

# **ANNUAL REPORT 2013**

**MARCH 31, 2013**

**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.

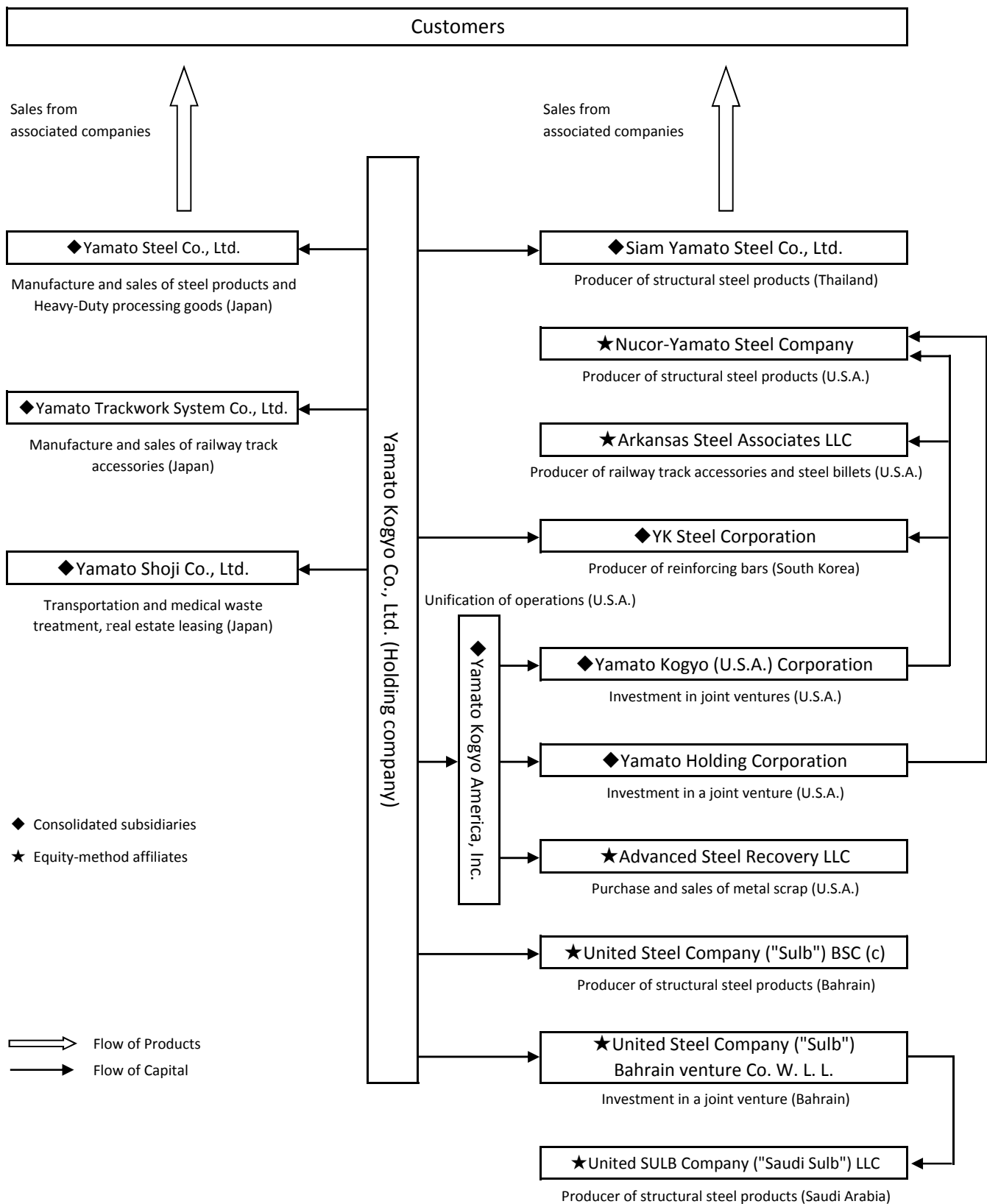
Under the umbrella of Yamato Kogyo, Co., Ltd. lies the various arms of the Yamato Kogyo Group, including Yamato Steel Co., Ltd. and Yamato Trackwork System Co., Ltd. More than sixty years of experience of working with steel has shown that there are still many secrets that remain unexplored. By using 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, 2013



\*1 In May of 2013, United Steel Company ("Sulb") BSC (c) changed its corporate name to SULB Company BSC (c).

\*2 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, 2013**

## **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 lack an increase in demand for steel products.

Although a slight recovery in demand has been felt in Japan, due to the correction of the strong yen and the rise in share prices started since the end of last year, it has not resulted in improving profitability yet, because of increases in the price of scrap, the primary raw material, at the end of the fiscal year.

In South Korea and Thailand, where we have consolidated subsidiaries, and in the United States and the Kingdom of Saudi Arabia, where we have affiliated companies with equity method applied, the business performance for January through December of 2012 is reflected in the current consolidated fiscal year.

In each country where we have a presence, the over-all situation has undergone no significant change. However, in the case of YK Steel Corporation in South Korea, construction demand remains stagnant, so the company continues to face a tough situation.

As a result of the above, sales for the current consolidated fiscal year were 158,923 million yen (an increase of 1,021 million yen in comparison with the previous year), operating income was 5,472 million yen (an increase of 213 million yen in comparison with the previous year), ordinary income was 13,531 million yen (a decrease of 447 million yen in comparison with the previous year), and the net income for the current fiscal year was 7,681 million yen (a decrease of 1,006 million yen in comparison with the previous year).

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 2012)

80.11 yen/U.S. dollar, 2.58 yen/baht, and 14.07 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 2011)

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

We report the business results of the segment as follows:

Starting with the current consolidated fiscal year, the previous reportable segment "Heavy-duty machining" is included in "Steel (Japan)".

Comparisons and analyses for the current consolidated fiscal year are based on the figures effective after the changes made to the segment categories.

### ● Steel (Japan)

Due to the slump in the first half of the year, sales were 37,820 million yen (a decrease of 5,337 million yen in comparison with the previous year), and the operating income was 1,418 million yen (a decrease of 432 million yen in comparison with the previous year).

### ● Steel (South Korea)

The slump in demand for construction continues to place a strain on the business. Sales were 49,810 million yen (a decrease of 372 million over yen in comparison with the previous year), the operating loss was 329 million yen (the operating income of 227 million yen was posted during the previous year).

### ● Steel (Thailand)

Due to the increase of demand in Thailand and Southeast Asia, sales were 64,323 million yen (an increase of 5,180 million yen in comparison with the previous year). The operating income was 4,425 million yen (an increase of 971 million yen in comparison with the previous year).

### ● Railway Track Accessories

Sales were 6,690 million yen (an increase of 1,564 million yen in comparison with the previous year), and the operating income was 1,211 million yen (an increase of 470 million yen in comparison with the previous year).

### ● Other Business Sectors

Other sales were 278 million yen, (a decrease of 13 million yen in comparison with the previous year) and operating income was 17 million yen (a decrease of 21 million yen in comparison with the previous year).

## ② Future Outlook

We anticipate that the business environment for the Group will continue to be tough, with various factors including oncoming electricity rate hike in Japan. On the other hand, we forecast that the weaker yen will have the effect of increasing sales and profits when converted into yen, for some overseas subsidiaries and affiliated companies with equity method applied.

The forecast for the entire fiscal year is as follows: Sales of 190,000 million yen, operating income of 5,000 million yen, ordinary income of 16,000 million yen, and net income of 8,500 million yen.

The outlook for United Steel Company ("SULB") BSC (c) (referred to hereafter as "SULB"), a company in Bahrain accounted for by the equity method, is not included in the forecast for consolidated performance, because of uncertainties at the present time. SULB is currently performing trial runs of processes for direct reduction iron production, steel making, and rolling. However, for the time being, the pace of increase in production volumes has fallen short of the original forecast. There has been no change in plans to start commercial production as scheduled for July of 2013, or in plans to start the reporting of profits and losses. In May of 2013, SULB changed its corporate name to SULB Company BSC (c).

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, 2013. The rates are as follows:

Average rate: 90.64 yen/U.S. dollar, 3.03 yen/baht, and 11.29 won/yen

Current rate: 90.00 yen/U.S. dollar, 3.00 yen/baht, and 11.11 won/yen

## **(2) Analysis of Financial Status**

Total assets at the end of the current consolidated fiscal year were 256,006 million yen, an increase of 25,666 million yen in comparison with the end of the previous consolidated fiscal year. This was due to increase in the assets for our foreign subsidiaries due to fluctuations in exchange rates.

Liabilities were 44,056 million yen, a decrease of 2,762 million yen in comparison with the end of the previous consolidated fiscal year. This was due to decrease of loans payable.

Also, net assets were 211,949 million yen, an increase of 28,428 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 an increase of 18,690 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 2012)

86.58 yen/U.S. dollar, 2.82 yen/baht, and 12.37 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 2011)

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

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

The increase in funds from operating activities was 13,566 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 33,046 million yen, primarily due to payments into time deposits and purchase of property, plant and equipment.

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

The decrease in funds from financing activities was 6,972 million yen, due to payment of dividend and repayment of loans payable.

With the addition of 3,476 million yen, in effect of exchange rate changes on cash and cash equivalents, the balance of cash and cash equivalents at the end of the current consolidated fiscal year was 24,911 million yen, which is a decrease of 22,976 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 electric furnace maker 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 restrictions are imposed on 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 a 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.

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

**In Japanese Yen**

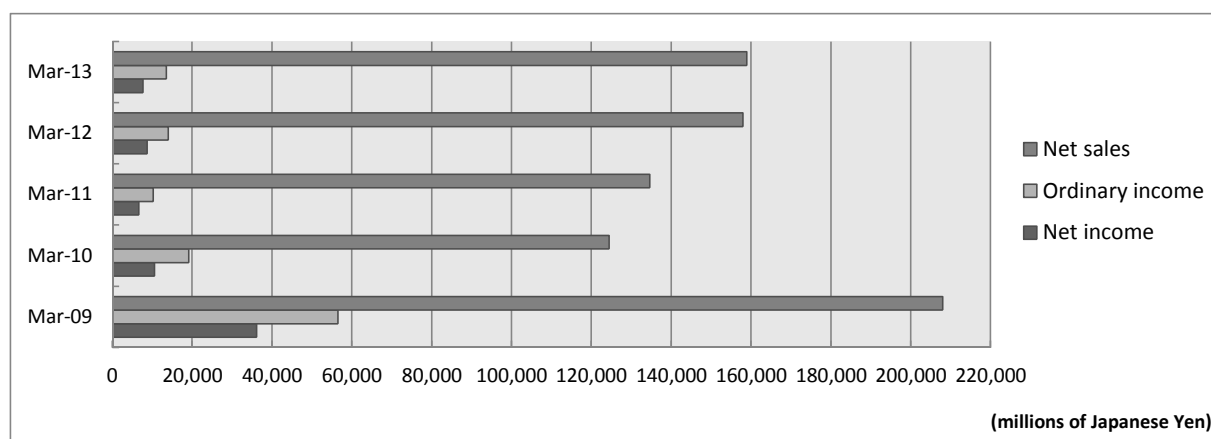
(In millions of Japanese Yen)  
Years ended March 31

	Mar-13	Mar-12	Mar-11	Mar-10	Mar-09
<b>FOR THE YEAR</b>					
Net sales	¥158,923	¥157,902	¥134,636	¥124,433	¥208,006
Ordinary income	13,531	13,978	10,217	19,136	56,489
Net income	7,681	8,688	6,604	10,538	36,137
Per share (unit:Yen)	112.82	127.79	96.31	152.49	520.06
<b>AT YEAR END</b>					
Net assets	211,949	183,521	185,104	196,579	183,430
Total assets	256,006	230,340	230,388	243,071	234,187

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

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

	Mar-13	Mar-12	Mar-11	Mar-10	Mar-09
<b>FOR THE YEAR</b>					
Net sales	\$1,690,859	\$1,679,989	\$1,432,460	\$1,323,906	\$2,213,069
Ordinary income	143,965	148,726	108,707	203,601	601,012
Net income	81,728	92,438	70,264	112,123	384,485
Per share (unit:\$)	1.20	1.36	1.02	1.62	5.53
<b>AT YEAR END</b>					
Net assets	2,255,025	1,952,563	1,969,411	2,091,496	1,951,598
Total assets	2,723,763	2,450,689	2,451,198	2,586,141	2,491,620



**Notes:**

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥93.99 = \$1 as of March 31, 2013.
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, 2013 and 2012**

In Japanese Yen

(In millions of Japanese Yen)

	Mar-13	Mar-12		Mar-13	Mar-12
<b>Assets</b>			<b>Liabilities</b>		
Current assets			Current liabilities		
Cash and deposits	¥60,526	¥54,549	Notes and accounts payable-trade	¥15,343	¥14,838
Notes and accounts receivable-trade	30,146	26,411	Short-term loans payable	2,086	5,329
Merchandise and finished goods	13,216	11,180	Income taxes payable	625	962
Work in process	359	429	Provision for bonuses	418	398
Raw materials and supplies	16,282	16,412	Other	6,999	6,838
Other	1,538	1,487	Total current liabilities	25,472	28,367
Allowance for doubtful accounts	(14)	(16)			
Total current assets	122,055	110,454	Noncurrent liabilities		
			Long-term loans payable	5,640	6,713
Noncurrent assets			Deferred tax liabilities	9,096	8,304
Property, plant and equipment			Provision for retirement benefits	2,192	1,912
Buildings and structures, net	14,521	13,659	Provision for directors' retirement benefits	1,370	1,212
Machinery, equipment and vehicles, net	31,569	25,230	Other	284	308
Land	14,462	12,948	Total noncurrent liabilities	18,583	18,451
Construction in progress	343	1,368	Total liabilities	44,056	46,818
Other, net	293	203	Net assets		
Total property, plant and equipment	61,189	53,409	Shareholders' equity		
			Capital stock	7,996	7,996
Intangible assets			Capital surplus	341	—
Goodwill	2,337	2,697	Retained earnings	223,913	218,242
Other	354	325	Treasury stocks	(588)	(705)
Total intangible assets	2,691	3,022	Total shareholders' equity	231,663	225,533
Investments and other assets			Accumulated other comprehensive income		
Investments securities	40,977	37,243	Valuation difference on available-for-sale securities	2,526	1,881
Investments in capital	26,817	23,715	Foreign currency translation adjustment	(33,786)	(52,477)
Other	2,462	2,619	Total accumulated other comprehensive income	(31,259)	(50,595)
Allowance for doubtful accounts	(188)	(125)			
Total investments and other assets	70,068	63,452	Minority interests	11,546	8,583
Total noncurrent assets	133,950	119,885	Total net assets	211,949	183,521
Total assets	¥256,006	¥230,340	Total liabilities and net assets	¥256,006	¥230,340

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

(In thousands of U.S. Dollars)

	Mar-13	Mar-12		Mar-13	Mar-12
<b>Assets</b>			<b>Liabilities</b>		
Current assets			Current liabilities		
Cash and deposits	\$643,970	\$580,371	Notes and accounts payable-trade	\$163,243	\$157,876
Notes and accounts receivable-trade	320,743	281,006	Short-term loans payable	22,202	56,704
Merchandise and finished goods	140,617	118,949	Income taxes payable	6,650	10,241
Work in process	3,824	4,572	Provision for bonuses	4,451	4,240
Raw materials and supplies	173,241	174,617	Other	74,469	72,753
Other	16,365	15,831	Total current liabilities	271,017	301,817
Allowance for doubtful accounts	(158)	(172)			
Total current assets	1,298,604	1,175,176	Noncurrent liabilities		
			Long-term loans payable	60,006	71,422
Noncurrent assets			Deferred tax liabilities	96,781	88,351
Property, plant and equipment			Provision for retirement benefits	23,327	20,352
Buildings and structures, net	154,496	145,324	Provision for directors' retirement benefits	14,578	12,895
Machinery, equipment and vehicles, net	335,876	268,433	Other	3,027	3,287
Land	153,876	137,765	Total noncurrent liabilities	197,720	196,308
Construction in progress	3,651	14,564	Total liabilities	468,738	498,126
Other, net	3,125	2,160	Net assets		
Total property, plant and equipment	651,025	568,249	Shareholders' equity		
			Capital stock	85,080	85,080
Intangible assets			Capital surplus	3,630	—
Goodwill	24,873	28,700	Retained earnings	2,382,315	2,321,972
Other	3,767	3,461	Treasury stocks	(6,257)	(7,502)
Total intangible assets	28,640	32,161	Total shareholders' equity	2,464,768	2,399,549
Investments and other assets			Accumulated other comprehensive income		
Investments securities	435,978	396,245	Valuation difference on available-for-sale securities	26,883	20,021
Investments in capital	285,321	252,323	Foreign currency translation adjustment	(359,471)	(558,329)
Other	26,197	27,865	Total accumulated other comprehensive income	(332,588)	(538,307)
Allowance for doubtful accounts	(2,004)	(1,331)			
Total investments and other assets	745,493	675,102	Minority interests	122,845	91,321
Total noncurrent assets	1,425,159	1,275,513	Total net assets	2,255,025	1,952,563
Total assets	\$2,723,763	\$2,450,689	Total liabilities and net assets	\$2,723,763	\$2,450,689

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥93.99 = \$1 as of March 31, 2013.
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, 2013 and 2012**

**In Japanese Yen**

(In millions of Japanese Yen)

	Mar-13	Mar-12
Net sales	¥158,923	¥157,902
Cost of sales	142,693	141,972
Selling, general and administrative expenses	10,757	10,671
Operating income	5,472	5,258
Non-operating income	9,563	10,012
Non-operating expenses	1,504	1,292
Ordinary income	13,531	13,978
Extraordinary income	373	6
Extraordinary loss	357	223
Income before income taxes	13,547	13,761
Income taxes		
Income taxes-current	4,411	4,383
Income taxes-deferred	7	(211)
Total income taxes	4,419	4,171
Income before minority interests	9,128	9,589
Minority interests in income	1,446	901
Net income	¥7,681	¥8,688

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

(In thousands of U.S. Dollars)

	Mar-13	Mar-12
Net sales	\$1,690,859	\$1,679,989
Cost of sales	1,518,177	1,510,501
Selling, general and administrative expenses	114,453	113,536
Operating income	58,227	55,952
Non-operating income	101,744	106,523
Non-operating expenses	16,007	13,749
Ordinary income	143,965	148,726
Extraordinary income	3,976	67
Extraordinary loss	3,806	2,375
Income before income taxes	144,134	146,418
Income taxes		
Income taxes-current	46,933	46,634
Income taxes-deferred	83	(2,246)
Total income taxes	47,016	44,387
Income before minority interests	97,118	102,030
Minority interests in income	15,390	9,591
Net income	\$81,728	\$92,438

Notes:

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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, 2013 and 2012**

**In Japanese Yen**

(In millions of Japanese Yen)

	<b>Mar-13</b>	Mar-12
Income before minority interests	<b>¥9,128</b>	¥9,589
Other comprehensive income		
Valuation difference on available-for-sale securities	<b>645</b>	(37)
Foreign currency translation adjustment	<b>20,136</b>	(7,317)
Total other comprehensive income	<b>20,782</b>	(7,354)
Comprehensive income	<b>¥29,910</b>	¥2,235
(Breakdown)		
Comprehensive income attributable to owners of the parent	<b>27,017</b>	2,195
Comprehensive income attributable to minority interests	<b>2,893</b>	39

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

(In thousands of U.S. Dollars)

	<b>Mar-13</b>	Mar-12
Income before minority interests	<b>\$97,118</b>	\$102,030
Other comprehensive income		
Valuation difference on available-for-sale securities	<b>6,869</b>	(393)
Foreign currency translation adjustment	<b>214,244</b>	(77,856)
Total other comprehensive income	<b>221,113</b>	(78,250)
Comprehensive income	<b>\$318,231</b>	\$23,780
(Breakdown)		
Comprehensive income attributable to owners of the parent	<b>287,447</b>	23,357
Comprehensive income attributable to minority interests	<b>30,784</b>	423

Notes:

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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, 2013**

In Japanese Yen

(In millions of Japanese Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2012	¥7,996	—	¥218,242	(¥705)	¥225,533
Changes of items during the period					
Dividends from surplus			(2,009)		(2,009)
Net income			7,681		7,681
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		341		117	458
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	341	5,671	117	6,129
Balance at March 31, 2013	¥7,996	¥341	¥223,913	(¥588)	¥231,663

	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, 2012	¥1,881	(¥52,477)	(¥50,595)	¥8,583	¥183,521
Changes of items during the period					
Dividends from surplus					(2,009)
Net income					7,681
Purchase of treasury stock					(0)
Disposal of treasury stock					458
Net changes of items other than shareholders' equity	644	18,690	19,335	2,963	22,298
Total changes of items during the period	644	18,690	19,335	2,963	28,428
Balance at March 31, 2013	¥2,526	(¥33,786)	(¥31,259)	¥11,546	¥211,949

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

(In thousands of U.S. Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2012	\$85,080	—	\$2,321,972	(\$7,502)	\$2,399,549
Changes of items during the period					
Dividends from surplus			(21,385)		(21,385)
Net income			81,728		81,728
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		3,630		1,250	4,880
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	3,630	60,342	1,245	65,218
Balance at March 31, 2013	\$85,080	\$3,630	\$2,382,315	(\$6,257)	\$2,464,768

	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, 2012	\$20,021	(\$558,329)	(\$538,307)	\$91,321	\$1,952,563
Changes of items during the period					
Dividends from surplus					(21,385)
Net income					81,728
Purchase of treasury stock					(5)
Disposal of treasury stock					4,880
Net changes of items other than shareholders' equity	6,861	198,857	205,718	31,524	237,243
Total changes of items during the period	6,861	198,857	205,718	31,524	302,462
Balance at March 31, 2013	\$26,883	(\$359,471)	(\$332,588)	\$122,845	\$2,255,025

Notes:

- U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥93.99 = \$1 as of March 31, 2013.
- All figures are prepared under accounting principles generally accepted in Japan.
- 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 CASH FLOWS**  
**Year Ended March 31, 2013**

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

(Note1)

<b>I . Cash flows from operating activities</b>		
Income before income taxes	¥13,547	\$144,134
Depreciation and amortization	5,755	61,231
Interest and dividends income	(767)	(8,162)
Interest expenses	618	6,576
Equity in earnings of affiliates	(7,887)	(83,918)
Increase in notes and accounts receivable-trade	(1,409)	(14,991)
Decrease in inventories	1,327	14,126
Decrease in notes and accounts payable-trade	(1,181)	(12,571)
Other, net	945	10,062
Subtotal	10,948	116,488
Interest and dividends income received	8,330	88,636
Interest expenses paid	(642)	(6,835)
Income taxes paid	(5,070)	(53,946)
Net cash used in operating activities	13,566	144,343
<b>II . Cash flows from investment activities</b>		
Payments into time deposits	(39,431)	(419,526)
Proceeds from withdrawal of time deposits	13,626	144,983
Purchase of property, plant and equipment	(8,000)	(85,125)
Proceeds from sales of property, plant and equipment	131	1,397
Purchase of investment securities	(10)	(112)
Proceeds from sales of investment securities	411	4,373
Other, net	226	2,412
Net cash used in investment activities	(33,046)	(351,597)
<b>III . Cash flows from financing activities</b>		
Net decrease in short-term loans payable	(3,824)	(40,685)
Repayment of long-term loans payable	(1,793)	(19,077)
Purchase of treasury stock	(0)	(5)
Proceeds from sales of treasury stock	680	7,239
Cash dividends paid	(2,008)	(21,369)
Cash dividends paid to minority shareholders	(1)	(15)
Other, net	(25)	(267)
Net cash used in financing activities	(6,972)	(74,181)
<b>IV . Effect of exchange rate change on cash and cash equivalents</b>	<b>3,476</b>	<b>36,983</b>
<b>V . Net decrease in cash and cash equivalents</b>	<b>(22,976)</b>	<b>(244,452)</b>
<b>VI . Cash and cash equivalents at beginning of year</b>	<b>47,887</b>	<b>509,497</b>
<b>VII . Cash and cash equivalents at end of year</b>	<b>¥24,911</b>	<b>\$265,045</b>

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥93.99 = \$1 as of March 31, 2013.
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.

## Situation of Issue Shares

The situation of shares in this fiscal year is as outlined below.  
(As of March 31, 2013)

(1) Total number of shares authorized to be issued .....	171,257,770
Number of shares outstanding .....	69,750,000
Total number of shareholders .....	3,777

(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	42	199,196	28.59
	Financial instrument dealers	31	1,940	0.27
	Other corporations	58	191,740	27.50
	Foreign corporations, etc. (Individuals)	290 (2)	160,333 (21)	22.99 (0.00)
	Japanese individuals and other	3,356	143,974	20.65
	<b>Total</b>	<b>3,777</b>	<b>697,183</b>	<b>100.00</b>
Shares less than one unit		—	31,700	—

(3) Dividends

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

2013	2012	2012	2011	2011	
Mar.	Sep.	Mar.	Sep.	Mar.	
15	15	15	15	15	(Unit : Japanese Yen)
0.16	0.16	0.16	0.16	0.16	(Unit : U.S. Dollar)

Note: U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of  
¥93.99= \$1 as of March 31, 2013.

## Board of Directors

(As of March 31, 2013)

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
		Mikio Kobayashi		Chun-Ho Lee	Hisashi Sawada
				Damri Tunshevavong	



# 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、  
鉄事業をとおじて、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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