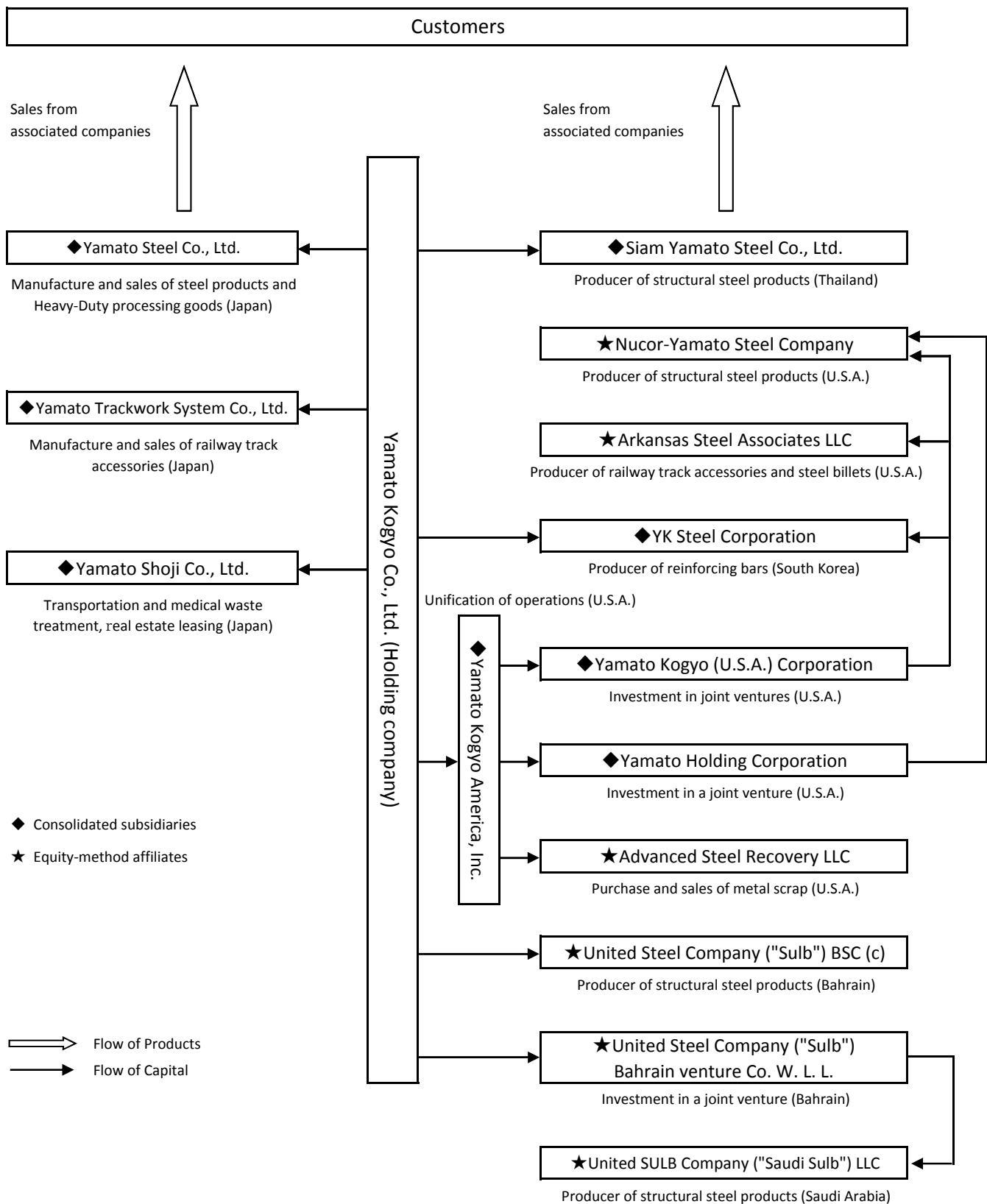
Under the umbrella of Yamato Kogyo, Co., Ltd. lies the various arms of the Yamato Kogyo Group, including Yamato Steel Co., Ltd. and Yamato Trackwork System Co., Ltd. More than sixty years of experience of working with steel has shown that there are still many secrets that remain unexplored. By using the Five Lessons of a Stream of Water theory, we hope to explore the possibilities of steel to new boundaries.

### - Five Lessons of Stream of Water -

- It's a stream of water that moves on its own initiative, and thus makes others move.
- It's a stream of water that never stops, always seeking its course.
- It's a stream of water that dashes against an obstacle it meets, gaining a power a hundred times as great as that which it originally had.
- It's a stream of water that is clean and clear by itself, and washes away the dirt of others, being so "broad-minded" as to be tolerant of even muddy water getting mixed in it.
- It's a stream of water, too, that, in the long run, contributes to filling the vast expanse of an ocean, and that evaporates into the air to form clouds which bring rainfall to the earth.

# Corporate Structure and Affiliates

As of March 31, 2012



\*We have stakes in 3 non-consolidated subsidiary not accounted for by the equity method and 3 affiliates not accounted for by the equity method, however these have been omitted as they are immaterial.

**YAMATO KOGYO CO., LTD.**  
**OPERATING RESULTS FOR THE FISCAL YEAR**  
**ENDED MARCH 31, 2012**

## **1. Business Performance and Financial Status**

### **(1) Business Performance**

#### **① Status During the Current Fiscal Year**

The business environment for Yamato Kogyo Group (the Group) during the current consolidated fiscal year continued to show slow recovery in demand for building materials both domestic and overseas. On the other hand, prices for scrap, which is the primary raw material, did not exhibit any significant price movement, and reached a level of about 30,000 yen since the beginning of this year in Japan.

Given such a situation, as a result of our diligent responsiveness to customers and our efforts to secure orders, no matter how small in project size, sales volumes increased 13% over last year's performance. So there were higher earnings on higher sales as compared with previous year.

In South Korea and Thailand, where we have consolidated subsidiaries, and in the United States, where we have affiliated companies with equity method applied, the business performance for January through December of 2011 is reflected in the current consolidated fiscal year.

In South Korea, sluggish sales of apartment buildings, which is the primary source of demand for steel reinforcement bars, continued, and construction has remained stagnant, but ultimately, we were able to achieve a favorable balance. We expect the future state of the industry to continue to be tough, however we will strive to strengthen our cost competitiveness through plant and equipment upgrades in 2012.

In Thailand, there is now demand coming from plants set up by companies from outside of Thailand, including Japanese companies. The massive flooding that occurred from September through October of last year did not affect our operations, so revenues and profits increased.

As with the United States, where we have affiliated companies with equity method applied, although there were no indications of a strong demand, we secured stable revenues continuously from previous year.

As a result of the above, sales for the current consolidated fiscal year were 15,792 million yen (an increase of 17.3% over the same period in the previous year), operating income was 5,258million yen (an increase of 125.7% over the same period in the previous year), ordinary income was 13,978 million yen (an increase of 36.8% over the same period in the previous year), and net income was 8,688 million yen (an increase of 31.6% over the same period in the previous year).

The comprehensive income during the current consolidated fiscal year was 2,235 million yen for the current accounting period(Result in the same period in the previous year: (8,139) million yen), which resulted from income before minority interests of 9,589 million yen, valuation difference on available-for-sale securities of (37) million yen, and foreign currency translation adjustment of (7,317) million yen.

Starting from the end of the current consolidated fiscal year, the equity method will be applied to the United Steel Company in Bahrain (“SULB”) BSC(c) (referred to hereinafter as SULB), the United Steel Company (“SULB”) Bahrain Venture Co. W.L.L., and the United Sulb Company (“Saudi Sulb”) LLC (referred to hereinafter as Saudi Sulb).

The effect of application of the equity method have been adjusted by changes of items during the period (change of scope of equity method) in consolidated statements of changes in net assets both retained earnings and foreign currency translation adjustment.

Please note that the average exchange rates, used in preparation of consolidated financial statements from financial statements of overseas subsidiaries and affiliates, are set forth below.

(Each company’s fiscal year is from January to December 2011)

79.62 yen/U.S. dollar, 2.60 yen/baht, and 13.92 won/yen

The average exchange rates for the previous consolidated fiscal year are as follows:

(Each company’s fiscal year is from January to December 2010)

87.32 yen/U.S. dollar, 2.75 yen/baht, and 13.24 won/yen

We report the business results of the segment as follows:

#### ● **Steel (Japan)**

Sales were 37,661 million yen, due to increase in sales volumes and sales unit prices have increased as compared with the previous period (Result in the same period in the previous year: 32,173 million yen). The operating income was 1,444 million yen, due to increase in sales volumes (Result in the same period in the previous year: 538 million yen).

#### ● **Steel (South Korea)**

Although a drop in construction demand has resulted in decreased of sales volumes, sales unit prices have increased. As a result, the sales for this business sector were 50,183 million yen (Result in the same period in the previous year: 47,179 million yen). The very tough situation has continued , but the operating income finally was 227 million yen. (Result in the same period in the previous year: 234 million yen).

#### ● **Steel (Thailand)**

As a result of sales efforts made by operation of the second plant which began operations in March of 2010, sales volumes increased, the sales for this business sector were 59,143 million yen (Result in the same period in the previous year: 45,054 million yen).The operating income was 3,453 million yen, due to increase in sales volumes and the increased operating rates and reduced costs in comparison with the same period in the previous year (Result in the same period in the previous year: 1,850 million yen).

#### ● **Railway Track Accessories**

Sales were 5,126 million yen, due to increase in sales volumes of anti-derailing guards for the Shinkansen (Result in the same period in the previous year: 4,490 million yen), and the operating income was 741 million yen (Result in the same period in the previous year: 465 million yen).

#### ● **Heavy-Duty Machining**

Sales were 5,496 million yen, and the drop in sales unit prices for stern frames was compensated for by increased sales volumes in shapes for shipbuilding (Result in the same period in the previous year: 5,456 million yen). The operating income was 406 million yen, due to strong request for reduction of sales price, as a result of severe situation in the ship-building industry. (Result in the same period in the previous year: 555 million yen).

## ● Other Business Sectors

Other sales were 291 million yen, (Result in the same period in the previous year: 282million yen) and operating income was 38 million yen (Result in the same period in the previous year: Operating loss of 229million yen).

## ② Future Outlook

Although major recovery of the demand is not expected through our consolidated subsidiaries and affiliates with equity method applied, the situation is gradually improving.

We forecast slightly lower revenues and lower profits in the next accounting period, and the forecast for the entire fiscal year is as follows: Sales of 155,000 million yen, operating income of 4,000 million yen, ordinary income of 12,000 million yen, and net income of 7,000 million yen.

This forecast reflects the anticipated performance of Saudi Sulb which is already operating. However, SULB, which is scheduled to start operations in the latter half of this year, is not reflected in the consolidated performance forecast, since at this point, there are many uncertainties involved. Once we are able to forecast SULB's operations, we will reflect those in future consolidated performance forecasts.

Please note that the exchange rates used to convert revenues and expenses of our overseas subsidiaries and affiliates are based on their fiscal year, January to December, 2012. The rates are as follows:

Average rate: 76.18 yen/U.S. dollar, 2.46 yen/baht, and 15.03 won/yen

Current rate: 75.00 yen/U.S. dollar, 2.42 yen/baht, and 15.33won/yen

## (2) Analysis of Financial Status

Total assets at the end of the current consolidated fiscal year were 230,340 million yen, a decrease of 47 million yen in comparison with the end of the previous consolidated fiscal year. This was due to decrease in the assets for our foreign subsidiaries due to fluctuations in exchange rates.

Liabilities were 46,818 million yen, an increase of 1,535 million yen in comparison with the end of the previous consolidated fiscal year. This was due to increase in notes and accounts payable-trade.

Also, net assets were 183,521 million yen, a decrease of 1,583 million yen in comparison with the end of the previous consolidated fiscal year. This was due to factors such as increase in net income, decrease by the payment of dividends, and decreased of 7,918 million yen in foreign currency translation adjustment.

Please note that the following exchange rates are used in preparation of financial statements for overseas subsidiaries and affiliates at the end of the current consolidated fiscal year.

(The end of fiscal year for each overseas company is end of December 2011)

77.73yen/U.S. dollar, 2.45 yen/baht, and 14.84 won/yen

Also, exchange rates for the end of previous consolidated fiscal year are as follows:

(The end of fiscal year for each overseas company is end of December 2010)

81.44 yen/U.S. dollar, 2.70 yen/baht, and 13.98 won/yen

## (Cash Flows from Operating Activities)

The increase in funds from operating activities was 8,408 million yen, primarily due to the income before income

taxes, and cash dividend from affiliated companies in U.S. with equity method applied.

#### **(Cash Flows from Investing Activities)**

The decrease in funds from investing activities was 12,258 million yen, primarily due to purchase of stocks of subsidiaries and affiliates and purchase of property, plant and equipment.

#### **(Cash Flows from Financing Activities)**

The increase in funds from financing activities was 677 million yen, due to increase in short term loan although there were payment of dividend and purchase of treasury stock.

With the addition of a (2,312) million yen, in effect of exchange rate change on cash and cash equivalents, the balance of cash and cash equivalents at the end of the current consolidated fiscal year was 47,887 million yen, which is a decrease of 5,484 million yen in comparison with the end of the previous year.

### **(3) Basic Policy Regarding Profit Allocation and Dividends for the Current and Next Fiscal Year**

We believe that the dividend shall be determined in view of the Group's consolidated performance, financial situation, and development of future policies based on internal reserves. Moreover, from the standpoint of medium- and long-term shareholder profits, the company has already acquired and retired 25,690,000 of its own shares.

Regarding the end-of-term dividend for the current fiscal year, despite the tough business environment, we would like to pay 15 yen per share in response to the constant support from our shareholders. Please note that the planned annual dividend is 30 yen per share, which includes interim dividend of 15 yen.

Also, Regarding the dividend for the next fiscal year, taking into consideration the prediction that there will be no major recovery in demand for the next fiscal year stated in the "Future Outlook", the plan is for an annual dividend of 30 yen per share, with interim dividend of 15 yen per share, and the end-of-term dividend of 15 yen per share.

### **(4) Business Risks**

Following is a description of the main items we consider to be possible risk factors involved in developing the Group's business. Items relating to the future reflect our company's judgment based on data as of today.

#### **① Latent Risks in Doing Business Overseas**

The Group's manufacturing and sales activities are not only in Japan, but also in the U.S., Thailand, South Korea, Kingdom of Saudi Arabia, and the steel plant is being constructed through a joint company in Bahrain in the Middle East, as we are developing a global business targeting the world market.

When entering overseas markets, there is a possibility that terrorism, war, and other factors could arise in various countries, causing social unrest, and having a huge impact on a company's results and financial standing. Moreover, problems in conducting business could also arise such as unpredictable changes in the political or legal environment, or changes in the economic environment in various countries.

#### **② Exchange Rate Fluctuations**

The Group is developing global operations which target world markets, thus the performance of subsidiaries greatly affects consolidated business results. Since figures in the consolidated financial statements are converted to yen from the local currencies, the financial standing can be affected by the exchange rate. Also, foreign currency



holdings make up a high percentage of the Group's cash and savings. Generally, appreciation of the yen will have a negative influence on our company, and on the contrary, depreciation of yen will have a positive influence.

### ③ **Fluctuations in Sales Prices and Scrap Prices**

The performance of the Group's vital steel business is greatly affected by fluctuations in sales prices of products and the scrap prices, the primary raw material. These market prices can be greatly affected by the external environment, and first and foremost, the domestic and foreign economic situation.

### ④ **Electrical Power Risks**

Since our Company's Group is an steel producer using electric furnaces to melt scrap steel which operates on a global scale and utilizes large amounts of electrical power, the Company's performance could be negatively impacted if there are steep unit price increases in electrical power and if there are restrictions of electrical power consumption.

## **2. Management Policy**

### **(1) Basic Business Policy**

We have served as a responsible member of the business community and strive to manufacture high quality and high value added products based on customer needs. We utilize scrap steel to make final products in order to respond to global needs to conserve energy and resources, and we are striving on a global scale to meet the challenge of environmental protection, which is the most pressing task of modern society. We make products that enable high-speed and high-volume rail and ocean transportation. With all of its products, the Group contributes to the betterment of society and the economy, through the development of its domestic and global business enterprises.

### **(2) Our Target Business Indicator**

We have been promoting the decentralization of investments by primarily investing in overseas business, so as to achieve a management environment capable of responding to dramatic changes in the structure of the global economy, and to avoid a unipolar approach to conducting business. We will conduct our business with an emphasis on cash flow, aiming to invest in future growth fields, while maintaining a sound financial standing.

### **(3) Medium- and Long-term Corporate Business Strategy, and Challenges Facing the Company**

In the business areas in which the Group deals, we anticipate increasingly vigorous competition with both foreign and domestic manufacturers in the future. Under such tough business environment, we will aim to improve productivity and reduce costs by renewing and expanding manufacturing facilities at our operations in Japan and overseas, so as to achieve greater profitability as a manufacturing group. Furthermore, we are holding technical conferences among the steel manufacturing companies in our group, exchanging information and striving to raise the level of our technology.

In addition, on the basis of its structure as a holding company, the Group will look at how it can contribute to society from a variety of standpoints. The Group will maximize the unique qualities and functions of each company under its umbrella, and will promote an active and harmonious group business, as it develops its operations to target the global market.

Our Company established SULB in Bahrain in the Middle East, as a joint venture with capital participation of 49% from our Company. SULB will produce formed steel, primarily focusing on the wide flange beams. We are moving ahead with construction to integrate direct reduction iron production, steel making and rolling. Currently, the work is progressing well for installation of equipments. The construction is proceeding smoothly toward commencement of operations scheduled for the latter half of 2012.

In addition, Saudi Sulb, steel re-roller, produces light-sized structural steel, which has established in the kingdom Saudi Arabia has started production and sales in September of 2011 preceding SULB's operations. After SULB commences operations, we plan to supply semi-finished products such as billets from SULB to Saudi Sulb.

**YAMATO KOGYO CO., LTD.  
AND CONSOLIDATED SUBSIDIARIES  
FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA**

**In Japanese Yen**

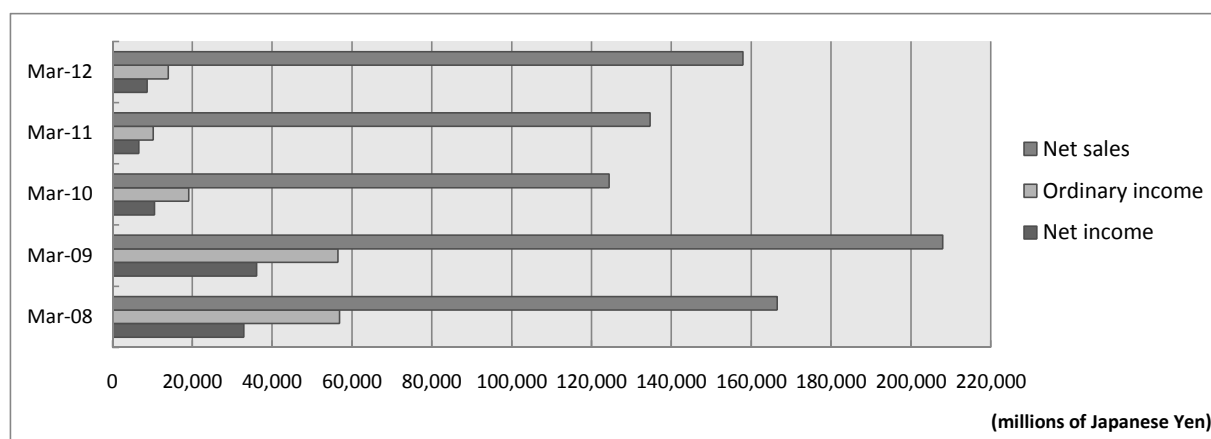
(In millions of Japanese Yen)  
Years ended March 31

	Mar-12	Mar-11	Mar-10	Mar-09	Mar-08
<b>FOR THE YEAR</b>					
Net sales	¥157,902	¥134,636	¥124,433	¥208,006	¥166,513
Ordinary income	13,978	10,217	19,136	56,489	56,899
Net income	8,688	6,604	10,538	36,137	32,909
Per share (unit:Yen)	127.79	96.31	152.49	520.06	470.04
<b>AT YEAR END</b>					
Net assets	183,521	185,104	196,579	183,430	192,666
Total assets	230,340	230,388	243,071	234,187	251,510

**In U.S. Dollars for Convenience Purposes (Note 1)**

(In thousands of U.S. Dollars)  
Years ended March 31

	Mar-12	Mar-11	Mar-10	Mar-09	Mar-08
<b>FOR THE YEAR</b>					
Net sales	\$1,922,355	\$1,639,115	\$1,514,900	\$2,532,339	\$2,027,188
Ordinary income	170,182	124,390	232,974	687,717	692,714
Net income	105,774	80,401	128,299	439,953	400,655
Per share (unit:\$)	1.56	1.17	1.86	6.33	5.72
<b>AT YEAR END</b>					
Net assets	2,234,251	2,253,529	2,393,227	2,233,147	2,345,586
Total assets	2,804,240	2,804,822	2,959,233	2,851,075	3,061,976



**Notes:**

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥ 82.14 = \$1 as of March 31, 2012.

2. All figures are prepared under accounting principles generally accepted in Japan.

3. All figures are rounded down to the nearest millions of Japanese Yen or thousands of U.S. Dollars.

**YAMATO KOGYO CO., LTD.  
AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
March 31, 2012 and 2011**

In Japanese Yen

(In millions of Japanese Yen)

	Mar-12	Mar-11		Mar-12	Mar-11
<b>Assets</b>			<b>Liabilities</b>		
Current assets			Current liabilities		
Cash and deposits	¥54,549	71,111	Notes and accounts payable-trade	¥14,838	¥12,582
Notes and accounts receivable-trade	26,411	23,684	Short-term loans payable	5,329	796
Merchandise and finished goods	11,180	10,502	Income taxes payable	962	546
Work in process	429	476	Provision for bonuses	398	390
Raw materials and supplies	16,412	14,241	Other	6,838	8,729
Other	1,487	1,551	Total current liabilities	28,367	23,045
Allowance for doubtful accounts	(16)	(14)			
Total current assets	110,454	121,553	Noncurrent liabilities		
Noncurrent assets			Long-term loans payable	6,713	9,274
Property, plant and equipment			Deferred tax liabilities	8,304	9,244
Buildings and structures, net	13,659	15,354	Provision for retirement benefits	1,912	1,929
Machinery, equipment and vehicles, net	25,230	29,873	Provision for directors' retirement benefits	1,212	1,238
Land	12,948	13,472	Other	308	551
Construction in progress	1,368	349	Total noncurrent liabilities	18,451	22,237
Other, net	203	256	Total liabilities	46,818	45,283
Total property, plant and equipment	53,409	59,306	Net assets		
Intangible assets			Shareholders' equity		
Goodwill	2,697	3,057	Capital stock	7,996	7,996
Other	325	382	Retained earnings	218,242	212,125
Total intangible assets	3,022	3,439	Treasury stocks	(705)	(918)
Investments and other assets			Total shareholders' equity	225,533	219,204
Investments securities	37,243	21,131	Accumulated other comprehensive income		
Investments in capital	23,715	22,525	Valuation difference on available-for-sale securities	1,881	1,917
Other	2,619	2,555	Foreign currency translation adjustment	(52,477)	(44,558)
Allowance for doubtful accounts	(125)	(124)	Total accumulated other comprehensive income	(50,595)	(42,640)
Total investments and other assets	63,452	46,088	Minority interests	8,583	8,541
Total noncurrent assets	119,885	108,834	Total net assets	183,521	185,104
Total assets	¥230,340	¥230,388	Total liabilities and net assets	¥230,340	¥230,388

In U.S. Dollars for Convenience Purposes (Note 1)

(In thousands of U.S. Dollars)

	Mar-12	Mar-11		Mar-12	Mar-11
<b>Assets</b>			<b>Liabilities</b>		
Current assets			Current liabilities		
Cash and deposits	\$664,099	\$865,733	Notes and accounts payable-trade	\$180,653	\$153,187
Notes and accounts receivable-trade	321,545	288,341	Short-term loans payable	64,885	9,696
Merchandise and finished goods	136,110	127,860	Income taxes payable	11,719	6,657
Work in process	5,231	5,796	Provision for bonuses	4,852	4,756
Raw materials and supplies	199,808	173,384	Other	83,249	106,270
Other	18,115	18,892	Total current liabilities	345,359	280,568
Allowance for doubtful accounts	(197)	(173)	Noncurrent liabilities		
Total current assets	1,344,713	1,479,834	Long-term loans payable	81,726	112,910
Noncurrent assets			Deferred tax liabilities	101,097	112,543
Property, plant and equipment			Provision for retirement benefits	23,288	23,485
Buildings and structures, net	166,290	186,930	Provision for directors' retirement benefits	14,756	15,074
Machinery, equipment and vehicles, net	307,159	363,688	Other	3,761	6,710
Land	157,640	164,019	Total noncurrent liabilities	224,629	270,724
Construction in progress	16,666	4,252	Total liabilities	569,988	551,292
Other, net	2,472	3,123	Net assets		
Total property, plant and equipment	650,228	722,015	Shareholders' equity		
Intangible assets			Capital stock	97,354	97,354
Goodwill	32,840	37,219	Retained earnings	2,656,953	2,582,486
Other	3,960	4,656	Treasury stocks	(8,585)	(11,176)
Total intangible assets	36,800	41,875	Total shareholders' equity	2,745,722	2,668,664
Investments and other assets			Accumulated other comprehensive income		
Investments securities	453,409	257,266	Valuation difference on available-for-sale securities	22,910	23,346
Investments in capital	288,725	274,236	Foreign currency translation adjustment	(638,877)	(542,471)
Other	31,885	31,111	Total accumulated other comprehensive income	(615,966)	(519,124)
Allowance for doubtful accounts	(1,523)	(1,517)	Minority interests	104,495	103,989
Total investments and other assets	772,497	561,097	Total net assets	2,234,251	2,253,529
Total noncurrent assets	1,459,526	1,324,988	Total liabilities and net assets	\$2,804,240	\$2,804,822
Total assets	\$2,804,240	\$2,804,822			

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥82.14 = \$1 as of March 31, 2012.
2. All figures are prepared under accounting principles generally accepted in Japan.
3. All figures are rounded down to the nearest millions of Japanese Yen or thousands of U.S. Dollars.

**YAMATO KOGYO CO., LTD.**  
**AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**Years Ended March 31, 2012 and 2011**

**In Japanese Yen**

	(In millions of Japanese Yen)	
	Mar-12	Mar-11
Net sales	¥157,902	¥134,636
Cost of sales	141,972	122,402
Selling, general and administrative expenses	10,671	9,904
Operating income	5,258	2,330
Non-operating income	10,012	9,633
Non-operating expenses	1,292	1,746
Ordinary income	13,978	10,217
Extraordinary income	6	241
Extraordinary loss	223	296
Income before income taxes	13,761	10,162
Income taxes		
Income taxes-current	4,383	3,252
Income taxes-deferred	(211)	(6)
Total income taxes	4,171	3,246
Income before minority interests	9,589	6,916
Minority interests in income	901	312
Net income	¥8,688	¥6,604

**In U.S. Dollars for Convenience Purposes (Note 1)**

	(In thousands of U.S. Dollars)	
	Mar-12	Mar-11
Net sales	\$1,922,355	\$1,639,115
Cost of sales	1,728,415	1,490,172
Selling, general and administrative expenses	129,915	120,576
Operating income	64,024	28,366
Non-operating income	121,890	117,286
Non-operating expenses	15,732	21,262
Ordinary income	170,182	124,390
Extraordinary income	77	2,945
Extraordinary loss	2,717	3,609
Income before income taxes	167,541	123,727
Income taxes		
Income taxes-current	53,362	39,601
Income taxes-deferred	(2,571)	(74)
Total income taxes	50,791	39,526
Income before minority interests	116,750	84,200
Minority interests in income	10,975	3,798
Net income	\$105,774	\$80,401

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥82.14 = \$1 as of March 31, 2012.
2. All figures are prepared under accounting principles generally accepted in Japan.
3. All figures are rounded down to the nearest millions of Japanese Yen or thousands of U.S. Dollars.

**YAMATO KOGYO CO., LTD.  
AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
Years Ended March 31, 2012 and 2011**

**In Japanese Yen**

(In millions of Japanese Yen)

	<b>Mar-12</b>	Mar-11
Income before minority interests	<b>¥9,589</b>	¥6,916
Other comprehensive income		
Valuation difference on available-for-sale securities	<b>(37)</b>	(344)
Foreign currency translation adjustment	<b>(7,317)</b>	(14,710)
Total other comprehensive income	<b>(7,354)</b>	(15,055)
Comprehensive income	<b>¥2,235</b>	(¥8,139)
(Breakdown)		
Comprehensive income attributable to owners of the parent	<b>2,195</b>	(8,259)
Comprehensive income attributable to minority interests	<b>39</b>	120

**In U.S. Dollars for Convenience Purposes (Note 1)**

(In thousands of U.S. Dollars)

	<b>Mar-12</b>	Mar-11
Income before minority interests	<b>\$116,750</b>	\$84,200
Other comprehensive income		
Valuation difference on available-for-sale securities	<b>(450)</b>	(4,194)
Foreign currency translation adjustment	<b>(89,088)</b>	(179,093)
Total other comprehensive income	<b>(89,538)</b>	(183,288)
Comprehensive income	<b>\$27,211</b>	(\$99,087)
(Breakdown)		
Comprehensive income attributable to owners of the parent	<b>26,726</b>	(100,555)
Comprehensive income attributable to minority interests	<b>484</b>	1,467

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥ 82.14 = \$1 as of March 31, 2012.
2. All figures are prepared under accounting principles generally accepted in Japan.
3. All figures are rounded down to the nearest millions of Japanese Yen or thousands of U.S. Dollars.

**YAMATO KOGYO CO., LTD.  
AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
Year Ended March 31, 2012**

**In Japanese Yen**

(In millions of Japanese Yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2011	¥7,996	¥212,125	(¥918)	¥219,204
Changes of items during the period				
Dividends from surplus		(2,006)		(2,006)
Net income		8,688		8,688
Purchase of treasury stock			(397)	(397)
Retirement of treasury stock		(617)	617	—
Purchase of shares of consolidated subsidiaries			(7)	(7)
Change of scope of equity method		52		52
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	6,116	212	6,329
Balance at March 31, 2012	¥7,996	¥218,242	(¥705)	¥225,533

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at April 1, 2011	¥1,917	(¥44,558)	(¥42,640)	¥8,541	¥185,104
Changes of items during the period					
Dividends from surplus					(2,006)
Net income					8,688
Purchase of treasury stock					(397)
Retirement of treasury stock					—
Purchase of shares of consolidated subsidiaries				3	(4)
Change of scope of equity method		(1,461)	(1,461)		(1,409)
Net changes of items other than shareholders' equity	(35)	(6,457)	(6,492)	38	(6,454)
Total changes of items during the period	(35)	(7,918)	(7,954)	41	(1,583)
Balance at March 31, 2012	¥1,881	(¥52,477)	(¥50,595)	¥8,583	¥183,521

**In U.S. Dollars for Convenience Purposes (Note 1)**

(In thousands of U.S. Dollars)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2011	\$97,354	\$2,582,486	(\$11,176)	\$2,668,664
Changes of items during the period				
Dividends from surplus		(24,426)		(24,426)
Net income		105,774		105,774
Purchase of treasury stock			(4,838)	(4,838)
Retirement of treasury stock		(7,519)	7,519	—
Purchase of shares of consolidated subsidiaries			(89)	(89)
Change of scope of equity method		637		637
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	74,466	2,591	77,057
Balance at March 31, 2012	\$97,354	\$2,656,953	(\$8,585)	\$2,745,722

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at April 1, 2011	\$23,346	(\$542,471)	(\$519,124)	\$103,989	\$2,253,529
Changes of items during the period					
Dividends from surplus					(24,426)
Net income					105,774
Purchase of treasury stock					(4,838)
Retirement of treasury stock					—
Purchase of shares of consolidated subsidiaries				39	(49)
Change of scope of equity method		(17,794)	(17,794)		(17,157)
Net changes of items other than shareholders' equity	(436)	(78,611)	(79,047)	466	(78,581)
Total changes of items during the period	(436)	(96,405)	(96,842)	505	(19,278)
Balance at March 31, 2012	\$22,910	(\$638,877)	(\$615,966)	\$104,495	\$2,234,251

Notes:

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**YAMATO KOGYO CO., LTD.**  
**AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Year Ended March 31, 2012**

In millions of Japanese Yen    In thousands of U.S. Dollars

(Note1)

<b>I . Cash flows from operating activities</b>		
Income before income taxes	¥13,761	\$167,541
Depreciation and amortization	5,332	64,919
Interest and dividends income	(589)	(7,175)
Interest expenses	712	8,673
Equity in earnings of affiliates	(8,184)	(99,635)
Increase in notes and accounts receivable-trade	(3,492)	(42,513)
Increase in inventories	(4,470)	(54,419)
Increase in notes and accounts payable-trade	2,976	36,237
Other, net	498	6,070
Subtotal	6,546	79,698
Interest and dividends income received	6,458	78,626
Interest expenses paid	(739)	(8,998)
Income taxes paid	(3,857)	(46,959)
Net cash used in operating activities	8,408	102,368
<b>II . Cash flows from investment activities</b>		
Payments into time deposits	(11,125)	(135,445)
Proceeds from withdrawal of time deposits	21,408	260,634
Purchase of property, plant and equipment	(4,657)	(56,699)
Proceeds from sales of property, plant and equipment	25	313
Purchase of investment securities	(11)	(137)
Purchase of stocks of subsidiaries and affiliates	(17,847)	(217,282)
Other, net	(50)	(616)
Net cash used in investment activities	(12,258)	(149,233)
<b>III . Cash flows from financing activities</b>		
Net increase in short-term loans payable	3,862	47,018
Repayment of long-term loans payable	(767)	(9,337)
Purchase of treasury stock	(397)	(4,838)
Cash dividends paid	(2,004)	(24,403)
Cash dividends paid to minority shareholders	(1)	(17)
Other, net	(14)	(176)
Net cash used in financing activities	677	8,244
IV. Effect of exchange rate change on cash and cash equivalents	(2,312)	(28,148)
V. Net decrease in cash and cash equivalents	(5,484)	(66,769)
VI. Cash and cash equivalents at beginning of year	53,372	649,770
VII. Cash and cash equivalents at end of year	¥47,887	\$583,001

Notes:

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## Situation of Issue Shares

The situation of shares in this fiscal year is as outlined below.  
(As of March 31, 2012)

(1) Total number of shares authorized to be issued .....	171,257,770
Number of shares outstanding .....	69,750,000
Total number of shareholders .....	4,489

(2) Distribution of shares (by holder)

	Kind of holder	Number of shareholders	Number of shares held (unit)	Ratio of shares held (%)
Share (Number of one unit of shares :100)	Financial institutions	44	214,288	30.72
	Financial instrument dealers	39	7,492	1.07
	Other corporations	59	166,550	23.91
	Foreign corporations, etc. (Individuals)	304 (3)	163,939 (22)	23.51 (0.00)
	Japanese individuals and other	4,043	144,916	20.79
	<b>Total</b>	<b>4,489</b>	<b>697,185</b>	<b>100.00</b>
Shares less than one unit		—	31,500	—

(3) Dividends

The following table shows the dividends per share paid by Company.

2012	2011	2011	2010	2010	
Mar.	Sep.	Mar.	Sep.	Mar.	
15	15	15	15	20	(Unit : Japanese Yen)
0.18	0.18	0.18	0.18	0.24	(Unit : U.S. Dollar)

Note: U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of  
¥82.14 = \$1 as of March 31, 2012.

## Board of Directors

(As of March 31, 2012)

President	Senior Managing Director	Managing Directors	Director and Executive Advisor	Directors	Auditors
Hiroyuki Inoue	Kazumi Kajihara	Takafumi Yoshida	Shigeo Kawata	Yoshinori Toritani	Hisakazu Fukuhara
		Tadashi Takahashi		Yoshio Morikawa	Tamaki Tsukada
				Damri Tunshevavong	Hisashi Sawada

# Yamato Kogyo Group MISSION



「ものづくり」企業としての誇りとフェアな経営姿勢をベースに、  
鉄事業をとおして、和の精神をもって、  
グローバルな事業展開により、新たな価値を創造し、  
豊かな社会の実現に貢献します。

Generate unique value and contribute to society  
through our global steel business,  
based on pride in our manufacturing skill,  
fair management, and a spirit of Harmony.



YAMATO KOGYO CO., LTD.

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