

ANNUAL REPORT 2017

MARCH 31, 2017

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.

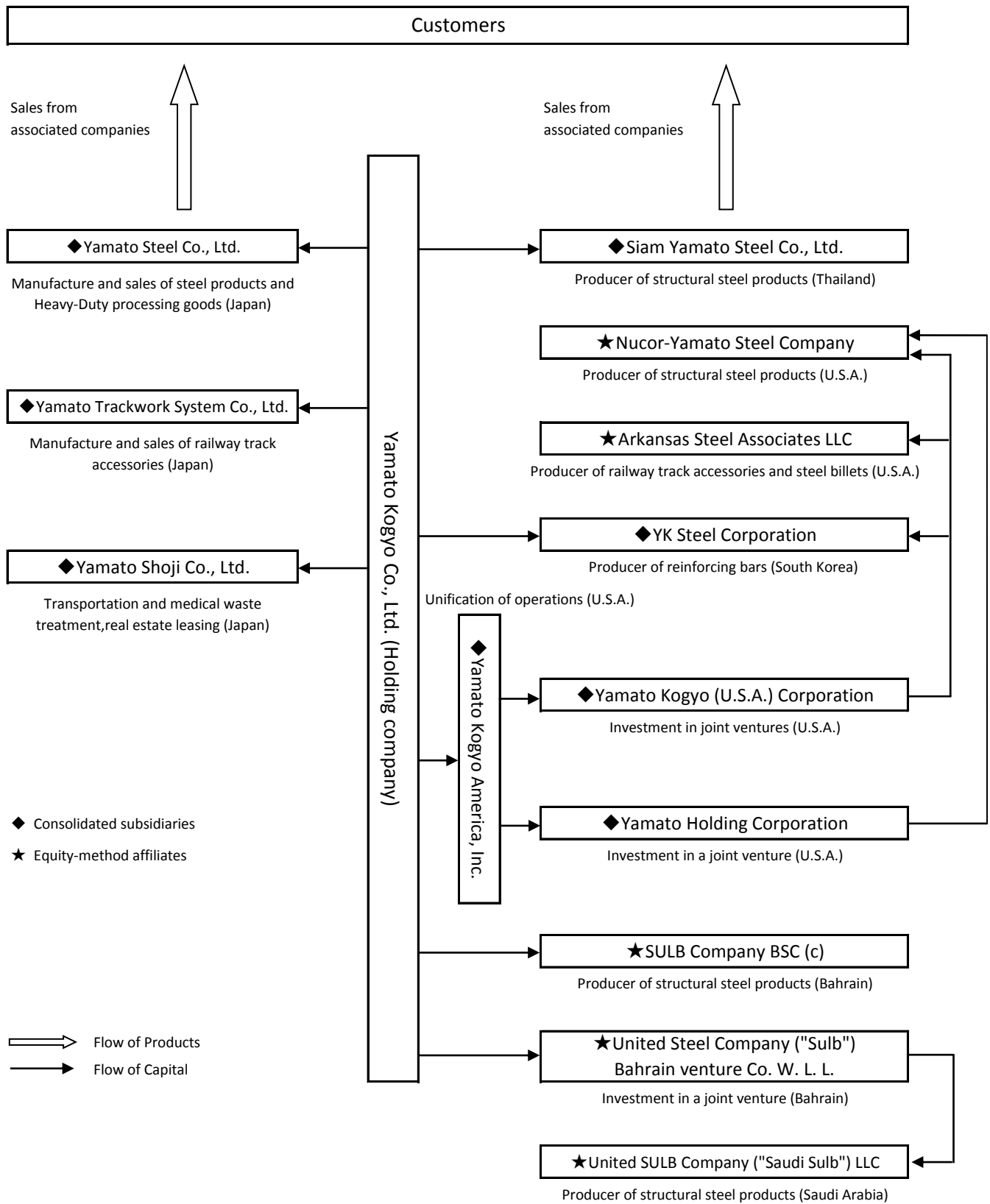
Under the umbrella of Yamato Kogyo, Co., Ltd. lies the various arms of the Yamato Kogyo Group, including Yamato Steel Co., Ltd. and Yamato Trackwork System Co., Ltd. More than seventy years of experience of working with steel has shown that there are still many secrets that remain unexplored. By using 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, 2017



* We have stakes in 1 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, 2017

1. Business Performance and Financial Status

(1) Business Performance

① Status During the Current Fiscal Year

In this consolidated financial year, amid a business environment that experienced a temporary fall in scrap prices and subsequent recovery from the latter half of 2016, persisted without the revised product sales price being implemented. In addition, persistently high-levels of exports of cheap finished and semi-finished steel products from China, although with some variations depending on regions and products, have a substantial impact on the performance of our group, which relies heavily on overseas market.

In the domestic market, we have continued our efforts to produce and sell according to actual demand, while trying to revise our product sales prices reflecting increased scrap prices, which was not so satisfactory.

In addition, sales of stern frames and other products for shipbuilders continued to be sluggish in terms of both quantity and price as shipbuilders are seeing a drop in new orders because of a downturn in the international shipping market.

In South Korea and Thailand, where we have consolidated subsidiaries, and in the United States, the Kingdom of Bahrain and the Kingdom of Saudi Arabia, where we have affiliated companies with equity method applied, the business performance for January through December of 2016 was reflected in the current consolidated fiscal year.

YK Steel Corporation in South Korea recorded lower profits in the second half of FY2016 compared with the ones in the first half, due to the uncertain prospects of future demand for reinforcing steel, which expanded from June 2015 due to increased construction of apartment but may be influenced by the recent slowdown of the Korean economy and increased household debt.

Siam Yamato Steel Co., Ltd. in Thailand still faces a lack of upsurge in construction investment due to the sluggish domestic economy. Although there was a rush demand during the upward phase of scrap prices in the first half of the year, both total sales tonnages and profits in the second half rebounded and declined compared with the ones in the first half.

Our U.S. affiliates accounted for under the equity method booked a profit favorably despite the impact of higher scrap prices

SULB Company BSC (c), a company in Bahrain accounted for under the equity method, still faces low demand for structural steel due to the downturn of public investment in the Middle East caused by decreased production of crude oil, although oil prices showed signs of bottoming out. In addition, the inflow of cheap finished and semi-finished steel products from China and other countries is continuously having an adverse effect on the market. In the meantime, to compensate for the shortfall in oil income, utility bills such as gas and electricity are increasing in the Gulf countries, causing more-than-initially planned operating costs and a significantly tough time for our affiliate company.

As a result of the above, sales for the current consolidated fiscal year were 142,136 million yen (a decrease of 8,842 million yen in comparison with the previous year), operating income was 10,739 million yen (a decrease of 476 million yen comparison with the previous year) and ordinary income was 21,519 million yen (a decrease of 2,066 million yen in comparison with the previous year).

Profit attributable to owners of parent decreased 1,674 million yen from the previous consolidated fiscal year to 11,319 million yen.

The figures in the previous financial year, including the comparative analysis of the same previous financial year, are already retrospectively reflected in the change in accounting policy.

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 2016)

109.45 yen/U.S. dollar, 3.10 yen/baht, and 10.60 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 2015)

121.04 yen/U.S. dollar, 3.53 yen/baht, and 9.35 won/yen

We report the business results of the segment as follows:

● **Steel (Japan)**

We have continued our efforts to produce and sell according to actual demand, while trying to revise our product sales prices reflecting increased scrap prices, which was not so satisfactory.

In addition, sales of stern frames and other products for shipbuilders continued to be sluggish in terms of both quantity and price as shipbuilders are seeing a drop in new orders because of a downturn in the international shipping market.

As a result, sales were 40,614 million yen (a decrease of 147 million yen in comparison with the previous year), and the operating income was 4,495 million yen (a decrease of 1,447 million yen in comparison with the previous year).

● **Steel (South Korea)**

It recorded lower profits in the second half of FY2016 compared with the ones in the first half, due to the uncertain prospects of future demand for reinforcing steel, which expanded from June 2015 due to increased construction of apartment but may be influenced by the recent slowdown of the Korean economy and increased household debt.

As a result, sales were 42,044 million yen (a decrease of 2,491 million yen in comparison with the previous year), the operating income was 1,140 million yen (an increase of 1,084 million yen in comparison with the previous year).

● **Steel (Thailand)**

In Thailand, still faces a lack of upsurge in construction investment due to the sluggish domestic economy. Although there was a rush demand during the upward phase of scrap prices in the first half of the year, both total sales tonnages and profits in the second half rebounded and declined compared with the ones in the first half.

As a result, sales were 53,153 million yen (a decrease of 6,636 million yen in comparison with the previous year). The operating income was 5,863 million yen (a decrease of 54 million yen in comparison with the previous year).

● **Railway Track Accessories**

Sales were 6,039 million yen (an increase of 415 million yen in comparison with the previous year), and the operating income was 967 million yen (an increase of 253 million yen in comparison with the previous year).

● **Other Business Sectors**

Other sales were 284 million yen, (an increase of 17 million yen in comparison with the previous year) and the operating loss was 1 million yen (the operating income of 24 million yen was posted during the previous year).

② **Future Outlook**

China's cheap exports of finished and semi-finished steel products are still creating a downturn in the steel market in some regions, although the country's excess production due to excess iron and steel production facilities seems to be temporarily settling down in 2017. The oversupply caused by China is significantly and adversely affecting our group's global operations. And if oil prices continue to stay at the current low levels, it will remain as a substantial negative factor in demand for steel products in the Middle East.

Under such circumstances, we do not expect significant improvements in steel demand in the period ending March 2018, with slight differences depending on regions. While scrap prices still remain high in 2017, the hike in operational costs including electricity bills and sub-materials is expected.

As a result of the above, the forecast for the entire fiscal year is decreased sales and profit as follows: Sales of 150,000 million yen, operating income of 8,000 million yen, ordinary income of 17,000 million yen, and profit attributable to owners of parent of 8,500 million yen.

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, 2017. The rates are as follows:

Average rate: 103.20 yen/U.S. dollar, 2.99 yen/baht, and 10.90 won/yen

Current rate: 100.00 yen/U.S. dollar, 2.91 yen/baht, and 11.20 won/yen

(2) Analysis of Financial Status

Total assets at the end of the current consolidated fiscal year were 348,951 million yen, an increase of 1,899 million yen in comparison with the end of the previous consolidated fiscal year. This was due to increase in notes and accounts receivable-trade.

Liabilities were 39,752 million yen, an increase of 769 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 309,198 million yen, an increase of 1,129 million yen in comparison with the end of the previous consolidated fiscal year. This was due to factors such as increase in profit attributable to owners of parent, decrease by the payment of dividends, and a decrease of 8,381 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 2016)

116.53 yen/U.S. dollar, 3.25 yen/baht, and 10.37 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 2015)

120.54 yen/U.S. dollar, 3.35 yen/baht, and 9.72 won/yen

(Cash Flows from Operating Activities)

The increase in funds from operating activities was 19,178 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 14,914 million yen, primarily due to factors such as payments into time deposits.

(Cash Flows from Financing Activities)

The decrease in funds from financing activities was 5,426 million yen, due to payment of dividend and repayments of long-term loans payable.

With the addition of Δ 680 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 30,697 million yen, which is a decrease of 1,843 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 27,770,000 of its own shares.

Regarding the end-of-term dividend for the current fiscal year, taking into the consideration the latest result, we would like to pay 25 yen per share in response to the constant support from our shareholders (latest forecast was 25 yen per share). Please note that the planned annual dividend is 50 yen per share, which includes interim dividend of 25 yen.

For the next period, being conscious of stable dividend payments we expect to pay an interim dividend of 25 yen and a year-end dividend of 25 yen per share, respectively, for an annual dividend of 50 yen per share. Together with improving employee wages, by these redistribution to all stakeholders, we join (although small) the vitalization of the economy.

(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 Bahrain, Kingdom of Saudi Arabia, 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.

Our group's comprehensive income and net assets are substantially affected by a decrease or increase in our foreign currency translation adjustment account resulting from changes in foreign exchange rates. It should be noted, however, that the account is kept for the sole purpose of reporting consolidated financial statements including our overseas subsidiaries and affiliates. It does not affect our business performance itself in any manner. As we intend to continue business activities in overseas markets in future years, it is our policy that we do not have the foreign exchange translation account hedged against fluctuations in foreign exchange rates.

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.

China's high-level exports of finished and semi-finished steel products are causing a slump in the global steel product market, substantially affecting our group's business across the world. We will carefully keep watching how China will continue to supply steel products in the months to come.

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.

⑤ Risk of our Middle East Business

We are engaged in global business operations targeting the world market. After establishing business bases in the United States, Thailand and South Korea, in 2007 we decided to move into the Middle East in expectation of increasing demand for structural steel. In 2009, we jointly established SULB Company BSC (c) (hereinafter referred to as "SULB") in the Kingdom of Bahrain with our venture partner in Middle East business Foulath Holding B.S.C. At SULB, we built a DRI-based integrated mill for production and sales principally of H-shaped steel. In 2011, we acquired the assets of a Saudi Arabian steelmaker via a special purpose company and established United SULB Company ("Saudi Sulb") LLC (hereinafter referred to as "Saudi Sulb"). Thus, we have pushed ahead with business in the Middle East.

SULB entered into commercial production at the end of July 2013, and is now ready for production at full capacity. However, SULB faces quite a tough business environment because of sluggish demand in the Middle East for steel products due to falling oil prices, slumping sales prices caused by inflows of low-priced finished and semi-finished steel products from China and other countries, increased production costs due to hikes in power, gas and water bills in the Kingdom of Bahrain, and unstable procurement of pellets as raw materials of direct reduced iron, among others. All these factors had not been considered in our initially designed project. Saudi Sulb also faces quite a tough business environment.

We have a large amount of capital invested in joint ventures operating in the Middle East (including loans and credit guarantees). If it should be required to book massive investment losses in addition to losses derived from business operations in the Middle East, our group may have its earnings and financial condition substantially affected.

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.

(4) Our basic idea about selecting accounting standards

Taking into consideration the comparability of consolidated financial statements on a year-to-year and company-to-company basis, for the time being our group will prepare consolidated financial statements in accordance with the Japanese accounting standards.

Relating to IFRS we will appropriately address the issue of their adoption in consideration of the situation that will prevail both at home and abroad in the future.

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

In Japanese Yen

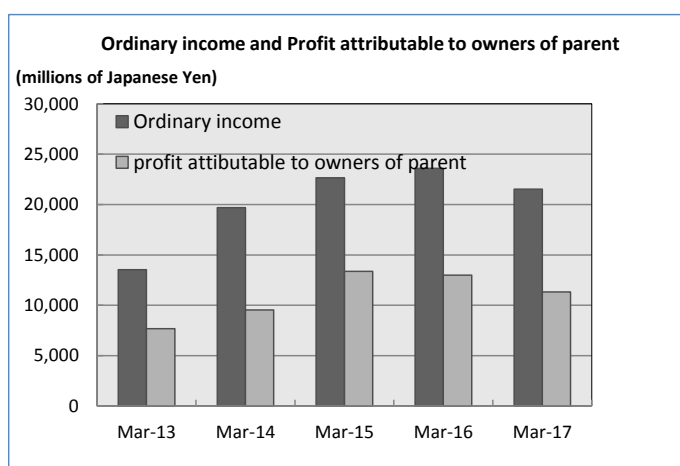
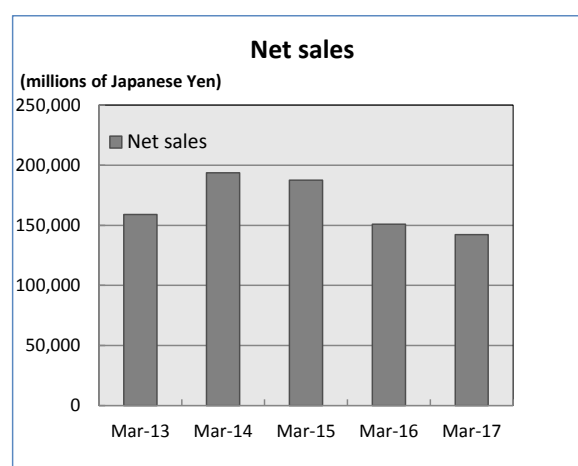
(In millions of Japanese Yen)
Years ended March 31

	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
FOR THE YEAR					
Net sales	¥158,923	¥193,630	¥187,451	¥150,978	¥142,136
Ordinary income	13,531	19,691	22,663	23,585	21,519
Profit attributable to owners of parent	7,681	9,532	13,377	12,994	11,319
Per share (unit:Yen)	112.82	139.79	196.40	193.63	169.24
AT YEAR END					
Net assets	211,949	259,682	304,622	308,068	309,198
Total assets	256,006	310,236	351,952	347,051	348,951

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

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

	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
FOR THE YEAR					
Net sales	\$1,416,434	\$1,725,766	\$1,670,688	\$1,345,622	\$1,266,815
Ordinary income	120,599	175,504	201,991	210,211	191,794
Profit attributable to owners of parent	68,463	84,956	119,231	115,811	100,887
Per share (unit:\$)	1.01	1.25	1.75	1.73	1.51
AT YEAR END					
Net assets	1,889,035	2,314,457	2,714,994	2,745,707	2,755,776
Total assets	2,281,698	2,765,030	3,136,829	3,093,151	3,110,081



Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥ 112.20 = \$1 as of March 31, 2017.
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.
4. In Mar-17, one of affiliates changed its accounting method for valuing certain inventories. Mar-16 presented in the above table reflect this change in accounting principle.

YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2017 and 2016

In Japanese Yen

(In millions of Japanese Yen)

	Mar-16	Mar-17		Mar-16	Mar-17
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥112,455	¥110,620	Notes and accounts payable-trade	¥10,350	¥11,823
Notes and accounts receivable-trade	21,432	23,234	Short-term loans payable	1,675	-
Short-term investment securities	-	4,500	Accounts payable-other	4,242	5,769
Merchandise and finished goods	9,769	11,143	Accrued expenses	3,400	2,341
Work in process	407	379	Income taxes payable	1,282	652
Raw materials and supplies	15,773	16,853	Provision for bonuses	507	501
Other	2,761	2,728	Other	1,673	1,252
Allowance for doubtful accounts	(12)	(15)	Total current liabilities	23,131	22,341
Total current assets	162,586	169,444			
Noncurrent assets			Noncurrent liabilities		
Property, plant and equipment			Deferred tax liabilities	11,734	12,907
Buildings and structures, net	13,917	12,793	Provision for directors' retirement benefits	1,409	1,536
Machinery, equipment and vehicles, net	28,812	27,408	Net defined benefit liability	2,648	2,899
Land	16,949	16,302	Other	59	69
Construction in progress	1,886	3,092	Total noncurrent liabilities	15,851	17,411
Other, net	220	271	Total liabilities	38,983	39,752
Total property, plant and equipment	61,784	59,868			
			Net assets		
Intangible assets			Shareholders' equity		
Goodwill	1,258	899	Capital stock	7,996	7,996
Other	369	363	Retained earnings	251,912	259,909
Total intangible assets	1,628	1,262	Treasury stocks	(306)	(307)
			Total shareholders' equity	259,603	267,598
Investments and other assets			Accumulated other comprehensive income		
Investments securities	47,229	40,848	Valuation difference on available-for-sale securities	3,414	4,019
Investments in capital	52,381	51,915	Foreign currency translation adjustment	25,882	17,501
Long-term loans receivable from subsidiaries and associates	6,568	10,499	Remeasurements of defined benefit plans	(139)	21
Long-term time deposits	12,105	11,746	Total accumulated other comprehensive income	29,158	21,542
Net defined benefit asset	2,055	2,327			
Other	927	1,266	Non-controlling interests	19,306	20,056
Allowance for doubtful accounts	(216)	(226)			
Total investments and other assets	121,051	118,376	Total net assets	308,068	309,198
Total noncurrent assets	184,465	179,506	Total liabilities and net assets	¥347,051	¥348,951
Total assets	¥347,051	¥348,951			

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

(In thousands of U.S. Dollars)

	Mar-16	Mar-17		Mar-16	Mar-17
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	\$1,002,275	\$985,923	Notes and accounts payable-trade	\$92,253	\$105,378
Notes and accounts receivable-trade	191,018	207,083	Short-term loans payable	14,928	-
Short-term investment securities	-	40,106	Accounts payable-other	37,814	51,425
Merchandise and finished goods	87,071	99,315	Accrued expenses	30,303	20,868
Work in process	3,630	3,379	Income taxes payable	11,431	5,814
Raw materials and supplies	140,580	150,212	Provision for bonuses	4,520	4,468
Other	24,613	24,317	Other	14,913	11,164
Allowance for doubtful accounts	(114)	(138)	Total current liabilities	206,165	199,118
Total current assets	1,449,076	1,510,199			
Noncurrent assets			Noncurrent liabilities		
Property, plant and equipment			Deferred tax liabilities	104,581	115,037
Buildings and structures, net	124,039	114,027	Provision for directors' retirement benefits	12,564	13,691
Machinery, equipment and vehicles, net	256,792	244,278	Net defined benefit liability	23,603	25,841
Land	151,061	145,299	Other	528	615
Construction in progress	16,811	27,559	Total noncurrent liabilities	141,278	155,186
Other, net	1,963	2,420	Total liabilities	347,443	354,304
Total property, plant and equipment	550,667	533,584			
			Net assets		
Intangible assets			Shareholders' equity		
Goodwill	11,219	8,014	Capital stock	71,271	71,271
Other	3,294	3,235	Retained earnings	2,245,213	2,316,481
Total intangible assets	14,514	11,249	Treasury stocks	(2,729)	(2,739)
			Total shareholders' equity	2,313,755	2,385,013
Investments and other assets			Accumulated other comprehensive income		
Investments securities	420,942	364,066	Valuation difference on available-for-sale securities	30,431	35,827
Investments in capital	466,860	462,707	Foreign currency translation adjustment	230,686	155,988
Long-term loans receivable from subsidiaries and associates	58,543	93,576	Remeasurements of defined benefit plans	(1,241)	187
Long-term time deposits	107,889	104,689	Total accumulated other comprehensive income	259,875	192,003
Net defined benefit asset	18,317	20,743			
Other	8,265	11,284	Non-controlling interests	172,076	178,759
Allowance for doubtful accounts	(1,925)	(2,021)			
Total investments and other assets	1,078,893	1,055,047	Total net assets	2,745,707	2,755,776
Total noncurrent assets	1,644,075	1,599,881	Total liabilities and net assets	\$3,093,151	\$3,110,081
Total assets	\$3,093,151	\$3,110,081			

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥112.20 = \$1 as of March 31, 2017.
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.
4. In Mar-17, one of affiliates changed its accounting method for valuing certain inventories. All periods presented in the above table reflect this change in accounting principle.

YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended March 31, 2017 and 2016

In Japanese Yen

(In millions of Japanese Yen)

	Mar-16	Mar-17
Net sales	¥150,978	¥142,136
Cost of sales	127,029	118,193
Selling, general and administrative expenses	12,733	13,203
Operating income	11,215	10,739
Non-operating income	13,162	11,048
Non-operating expenses	792	269
Ordinary income	23,585	21,519
Extraordinary income	123	15
Extraordinary loss	1,681	75
Income before income taxes	22,027	21,459
Income taxes		
Income taxes-current	9,029	7,152
Refund of income taxes	(1,027)	-
Income taxes-deferred	(657)	1,162
Total income taxes	7,344	8,315
Profit	14,683	13,143
Profit attributable to non-controlling interests	1,689	1,824
Profit attributable to owners of parent	¥12,994	¥11,319

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

(In thousands of U.S. Dollars)

	Mar-16	Mar-17
Net sales	\$1,345,622	\$1,266,815
Cost of sales	1,132,166	1,053,413
Selling, general and administrative expenses	113,492	117,681
Operating income	99,962	95,719
Non-operating income	117,308	98,474
Non-operating expenses	7,060	2,400
Ordinary income	210,211	191,794
Extraordinary income	1,097	139
Extraordinary loss	14,984	672
Income before income taxes	196,324	191,260
Income taxes		
Income taxes-current	80,472	63,751
Refund of income taxes	(9,154)	-
Income taxes-deferred	(5,859)	10,363
Total income taxes	65,458	74,114
Profit	130,866	117,146
Profit attributable to non-controlling interests	15,054	16,258
Profit attributable to owners of parent	115,811	\$100,887

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥112.20 = \$1 as of March 31, 2017.
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.
4. In Mar-17, one of affiliates changed its accounting method for valuing certain inventories.
All periods presented in the above table reflect this change in accounting principle.

**YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended March 31, 2017 and 2016**

In Japanese Yen

	(In millions of Japanese Yen)	
	Mar-16	Mar-17
Profit	¥14,683	¥13,143
Other comprehensive income		
Valuation difference on available-for-sale securities	(782)	605
Foreign currency translation adjustment	(6,298)	(5,559)
Remeasurements of defined benefit plans	(532)	157
Share of other comprehensive income of entities accounted for using equity method	12	(3,352)
Total other comprehensive income	(7,601)	(8,149)
Comprehensive income	¥7,081	¥4,994
(Breakdown)		
Comprehensive income attributable to owners of the parent	7,112	3,704
Comprehensive income attributable to non-controlling interests	(30)	1,290

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

	(In thousands of U.S. Dollars)	
	Mar-16	Mar-17
Profit	\$130,866	\$117,146
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,973)	5,398
Foreign currency translation adjustment	(56,140)	(49,553)
Remeasurements of defined benefit plans	(4,749)	1,406
Share of other comprehensive income of entities accounted for using equity method	113	(29,880)
Total other comprehensive income	(67,750)	(72,630)
Comprehensive income	\$63,115	\$44,515
(Breakdown)		
Comprehensive income attributable to owners of the parent	63,388	33,015
Comprehensive income attributable to non-controlling interests	(272)	11,500

Notes:

- U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥ 112.20 = \$1 as of March 31, 2017.
- 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.
- In Mar-17, one of affiliates changed its accounting method for valuing certain inventories.
All periods presented in the above table reflect this change in accounting principle.

YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Year Ended March 31, 2017 and 2016

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, 2015	¥7,996	¥92	¥242,556	(¥719)	¥249,925
Cumulative effects of changes in accounting policies			¥1,861		¥1,861
Restated balance as of April 1, 2015	¥7,996	¥92	¥244,417	(¥719)	¥251,786
Changes of items during the period					
Dividends from surplus			(2,676)		(2,676)
Profit attributable to owners of parent			12,994		12,994
Purchase of treasury stock		(92)	(117)	(2,291)	(2,501)
Retirement of treasury stock			(2,704)	2,704	-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(92)	7,495	413	7,816
Balance at March 31, 2016	¥7,996	-	¥251,912	(¥306)	¥259,603

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2015	¥4,192	¥30,228	¥386	¥34,807	¥19,888	¥304,622
Cumulative effects of changes in accounting policies		¥231		¥231		¥2,093
Restated balance as of April 1, 2015	¥4,192	¥30,460	¥386	¥35,039	¥19,888	¥306,715
Changes of items during the period						
Dividends from surplus						(2,676)
Profit attributable to owners of parent						12,994
Purchase of treasury stock						(2,501)
Retirement of treasury stock						-
Net changes of items other than shareholders' equity	(778)	(4,577)	(525)	(5,881)	(582)	(6,463)
Total changes of items during the period	(778)	(4,577)	(525)	(5,881)	(582)	1,352
Balance at March 31, 2016	¥3,414	¥25,882	(¥139)	¥29,158	¥19,306	¥308,068

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, 2015	\$71,271	\$822	\$2,161,820	\$6,415	\$2,227,499
Cumulative effects of changes in accounting policies			\$16,589		\$16,589
Restated balance as of April 1, 2015	\$71,271	\$822	\$2,178,410	\$6,415	\$2,244,089
Changes of items during the period					
Dividends from surplus			(23,851)		(23,851)
Profit attributable to owners of parent			115,811		115,811
Purchase of treasury stock		(822)	(1,050)	(20,420)	(22,293)
Retirement of treasury stock			(24,106)	24,106	-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(822)	66,802	3,685	69,666
Balance at March 31, 2016	\$71,271	-	\$2,245,213	\$2,729	\$2,313,755

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2015	\$37,369	\$269,416	\$3,445	\$310,231	\$177,263	\$2,714,994
Cumulative effects of changes in accounting policies		\$2,067		\$2,067		\$18,657
Restated balance as of April 1, 2015	\$37,369	\$271,483	\$3,445	\$312,298	\$177,263	\$2,733,651
Changes of items during the period						
Dividends from surplus						(23,851)
Profit attributable to owners of parent						115,811
Purchase of treasury stock						(22,293)
Retirement of treasury stock						-
Net changes of items other than shareholders' equity	(6,938)	(40,797)	(4,687)	(52,422)	(5,187)	(57,610)
Total changes of items during the period	(6,938)	(40,797)	(4,687)	(52,422)	(5,187)	12,056
Balance at March 31, 2016	\$30,431	\$230,686	(\$1,241)	\$259,875	\$172,076	\$2,745,707

In Japanese Yen
As of March 31, 2017

(In millions of Japanese Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2016	¥7,996	-	¥251,912	(¥306)	¥259,603
Cumulative effects of changes in accounting policies					-
Restated balance as of April 1, 2016	¥7,996	-	¥251,912	(¥306)	¥259,603
Changes of items during the period					
Dividends from surplus			(3,323)		(3,323)
Profit attributable to owners of parent			11,319		11,319
Purchase of treasury stock				(1)	(1)
Retirement of treasury stock					-
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	-	7,996	(1)	7,995
Balance at March 31, 2017	¥7,996	-	¥259,909	(¥307)	¥267,598

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2016	¥3,414	¥25,882	(¥139)	¥29,158	¥19,306	¥308,068
Cumulative effects of changes in accounting policies						-
Restated balance as of April 1, 2016	¥3,414	¥25,882	(¥139)	¥29,158	¥19,306	¥308,068
Changes of items during the period						
Dividends from surplus						(3,323)
Profit attributable to owners of parent						11,319
Purchase of treasury stock						(1)
Retirement of treasury stock						-
Net changes of items other than shareholders' equity	605	(8,381)	160	(7,615)	749	(6,865)
Total changes of items during the period	605	(8,381)	160	(7,615)	749	1,129
Balance at March 31, 2017	¥4,019	¥17,501	¥21	¥21,542	¥20,056	¥309,198

In U.S. Dollars for Convenience Purposes (Note 1)
As of March 31, 2017

(In thousands of U.S. Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2016	\$71,271	-	\$2,245,213	(\$2,729)	\$2,313,755
Cumulative effects of changes in accounting policies					-
Restated balance as of April 1, 2016	\$71,271	-	\$2,245,213	(\$2,729)	\$2,313,755
Changes of items during the period					
Dividends from surplus			(29,619)		(29,619)
Profit attributable to owners of parent			100,887		100,887
Purchase of treasury stock				(10)	(10)
Retirement of treasury stock					-
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	-	71,268	(10)	71,257
Balance at March 31, 2017	\$71,271	-	\$2,316,481	(\$2,739)	\$2,385,013

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2016	\$30,431	\$230,686	(\$1,241)	\$259,875	\$172,076	\$2,745,707
Cumulative effects of changes in accounting policies						-
Restated balance as of April 1, 2016	\$30,431	\$230,686	(\$1,241)	\$259,875	\$172,076	\$2,745,707
Changes of items during the period						
Dividends from surplus						(29,619)
Profit attributable to owners of parent						100,887
Purchase of treasury stock						(10)
Retirement of treasury stock						-
Net changes of items other than shareholders' equity	5,395	(74,697)	1,429	(67,872)	6,683	(61,188)
Total changes of items during the period	5,395	(74,697)	1,429	(67,872)	6,683	10,068
Balance at March 31, 2017	\$35,827	\$155,988	\$187	\$192,003	\$178,759	\$2,755,776

Notes:

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3. All figures are rounded down to the nearest millions of Japanese Yen or thousands of U.S. Dollars.
4. In Mar-17, one of affiliates changed its accounting method for valuing certain inventories. All periods presented in the above table reflect this change in accounting principle.

YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year Ended March 31, 2017

	In millions of Japanese Yen	In thousands of U.S. Dollars
(Note1)		
I . Cash flows from operating activities		
Income before income taxes	¥21,459	\$191,260
Depreciation and amortization	5,572	49,665
Interest and dividends income	(1,743)	(15,539)
Interest expenses	40	360
Equity in (earnings) losses of affiliates	(8,376)	(74,656)
Decrease (increase) in notes and accounts receivable-trade	(2,300)	(20,503)
Decrease (increase) in inventories	(3,069)	(27,355)
Increase (decrease) in notes and accounts payable-trade	1,840	16,403
Other, net	(236)	(2,103)
Subtotal	13,183	117,496
Interest and dividends income received	14,036	125,104
Interest expenses paid	(54)	(485)
Income taxes paid	(7,986)	(71,184)
Net cash provided by (used in) operating activities	19,178	170,931
II . Cash flows from investment activities		
Payments into time deposits	(20,443)	(182,204)
Proceeds from withdrawal of time deposits	13,525	120,546
Purchase of property, plant and equipment	(4,385)	(39,083)
Proceeds from sales of investment securities	436	3,891
Payments of loans receivable from subsidiaries and associates	(3,834)	(34,176)
Other, net	(213)	(1,902)
Net cash provided by (used in) investment activities	(14,914)	(132,929)
III . Cash flows from financing activities		
Repayment of long-term loans payable	(1,550)	(13,814)
Purchase of treasury stock	(1)	(10)
Cash dividends paid	(3,320)	(29,594)
Dividends paid to non-controlling shareholders	(540)	(4,817)
Other, net	(14)	(126)
Net cash provided by (used in) financing activities	(5,426)	(48,363)
IV . Effect of exchange rate change on cash and cash equivalents	(680)	(6,068)
V . Net decrease(increase) in cash and cash equivalents	(1,843)	(16,428)
VI . Cash and cash equivalents at beginning of year	32,540	290,026
VII . Cash and cash equivalents at end of year	¥30,697	\$273,597

Notes:

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- All figures are rounded down to the nearest millions of Japanese Yen or thousands of U.S. Dollars.
- In Mar-17, one of affiliates changed its accounting method for valuing certain inventories.
All periods presented in the above table reflect this change in accounting principle.

Situation of Issue Shares

The situation of shares in this fiscal year is as outlined below.
(As of March 31, 2017)

(1) Total number of shares authorized to be issued	171,257,770
Number of shares outstanding	67,670,000
Total number of shareholders	2,993

(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	197,025	29.13
	Financial instrument dealers	38	8,160	1.21
	Other corporations	52	173,309	25.62
	Foreign corporations, etc. (Individuals)	283 (2)	163,185 (21)	24.12 0.00
	Japanese individuals and other	2,576	134,760	19.92
	Total	2,993	676,439	100.00
Shares less than one unit		—	261	—

(2) Dividends

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

2017	2016	2016	2015	2015	
Mar.	Sep.	Mar.	Sep.	Mar.	
25	25	25	20	20	(Unit : Japanese Yen)
0.22	0.22	0.22	0.18	0.18	(Unit : U.S. Dollar)

Note: U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of
¥ 112.20 = \$1 as of March 31, 2017.

Board of Directors

(As of March 31, 2017)

President	Senior Managing Director	Managing Directors	Director and Executive Advisor	Directors	Auditors	
Hiroyuki Inoue	Kazumi Kajihara	Takafumi Yoshida	Shigeo Kawata	Yoshinori Toritani	Hisakazu Fukuhara	
				Kengo Nakaya		
		Mikio Kobayashi		Yoshio Morikawa	Kazumi Yonezawa	
				Katsumasa Kohata		
					Damri Tunshevavong	Hisashi Sawada
					Takenosuke Yasufuku	
		Kiyoshige Akamatsu				

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.

380 Kibi, Otsu-ku, Himeji City, Hyogo Pref. 671-1192, Japan

Phone: Japan (81), Himeji (79) 273-1061 Fax: Japan (81), Himeji (79) 273-9337



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