

ANNUAL REPORT 2018

MARCH 31, 2018

YAMATO KOGYO CO., LTD.

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Group Vision



President Mikio Kobayashi

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.

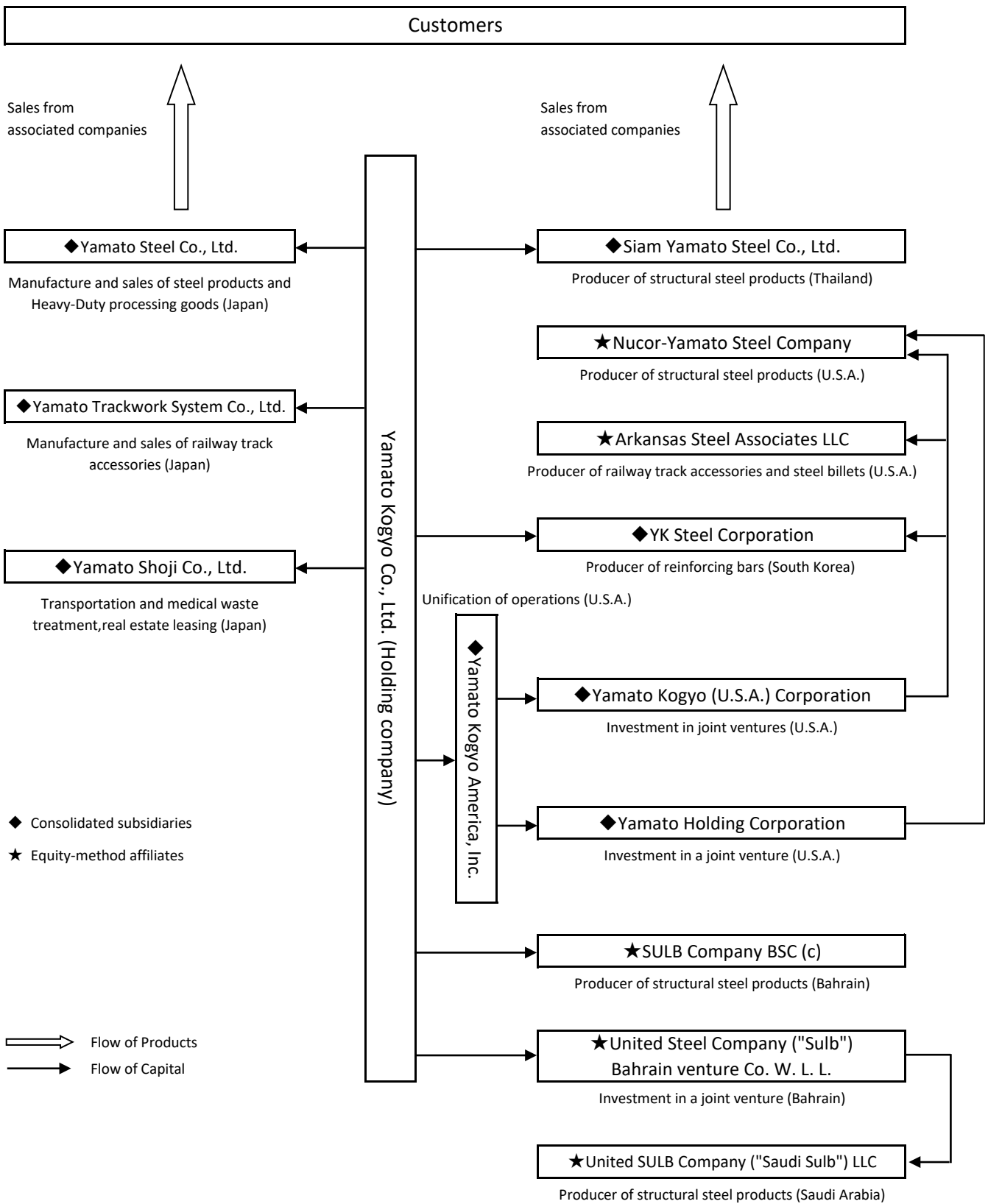
Under the umbrella of Yamato Kogyo, Co., Ltd. lies the various arms of the Yamato Kogyo Group, including Yamato Steel Co., Ltd. and Yamato Trackwork System Co., Ltd. More than seventy years of experience of working with steel has shown that there are still many secrets that remain unexplored. By using 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, 2018



YAMATO KOGYO CO., LTD.
OPERATING RESULTS FOR THE FISCAL YEAR
ENDED MARCH 31, 2018

1. Business Performance and Financial Status

(1) Business Performance

① Status During the Current Fiscal Year

In this consolidated financial year, the Group's operating environment was marked by a moderating trend in China's exports of finished and semi-finished steel products. Meanwhile, although the price of steel scrap continuously went up, the revision of steel product price did not proceed smoothly due to slow growth in demand of steel products. Incipient signs of rising markets for electrodes, refractories, alloy iron and other sub-materials are calling for further increases in the cost of steel production in 2018 and onwards.

In Japan, sign of recovery in demand for steel products was finally felt from the latter half of this fiscal year. However, the product price change does not catch up with scrap price increase which changes every day, so it made the lower profit compared with the previous fiscal year. Stern frames and other products for shipbuilders continued to be struggled in terms of both quantity and price because shipbuilders had to build ships which were previously ordered at lower prices.

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 2017 was reflected in the current consolidated fiscal year.

YK Steel Corporation in South Korea reported stronger revenues and earnings compared with the previous fiscal year due to unabated robust demand for reinforcing bars accompanying an apartment construction boom that began around June 2015. However, it remains uncertain whether the existing demand will continue in the future as the South Korean government kept some regulations and restrictions on real estate transactions, including the introduction of caps on households' outstanding debts, since the government worries about increasing household liabilities.

Siam Yamato Steel Co., Ltd. in Thailand reported substantially lower earnings compared with the previous fiscal year as construction demand in the private sector lacked strength. Although pump-priming public investment continued to generate demand, selling prices remained under pressure, and the situation was compounded by cost impacts from rising scrap prices. Since Anti-dumping measure against China in Thailand expired in October 2017, there is a concern over the threats of Chinese import product in the domestic market henceforth.

Our U.S. affiliates that are accounted for by the equity method have successfully earned a certain level of profit although they have not enjoyed strong demand and have been negatively affected by low-price import products.

SULB Company BSC (c), an equity-method affiliate, in Bahrain has not seen a full-blown recovery in demand for structural steel, though crude oil price has been rebounded. Market prices for finished and semi-finished steel products began pointing upward around late 2017; however, it remains uncertain how durable this momentum will be going forward.

As a result of the above, sales for the current consolidated fiscal year were 176,073 million yen (an increase of 33,937 million yen in comparison with the previous year), operating income was 8,340 million yen (a decrease of 2,398 million yen comparison with the previous year) and ordinary income was 17,828 million yen (a decrease of 3,691 million yen in comparison with the previous year). A gain, of 351 million yen, on return of assets from retirement benefit trust was included in extraordinary income; and in the second quarter of the fiscal year, subsidiary operations in the United States recorded refund of income taxes (tax benefit) of 528 million yen. In addition, following the passage of the Tax Cuts and Jobs Act in the United States at the end of 2017, the effects of applicable tax amendments were reflected in United States-based subsidiary current and deferred income taxes which works positively. Consequently, profit attributable to owners of parent increased 918 million yen to 12,238 million yen compared with the previous consolidated fiscal 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 2017)

112.04 yen/U.S. dollar, 3.32 yen/baht, and 10.09 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 2016)

109.45 yen/U.S. dollar, 3.10 yen/baht, and 10.06 won/yen

We report the business results of the segment as follows:

● **Steel (Japan)**

In Japan, recovery in demand for steel products became finally palpable as the fiscal year entered its second half. However, unfruitful efforts to revise product prices to catch up with the rise in scrap and other prices resulted in lower earnings compared with the previous fiscal year. In the market for stern frames and other products for shipbuilders, the Group continued to struggle in terms of both volume and price, because shipyards concentrated on working off an order backlog previously received at lower ship prices. As a result, sales were 47,702 million yen (an increase of 7,087 million yen in comparison with the previous year), and the operating income was 3,409 million yen (a decrease of 1,085 million yen in comparison with the previous year).

● **Steel (South Korea)**

It reported stronger revenues and earnings compared with the previous fiscal year. This reflected unabated robust demand for reinforcing bars accompanying an apartment construction boom that began around June 2015. However, it remains uncertain whether the existing demand will continue in the future as the South Korean government implemented some regulations and restrictions on real estate transactions, including the introduction of caps on households' outstanding debts, since the government worries about increasing household liabilities. As a result, sales were 58,389 million yen (an increase of 16,344 million yen in comparison with the previous year), the operating income was 2,728 million yen (an increase of 1,588 million yen in comparison with the previous year).

● **Steel (Thailand)**

It reported substantially lower earnings compared with the previous fiscal year as construction demand in the private sector lacked strength. Although pump-priming public investment continued to generate demand, selling prices remained under pressure, and the situation was compounded by cost impacts from rising scrap prices. Thailand lifted its anti-dumping restrictions against China in October 2017, leaving threats of a market vulnerable to Chinese imports henceforth. As a result, sales were 65,964 million yen (an increase of 12,810 million yen in comparison with the previous year). The operating income was 3,963 million yen (a decrease of 1,899 million yen in comparison with the previous year).

● **Railway Track Accessories**

Sales were 3,717 million yen (a decrease of 2,322 million yen in comparison with the previous year), and the operating income was 20 million yen (a decrease of 946 million yen in comparison with the previous year).

● **Other Business Sectors**

Other sales were 300 million yen, (an increase of 16 million yen in comparison with the previous year) and the operating income was 10 million yen (the operating loss of 1 million yen was posted during the previous year).

② **Future Outlook (as of May 1, 2018)**

In China, media reports claim progress on the eradication of officially unaccounted-for illegal steel mills and the dismantling of excess capacity. Meanwhile, official statistics show domestic iron and steel production remaining elevated, with 2017's output exceeding the previous year's. Domestic demand is going strong, so low-price finished and semi-finished steel export products from China are currently on the decline. However, there is still an undeniable chance that, once domestic demand slackens, China might go on an export spree again. Accordingly, we conclude that any changes stemming from China do and will carry potentially adverse implications for the Group, that is engaged in global business operation.

In the United States, Section 232 of the Trade Expansion Act of 1962 was invoked to levy import duties on steel/aluminum goods effective as from March 23, 2018. This move would favor the Group's US local operations generally. However, exemptions have been granted to EU and NAFTA members, South Korea and others, which as a whole account for more than half of all structural steel imports to the United States. Some decisions are still in flux, such as on the question of quantitative restrictions or other alternatives to import levies. Speculation has it that the established export channels to the United States might be deflected to anywhere in the rest of the world. We therefore re-emphasize the need to monitor closely potential repercussions this action might have on the Group's results of operations.

In the Middle East, industry expectation is that the recovery in crude oil prices will bring infrastructure projects off the ground in the Gulf countries; in fact, demand for structural steel is still fragile. Besides, political uncertainties persist, not least among them being the relationship between Qatar and other GCC countries, economic sanctions over the nuclear agreement with Iran, and the Syria issue. The climate surrounding the Group's Middle East operations remains far from comfortable or predictable.

As a result of the above, the forecast for the entire fiscal year is increased sales and profit as follows: Sales of 190,000 million yen, operating income of 8,000 million yen, ordinary income of 22,000 million yen, and profit attributable to owners of parent of 15,000 million yen.

Please note that for the January-December 2018 period we applied the exchange rates for translating into Japanese yen revenues generated and costs incurred by our overseas subsidiaries and affiliates on the basis of the following:

(Average rates for the period)

101.88 yen/U.S. dollar, 3.26 yen/baht, and 10.49 won/yen.

We applied the following exchange rates for translating the year-end (meaning the end of December 2018 for overseas subsidiaries and affiliates and the end of March 2019 for domestic subsidiaries and affiliates) assets and liabilities of each subsidiary and affiliate:

(End of period rates)

100.00 yen/U.S. dollar, 3.21 yen/baht, and 10.67 won/yen.

(2) Analysis of Financial Status

Total assets at the end of the current consolidated fiscal year were 367,321 million yen, an increase of 18,370 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 47,248 million yen, an increase of 7,495 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 320,073 million yen, an increase of 10,875 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 702 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 2017)

113.05 yen/U.S. dollar, 3.46 yen/baht, and 9.48 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 2016)

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

(Cash Flows from Operating Activities)

The increase in funds from operating activities was 13,751 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 18,510 million yen, primarily due to factors such as payments for acquisition of tangible fixed assets.

(Cash Flows from Financing Activities)

The decrease in funds from financing activities was 3,903 million yen, due to payment of dividend.

With the addition of 689 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 22,723 million yen, which is a decrease of 7,973 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 public investment in the Middle East, inflows of low-priced steel products from China and other countries, increased production costs due to hikes in power, gas and water bills caused by government subsidy cuts in the Gulf countries, 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.

We intend to stabilize, develop and expand our overseas business furtherly, which is the source of our growth. To achieve this aim, as a manufacturing enterprise, we shall make tireless efforts to strengthen the foundation of our domestic business that is the base of technology and management, sharpen cost competitiveness, stabilize and improve the quality, and improve customer service including delivery. We will also put greater emphasis on human resource education and training to expand overseas business.

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

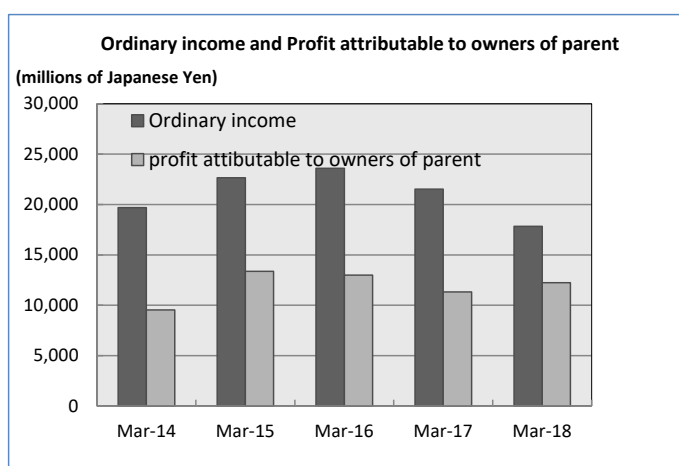
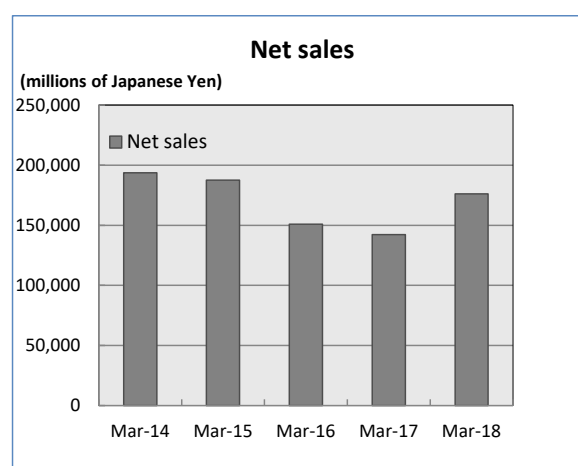
(In millions of Japanese Yen)
Years ended March 31

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
FOR THE YEAR					
Net sales	¥193,630	¥187,451	¥150,978	¥142,136	¥176,073
Ordinary income	19,691	22,663	23,585	21,519	17,828
Profit attributable to owners of parent	9,532	13,377	12,994	11,319	12,238
Per share (unit:Yen)	139.79	196.40	193.63	169.24	182.97
AT YEAR END					
Net assets	259,682	304,622	308,068	309,198	320,073
Total assets	310,236	351,952	347,051	348,951	367,321

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

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

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
FOR THE YEAR					
Net sales	\$1,822,065	\$1,763,914	\$1,420,709	\$1,337,504	\$1,656,852
Ordinary income	185,298	213,262	221,941	202,496	167,761
Profit attributable to owners of parent	89,697	125,884	122,274	106,517	115,163
Per share (unit:\$)	1.32	1.85	1.82	1.59	1.72
AT YEAR END					
Net assets	2,443,606	2,866,494	2,898,921	2,909,552	3,011,886
Total assets	2,919,322	3,311,868	3,265,753	3,283,627	3,456,491



Notes:

- U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥106.27 = \$1 as of March 31, 2018.
- 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. 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, 2018 and 2017

In Japanese Yen

(In millions of Japanese Yen)

	Mar-17	Mar-18		Mar-17	Mar-18
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥110,620	¥117,112	Notes and accounts payable-trade	¥11,823	¥17,575
Notes and accounts receivable-trade	23,234	32,678	Accounts payable-other	5,769	6,756
Short-term investment securities	4,500	-	Accrued expenses	2,341	3,125
Merchandise and finished goods	11,143	15,212	Income taxes payable	652	596
Work in process	379	379	Provision for bonuses	501	488
Raw materials and supplies	16,853	22,202	Other	1,252	888
Other	2,728	3,209	Total current liabilities	22,341	29,431
Allowance for doubtful accounts	(15)	(19)			
Total current assets	169,444	190,775			
Noncurrent assets			Noncurrent liabilities		
Property, plant and equipment			Deferred tax liabilities	12,907	11,375
Buildings and structures, net	12,793	13,516	Provision for directors' retirement benefits	1,536	25
Machinery, equipment and vehicles, net	27,408	29,438	Net defined benefit liability	2,899	3,055
Land	16,302	18,280	Other	69	3,360
Construction in progress	3,092	4,455	Total noncurrent liabilities	17,411	17,816
Other, net	271	329	Total liabilities	39,752	47,248
Total property, plant and equipment	59,868	66,022			
Intangible assets			Net assets		
Goodwill	899	539	Shareholders' equity		
Other	363	365	Capital stock	7,996	7,996
Total intangible assets	1,262	905	Retained earnings	259,909	268,824
			Treasury stocks	(307)	(308)
Investments and other assets			Total shareholders' equity	267,598	276,512
Investments securities	40,848	42,730			
Investments in capital	51,915	47,274	Accumulated other comprehensive income		
Long-term loans receivable from subsidiaries and associates	10,499	16,931	Valuation difference on available-for-sale securities	4,019	4,807
Long-term time deposits	11,746	-	Foreign currency translation adjustment	17,501	16,799
Net defined benefit asset	2,327	1,096	Remeasurements of defined benefit plans	21	(77)
Other	1,266	1,827	Total accumulated other comprehensive income	21,542	21,528
Allowance for doubtful accounts	(226)	(243)			
Total investments and other assets	118,376	109,618	Non-controlling interests	20,056	22,031
Total noncurrent assets	179,506	176,545	Total net assets	309,198	320,073
Total assets	¥348,951	¥367,321	Total liabilities and net assets	¥348,951	¥367,321

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

(In thousands of U.S. Dollars)

	Mar-17	Mar-18		Mar-17	Mar-18
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	\$1,040,938	\$1,102,032	Notes and accounts payable-trade	\$111,258	\$165,388
Notes and accounts receivable-trade	218,639	307,505	Accounts payable-other	54,294	63,576
Short-term investment securities	42,344	-	Accrued expenses	22,033	29,411
Merchandise and finished goods	104,857	143,150	Income taxes payable	6,138	5,617
Work in process	3,568	3,568	Provision for bonuses	4,717	4,597
Raw materials and supplies	158,594	208,923	Other	11,787	8,364
Other	25,674	30,199	Total current liabilities	210,229	276,954
Allowance for doubtful accounts	(146)	(181)			
Total current assets	1,594,471	1,795,198			
Noncurrent assets			Noncurrent liabilities		
Property, plant and equipment			Deferred tax liabilities	121,457	107,041
Buildings and structures, net	120,390	127,194	Provision for directors' retirement benefits	14,455	240
Machinery, equipment and vehicles, net	257,909	277,020	Net defined benefit liability	27,282	28,748
Land	153,406	172,021	Other	649	31,619
Construction in progress	29,097	41,926	Total noncurrent liabilities	163,845	167,649
Other, net	2,555	3,104	Total liabilities	374,075	444,604
Total property, plant and equipment	563,359	621,266			
Intangible assets			Net assets		
Goodwill	8,461	5,076	Shareholders' equity		
Other	3,416	3,441	Capital stock	75,248	75,248
Total intangible assets	11,877	8,518	Retained earnings	2,445,744	2,529,635
			Treasury stocks	(2,892)	(2,899)
Investments and other assets			Total shareholders' equity	2,518,100	2,601,985
Investments securities	384,381	402,093			
Investments in capital	488,526	444,854	Accumulated other comprehensive income		
Long-term loans receivable from subsidiaries and associates	98,798	159,328	Valuation difference on available-for-sale securities	37,826	45,234
Long-term time deposits	110,531	-	Foreign currency translation adjustment	164,692	158,079
Net defined benefit asset	21,901	10,319	Remeasurements of defined benefit plans	197	(728)
Other	11,914	17,200	Total accumulated other comprehensive income	202,717	202,585
Allowance for doubtful accounts	(2,133)	(2,289)			
Total investments and other assets	1,113,920	1,031,507	Non-controlling interests	188,735	207,316
Total noncurrent assets	1,689,156	1,661,292	Total net assets	2,909,552	3,011,886
Total assets	\$3,283,627	\$3,456,491	Total liabilities and net assets	\$3,283,627	\$3,456,491

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥106.27 = \$1 as of March 31, 2018.
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, 2018 and 2017

In Japanese Yen

(In millions of Japanese Yen)

	Mar-17	Mar-18
Net sales	¥142,136	¥176,073
Cost of sales	118,193	153,616
Selling, general and administrative expenses	13,203	14,116
Operating income	10,739	8,340
Non-operating income	11,048	10,140
Non-operating expenses	269	653
Ordinary income	21,519	17,828
Extraordinary income	15	381
Extraordinary loss	75	125
Income before income taxes	21,459	18,084
Income taxes		
Income taxes-current	7,152	7,269
Refund of income taxes	-	(528)
Income taxes-deferred	1,162	(2,151)
Total income taxes	8,315	4,590
Profit	13,143	13,493
Profit attributable to non-controlling interests	1,824	1,255
Profit attributable to owners of parent	¥11,319	¥12,238

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

(In thousands of U.S. Dollars)

	Mar-17	Mar-18
Net sales	\$1,337,504	\$1,656,852
Cost of sales	1,112,195	1,445,529
Selling, general and administrative expenses	124,247	132,835
Operating income	101,061	78,486
Non-operating income	103,969	95,425
Non-operating expenses	2,534	6,150
Ordinary income	202,496	167,761
Extraordinary income	146	3,590
Extraordinary loss	709	1,178
Income before income taxes	201,933	170,173
Income taxes		
Income taxes-current	67,308	68,410
Refund of income taxes	-	(4,972)
Income taxes-deferred	10,941	(20,241)
Total income taxes	78,250	43,195
Profit	123,683	126,978
Profit attributable to non-controlling interests	17,165	11,814
Profit attributable to owners of parent	\$106,517	\$115,163

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥106.27 = \$1 as of March 31, 2018.
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, 2018 and 2017

In Japanese Yen

	(In millions of Japanese Yen)	
	Mar-17	Mar-18
Profit	¥13,143	¥13,493
Other comprehensive income		
Valuation difference on available-for-sale securities	605	787
Foreign currency translation adjustment	(5,559)	3,167
Remeasurements of defined benefit plans	157	(110)
Share of other comprehensive income of entities accounted for using equity method	(3,352)	(2,567)
Total other comprehensive income	(8,149)	1,275
Comprehensive income	¥4,994	¥14,769
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,704	12,224
Comprehensive income attributable to non-controlling interests	1,290	2,545

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

	(In thousands of U.S. Dollars)	
	Mar-17	Mar-18
Profit	\$123,683	\$126,978
Other comprehensive income		
Valuation difference on available-for-sale securities	5,699	7,408
Foreign currency translation adjustment	(52,319)	29,803
Remeasurements of defined benefit plans	1,484	(1,041)
Share of other comprehensive income of entities accounted for using equity method	(31,548)	(24,164)
Total other comprehensive income	(76,683)	12,006
Comprehensive income	\$46,999	\$138,984
(Breakdown)		
Comprehensive income attributable to owners of the parent	34,857	115,031
Comprehensive income attributable to non-controlling interests	12,142	23,953

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, 2018

In Japanese Yen

As of March 31, 2018

(In millions of Japanese Yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2017	¥7,996	¥259,909	(¥307)	¥267,598
Changes of items during the period				
Dividends from surplus		(3,323)		(3,323)
Profit attributable to owners of parent		12,238		12,238
Purchase of treasury stock		-	(0)	(0)
Net changes of items other than shareholders' equity				
Total changes of items during the period	-	8,915	(0)	8,914
Balance at March 31, 2018	¥7,996	¥268,824	(¥308)	¥276,512

	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, 2017	¥4,019	¥17,501	¥21	¥21,542	¥20,056	¥309,198
Changes of items during the period						
Dividends from surplus						(3,323)
Profit attributable to owners of parent						12,238
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	787	(702)	(98)	(14)	1,974	1,960
Total changes of items during the period	787	(702)	(98)	(14)	1,974	10,875
Balance at March 31, 2018	¥4,807	¥16,799	(¥77)	¥21,528	¥22,031	¥320,073

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

As of March 31, 2018

(In thousands of U.S. Dollars)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2017	\$75,248	\$2,445,744	(\$2,892)	\$2,518,100
Changes of items during the period				
Dividends from surplus		(31,271)		(31,271)
Profit attributable to owners of parent		115,163		115,163
Purchase of treasury stock		-	(6)	(6)
Net changes of items other than shareholders' equity				
Total changes of items during the period	-	83,891	(6)	83,885
Balance at March 31, 2018	\$75,248	\$2,529,635	(\$2,899)	\$2,601,985

	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, 2017	\$37,826	\$164,692	\$197	\$202,717	\$188,735	\$2,909,552
Changes of items during the period						
Dividends from surplus						(31,271)
Profit attributable to owners of parent						115,163
Purchase of treasury stock						(6)
Net changes of items other than shareholders' equity	7,408	(6,613)	(926)	(131)	18,581	18,449
Total changes of items during the period	7,408	(6,613)	(926)	(131)	18,581	102,334
Balance at March 31, 2018	\$45,234	\$158,079	(\$728)	\$202,585	\$207,316	\$3,011,886

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 CASH FLOWS
Year Ended March 31, 2018

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

I . Cash flows from operating activities		
Income before income taxes	¥18,084	\$170,173
Depreciation and amortization	6,087	57,280
Interest and dividends income	(2,353)	(22,150)
Equity in (earnings) losses of affiliates	(7,041)	(66,257)
Decrease (increase) in notes and accounts receivable-trade	(8,467)	(79,675)
Decrease (increase) in inventories	(7,691)	(72,378)
Increase (decrease) in notes and accounts payable-trade	4,934	46,429
Other, net	1,644	15,477
Subtotal	5,196	48,899
Interest and dividends income received	13,819	130,042
Income taxes paid	(5,264)	(49,540)
Net cash provided by (used in) operating activities	13,751	129,401
II . Cash flows from investment activities		
Payments into time deposits	(15,840)	(149,063)
Proceeds from withdrawal of time deposits	15,581	146,621
Purchase of property, plant and equipment	(8,897)	(83,728)
Payments of loans receivable from subsidiaries and associates	(7,209)	(67,839)
Other, net	(2,144)	(20,177)
Net cash provided by (used in) investment activities	(18,510)	(174,187)
III . Cash flows from financing activities		
Purchase of treasury stock	(0)	(6)
Cash dividends paid	(3,321)	(31,251)
Dividends paid to non-controlling shareholders	(570)	(5,372)
Other, net	(11)	(105)
Net cash provided by (used in) financing activities	(3,903)	(36,736)
IV . Effect of exchange rate change on cash and cash equivalents	689	6,487
V . Net decrease(increase) in cash and cash equivalents	(7,973)	(75,034)
VI . Cash and cash equivalents at beginning of year	30,697	288,865
VII . Cash and cash equivalents at end of year	¥22,723	\$213,830

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.

Situation of Issue Shares

The situation of shares in this fiscal year is as outlined below.
(As of March 31, 2018)

(1) Total number of shares authorized to be issued	171,257,770
Number of shares outstanding	67,670,000
Total number of shareholders	2,750

(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	41	193,924	28.66
	Financial instrument dealers	29	3,952	0.58
	Other corporations	47	173,273	25.62
	Foreign corporations, etc. (Individuals)	273 (2)	171,855 (21)	25.41 0.00
	Japanese individuals and other	2,360	133,437	19.73
	Total	2,750	676,441	100.00
Shares less than one unit		—	259	—

(2) Dividends

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

2018	2017	2017	2016	2016	
Mar.	Sep.	Mar.	Sep.	Mar.	
25	25	25	25	25	(Unit : Japanese Yen)
0.24	0.24	0.24	0.24	0.24	(Unit : U.S. Dollar)

Note: U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of
¥106.27 = \$1 as of March 31, 2018.

Board of Directors

(As of March 31, 2018)

Chairman	President	Senior Managing Director	Managing Directors	Director and Executive Advisor	Directors	Auditors
Hiroyuki Inoue	Mikio Kobayashi	Kazumi Kajihara	Takafumi Yoshida	Shigeo Kawata	Kengo Nakaya	Hisakazu Fukuhara
					Katsumasa Kohata	
			Kazuhiro Tsukamoto		Motoyoshi Maruyama	Kazumi Yonezawa
					Damri Tunshevavong	
					Takenosuke Yasufuku	Hisashi Sawada
					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.



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