

ANNUAL REPORT 2019

MARCH 31, 2019

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.

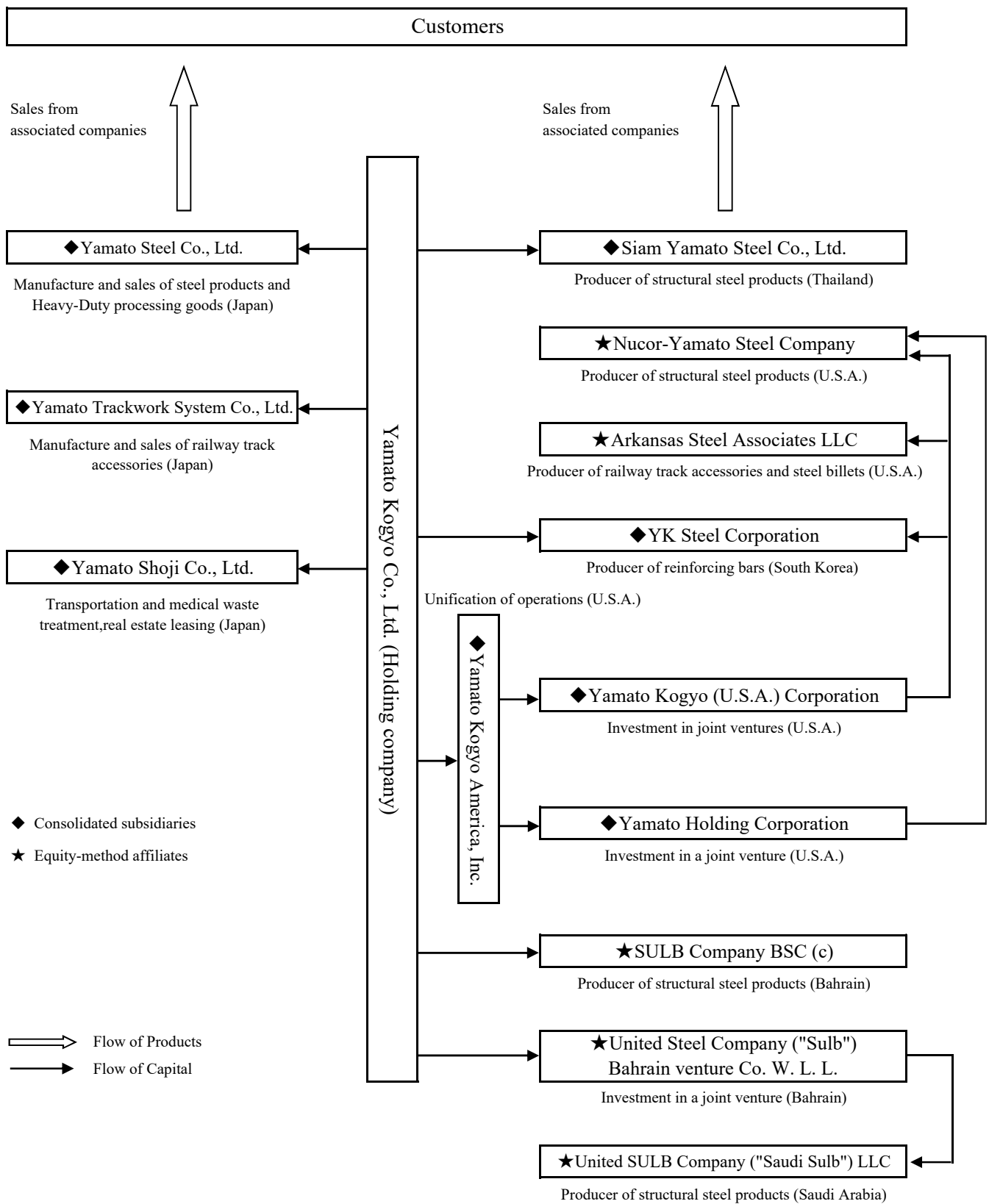
Under the umbrella of Yamato Kogyo, Co., Ltd. lies the various arms of the Yamato Kogyo Group, including Yamato Steel Co., Ltd. and Yamato Trackwork System Co., Ltd. More than seventy years of experience of working with steel has shown that there are still many secrets that remain unexplored. By using 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, 2019



YAMATO KOGYO CO., LTD.
OPERATING RESULTS FOR THE FISCAL YEAR
ENDED MARCH 31, 2019

1. Business Performance and Financial Status

(1) Business Performance

① Status During the Current Fiscal Year

In this consolidated financial year, demand for steel products varied depending on countries where we conduct business, but prices of electrodes, alloys and other sub-materials went up across the board, and Yamato Kogyo Group was affected by increased costs. The price of steel scrap (main raw material) went up in a period from the start of 2018 to August, thereafter plunged temporarily but bottomed out at the end of 2018, indicating that there was no clear direction of price movements.

In Japan, recovery in demand for steel products was actually felt, and the product price eventually rose to catch up with the recent scrap price increase. This compensated for the sluggish sales of products for ship builders such as stern frames and the profit increased compared with the previous year. In addition, we replaced the existing scrap pre-heater with a Single Stage Pre-heater (SSP) at the beginning of 2019 and this new equipment has been successfully operating and also contributing to energy cost reduction.

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 between January and December of 2018 was reflected in the current consolidated fiscal year.

YK Steel Corporation in South Korea reported weaker profits compared with the previous fiscal year due to the volumes of received construction work order, apartment building construction, and the residential house sales peaking out because South Korea government kept some regulations and restrictions on real estate transactions, including the introduction of caps on households' outstanding debts.

Siam Yamato Steel Co., Ltd. in Thailand reported the same level of profit compared with the previous fiscal year. While steel demand in the private construction lacked strength, the demand continued to be supported by pump-priming public investment.

Concerning our U.S. affiliates that are accounted for by the equity method, there was an upward trend in capital investments in the country due to the federal corporate tax cut and other tax reforms. Moreover, additional duty was imposed on imports of steel products under Section 232 of the Trade Expansion Act in March 2018 and subsequently Section 301 of the Trade Act against Chinese products was applied. Our group companies in the United States see positive impacts of these movements.

In addition, our U.S. business had implemented measures such as investing in equipment for hot rolled steel sheet pile in order to enhance product line and investing in Quenching and Self-Tempering (QST) equipment to manufacture high value-added H shaped structural steel. Such equipment has also been operating successfully, contributing to sales of high value-added products.

Concerning SULB Company BSC (c), an equity-method affiliate, in Bahrain, demand for structural steel in the Middle Eastern market has yet to gain steam. So, the company is selling intermediate materials such as DRI (direct reduced iron) and semi-finished products to compensate sluggishness of structural steel. However, the price of those products dropped together with a drop in scrap price.

As a result of the above, sales for the current consolidated fiscal year were 201,299 million yen (an increase of 25,225 million yen in comparison with the previous year), operating income was 9,272 million yen (an increase of 931 million yen comparison with the previous year), ordinary income was 31,469 million yen (an increase of 13,641 million yen in comparison with the previous year), and profit attributable to owners of parent was 22,793 million yen (an increase of 10,555 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 2018)

110.37 yen/U.S. dollar, 3.41 yen/baht, and 9.97 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 2017)

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

We report the business results of the segment as follows:

● **Steel (Japan)**

In Japan, recovery in demand for steel products was actually felt, and the product price eventually rose to catch up with the recent scrap price increase. This compensated for the sluggish sales of products for ship builders such as stern frames and the profit increased compared with the previous year. In addition, we replaced the existing scrap pre-heater with a Single Stage Pre-heater (SSP) at the begging of 2019 and this new equipment has been successfully operating and also contributing to energy cost reduction. As a result, sales were 54,019 million yen (an increase of 6,317 million yen in comparison with the previous year), and the operating income was 5,508 million yen (an increase of 2,099 million yen in comparison with the previous year).

● **Steel (South Korea)**

It reported weaker profits compared with the previous fiscal year due to the volumes of received construction work order, apartment building construction, and the residential house sales peaking out because South Korea government kept some regulations and restrictions on real estate transactions, including the introduction of caps on households' outstanding debts. As a result, sales were 61,656 million yen (an increase of 3,267 million yen in comparison with the previous year), the operating income was 710 million yen (a decrease of 2,017 million yen in comparison with the previous year).

● **Steel (Thailand)**

It reported the same level of profit compared with the previous fiscal year. While steel demand in the private construction lacked strength, the demand continued to be supported by pump-priming public investment. As a result, sales were 77,265 million yen (an increase of 11,301 million yen in comparison with the previous year). The operating income was 4,155 million yen (an increase of 192 million yen in comparison with the previous year).

● **Railway Track Accessories**

Sales were 8,065 million yen (an increase of 4,348 million yen in comparison with the previous year), and the operating income was 815 million yen (an increase of 794 million yen in comparison with the previous year).

● **Other Business Sectors**

Other sales were 292 million yen, (a decrease of 8 million yen in comparison with the previous year) and the operating income was 38 million yen (an increase of 27 million yen in comparison with the previous year).

② Future Outlook (as of April 26, 2019)

China's steel production marked a record high in 2018 and still has been maintained at a high level. As China's domestic demand has been strong so far, China's steel production has been consumed within the country and the volume of steel exports has decreased. However, the outcome of U.S.-China trade friction remains uncertain and therefore, Yamato Kogyo Group, which is committed to developing business globally, will continue to keep close watch on China's movement.

Concerning our business in the Middle East, crude oil prices are steady, but we cannot keep our eye off the recent political issues in the region such as the U.S. economic sanctions against Iran. As such we cannot be optimistic on Middle East business environment.

In Japan and the U.S., the current situation is expected to continue for the time being, while demand may decrease in South Korea and there are risks such as increase of imports from China to Thailand since the anti-dumping duty on Chinese steel products ended in October 2017 in Thailand.

As a result of the above, the forecast for the entire fiscal year is set out as follows: Sales of 190,000 million yen, operating income of 9,000 million yen, ordinary income of 28,500 million yen, and profit attributable to owners of parent of 20,000 million yen.

Please note that for the January-December 2019 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)

106.33 yen/U.S. dollar, 3.35 yen/baht, and 10.68 won/yen.

We applied the following exchange rates for translating the year-end (meaning the end of December 2019 for overseas subsidiaries and affiliates and the end of March 2020 for domestic subsidiaries and affiliates) assets and liabilities of each subsidiary and affiliate:

(End of period rates)

105.00 yen/U.S. dollar, 3.30 yen/baht, and 10.85 won/yen.

(2) Analysis of Financial Status

Total assets at the end of the current consolidated fiscal year were 384,068 yen, an increase of 16,984 million yen in comparison with the end of the previous consolidated fiscal year. This was mainly due to increase in investments in capital.

Liabilities were 50,375 million yen, an increase of 3,365 million yen in comparison with the end of the previous consolidated fiscal year. This was mainly due to increase in income taxes payable.

Also, net assets were 333,692 million yen, an increase of 13,619 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 and decrease by the payment of dividends.

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 2018)

110.91 yen/U.S. dollar, 3.41 yen/baht, and 10.08 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 2017)

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

(Cash Flows from Operating Activities)

The increase in funds from operating activities was 24,393 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 13,008 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 3,949 million yen, due to payment of dividend.

With the addition of $\triangle 597$ 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 29,561 million yen, which is an increase of 6,837 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 40 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 65 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 and a year-end dividend of 50 yen (Ordinary dividend 40 yen and 75th anniversary commemorative dividend 10 yen) per share, respectively, for an annual dividend of 100 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 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 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

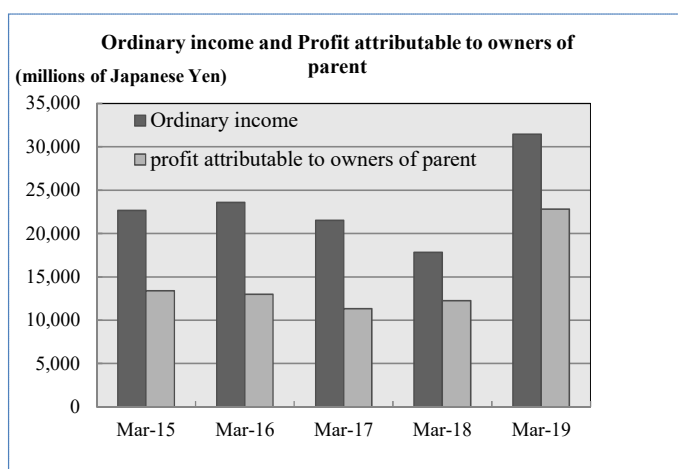
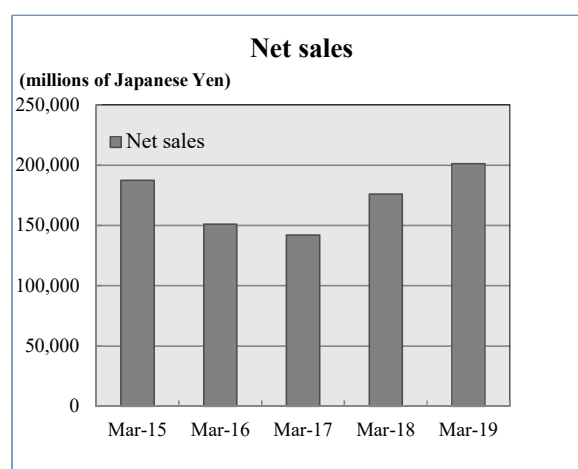
(In millions of Japanese Yen)
Years ended March 31

	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
FOR THE YEAR					
Net sales	¥187,451	¥150,978	¥142,136	¥176,073	¥201,299
Ordinary income	22,663	23,585	21,519	17,828	31,469
Profit attributable to owners of parent	13,377	12,994	11,319	12,238	22,793
Per share (unit: Yen)	196.40	193.63	169.24	182.97	340.78
AT YEAR END					
Net assets	304,622	308,068	309,198	320,073	333,692
Total assets	351,952	347,051	348,951	367,083	384,068

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

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

	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
FOR THE YEAR					
Net sales	\$1,688,597	\$1,360,046	\$1,280,394	\$1,586,106	\$1,813,347
Ordinary income	204,156	212,464	193,850	160,598	283,483
Profit attributable to owners of parent	120,509	117,053	101,969	110,245	205,329
Per share (unit:\$)	1.77	1.74	1.52	1.65	3.07
AT YEAR END					
Net assets	2,744,098	2,775,141	2,785,317	2,883,282	3,005,971
Total assets	3,170,455	3,126,309	3,143,420	3,306,760	3,459,763



Notes:

- U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥111.01 = \$1 as of March 31, 2019.
- 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.
- The company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" in the beginning of the fiscal year, and reclassified differed tax asset/ liability into fixed asset/ liability retrospectively. Accordingly, Total asset for Mar-18 was recalculated.

YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2019 and 2018

In Japanese Yen

(In millions of Japanese Yen)

	Mar-18	Mar-19		Mar-18	Mar-19
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥117,112	¥106,835	Notes and accounts payable-trade	¥17,575	¥18,741
Notes and accounts receivable-trade	32,678	33,588	Accounts payable-other	6,756	7,776
Short-term investment securities	-	697	Accrued expenses	3,125	3,106
Merchandise and finished goods	15,212	12,555	Income taxes payable	596	2,081
Work in process	379	448	Provision for bonuses	488	575
Raw materials and supplies	22,202	22,123	Other	847	1,394
Other	2,965	2,992	Total current liabilities	29,390	33,675
Allowance for doubtful accounts	(19)	(22)			
Total current assets	190,532	179,219	Noncurrent liabilities		
Noncurrent assets			Deferred tax liabilities	11,179	11,297
Property, plant and equipment			Provision for directors' retirement benefits	25	23
Buildings and structures, net	13,516	13,425	Net defined benefit liability	3,055	2,674
Machinery, equipment and vehicles, net	29,438	32,462	Other	3,360	2,705
Land	18,280	17,582	Total noncurrent liabilities	17,620	16,700
Construction in progress	4,455	4,179	Total liabilities	47,010	50,375
Other, net	329	425			
Total property, plant and equipment	66,022	68,076	Net assets		
Intangible assets			Shareholders' equity		
Goodwill	539	179	Capital stock	7,996	7,996
Other	365	434	Retained earnings	268,824	288,294
Total intangible assets	905	614	Treasury stocks	(308)	(309)
Investments and other assets			Total shareholders' equity	276,512	295,981
Investments securities	42,730	43,074	Accumulated other comprehensive income		
Investments in capital	47,274	53,965	Valuation difference on available-for-sale securities	4,807	3,988
Long-term loans receivable from subsidiaries and associates	16,931	17,676	Foreign currency translation adjustment	16,799	11,441
Long-term time deposits	-	18,038	Remeasurements of defined benefit plans	(77)	(118)
Net defined benefit asset	1,096	997	Total accumulated other comprehensive income	21,528	15,311
Other	1,833	2,662	Non-controlling interests	22,031	22,399
Allowance for doubtful accounts	(243)	(257)			
Total investments and other assets	109,624	136,157	Total net assets	320,073	333,692
Total noncurrent assets	176,551	204,848	Total liabilities and net assets	¥367,083	¥384,068
Total assets	¥367,083	¥384,068			

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

(In thousands of U.S. Dollars)

	Mar-18	Mar-19		Mar-18	Mar-19
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	\$1,054,976	\$962,393	Notes and accounts payable-trade	\$158,326	\$168,828
Notes and accounts receivable-trade	294,375	302,573	Accounts payable-other	60,861	70,048
Short-term investment securities	-	6,282	Accrued expenses	28,155	27,983
Merchandise and finished goods	137,037	113,105	Income taxes payable	5,377	18,750
Work in process	3,416	4,044	Provision for bonuses	4,400	5,182
Raw materials and supplies	200,002	199,294	Other	7,630	12,558
Other	26,715	26,954	Total current liabilities	264,752	303,352
Allowance for doubtful accounts	(174)	(199)			
Total current assets	1,716,350	1,614,446	Noncurrent liabilities		
Noncurrent assets			Deferred tax liabilities	100,704	101,769
Property, plant and equipment			Provision for directors' retirement benefits	230	210
Buildings and structures, net	121,763	120,941	Net defined benefit liability	27,520	24,089
Machinery, equipment and vehicles, net	265,191	292,433	Other	30,269	24,370
Land	164,676	158,388	Total noncurrent liabilities	158,725	150,439
Construction in progress	40,136	37,647	Total liabilities	423,477	453,792
Other, net	2,971	3,833			
Total property, plant and equipment	594,739	613,245	Net assets		
Intangible assets			Shareholders' equity		
Goodwill	4,859	1,619	Capital stock	72,035	72,035
Other	3,294	3,915	Retained earnings	2,421,623	2,597,015
Total intangible assets	8,154	5,535	Treasury stocks	(2,775)	(2,787)
Investments and other assets			Total shareholders' equity	2,490,883	2,666,264
Investments securities	384,924	388,025	Accumulated other comprehensive income		
Investments in capital	425,859	486,133	Valuation difference on available-for-sale securities	43,303	35,925
Long-term loans receivable from subsidiaries and associates	152,525	159,237	Foreign currency translation adjustment	151,329	103,069
Long-term time deposits	-	162,498	Remeasurements of defined benefit plans	(697)	(1,069)
Net defined benefit asset	9,879	8,982	Total accumulated other comprehensive income	193,935	137,925
Other	16,517	23,980	Non-controlling interests	198,463	201,781
Allowance for doubtful accounts	(2,191)	(2,322)			
Total investments and other assets	987,515	1,226,535	Total net assets	2,883,282	3,005,971
Total noncurrent assets	1,590,409	1,845,316	Total liabilities and net assets	\$3,306,760	\$3,459,763
Total assets	\$3,306,760	\$3,459,763			

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥111.01 = \$1 as of March 31, 2019.
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. The company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" in the beginning of the fiscal year, and reclassified deferred tax asset/ liability into fixed asset/ liability retrospectively. Accordingly, Total asset for Mar-18 was recalculated.

YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended March 31, 2019 and 2018

In Japanese Yen

	(In millions of Japanese Yen)	
	Mar-18	Mar-19
Net sales	¥176,073	¥201,299
Cost of sales	153,616	176,856
Selling, general and administrative expenses	14,116	15,170
Operating income	8,340	9,272
Non-operating income	10,140	22,244
Non-operating expenses	653	47
Ordinary income	17,828	31,469
Extraordinary income	381	172
Extraordinary loss	125	140
Income before income taxes	18,084	31,501
Income taxes		
Income taxes-current	7,269	6,980
Refund of income taxes	(528)	-
Income taxes-deferred	(2,151)	425
Total income taxes	4,590	7,405
Profit	13,493	24,095
Profit attributable to non-controlling interests	1,255	1,301
Profit attributable to owners of parent	¥12,238	¥22,793

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

	(In thousands of U.S. Dollars)	
	Mar-18	Mar-19
Net sales	\$1,586,106	\$1,813,347
Cost of sales	1,383,807	1,593,158
Selling, general and administrative expenses	127,163	136,659
Operating income	75,135	83,529
Non-operating income	91,350	200,381
Non-operating expenses	5,887	426
Ordinary income	160,598	283,483
Extraordinary income	3,437	1,555
Extraordinary loss	1,128	1,267
Income before income taxes	162,907	283,771
Income taxes		
Income taxes-current	65,489	62,885
Refund of income taxes	(4760)	-
Income taxes-deferred	(19,377)	3,828
Total income taxes	41,351	66,714
Profit	121,556	217,057
Profit attributable to non-controlling interests	11,310	11,728
Profit attributable to owners of parent	\$110,245	\$205,329

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥111.01 = \$1 as of March 31, 2019.
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, 2019 and 2018

In Japanese Yen

(In millions of Japanese Yen)

	Mar-18	Mar-19
Profit	¥13,493	¥24,095
Other comprehensive income		
Valuation difference on available-for-sale securities	787	(820)
Foreign currency translation adjustment	3,167	(4,260)
Remeasurements of defined benefit plans	(110)	(42)
Share of other comprehensive income of entities accounted for using equity method	(2,567)	(1,410)
Total other comprehensive income	1,275	(6,533)
Comprehensive income	¥14,769	¥17,561
(Breakdown)		
Comprehensive income attributable to owners of the parent	12,224	16,575
Comprehensive income attributable to non-controlling interests	2,545	985

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

(In thousands of U.S. Dollars)

	Mar-18	Mar-19
Profit	\$121,556	\$217,057
Other comprehensive income		
Valuation difference on available-for-sale securities	7,092	(7,388)
Foreign currency translation adjustment	28,530	(38,381)
Remeasurements of defined benefit plans	(996)	(381)
Share of other comprehensive income of entities accounted for using equity method	(23,132)	(12,706)
Total other comprehensive income	11,494	(58,857)
Comprehensive income	\$133,050	\$158,199
(Breakdown)		
Comprehensive income attributable to owners of the parent	110,119	149,319
Comprehensive income attributable to non-controlling interests	22,930	8,880

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, 2019

In Japanese Yen

As of March 31, 2019

(In millions of Japanese Yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	¥7,996	¥268,824	(¥308)	¥276,512
Changes of items during the period				
Dividends from surplus		(3,323)		(3,323)
Profit attributable to owners of parent		22,793		22,793
Purchase of treasury stock		-	(1)	(1)
Net changes of items other than shareholders' equity				
Total changes of items during the period	-	19,470	(1)	19,468
Balance at March 31, 2019	¥7,996	¥288,294	(¥309)	¥295,981

	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, 2018	¥4,807	¥16,799	(¥77)	¥21,528	¥22,031	¥320,073
Changes of items during the period						
Dividends from surplus						(3,323)
Profit attributable to owners of parent						22,793
Purchase of treasury stock						(1)
Net changes of items other than shareholders' equity	(819)	(5,357)	(41)	(6,217)	368	(5,849)
Total changes of items during the period	(819)	(5,357)	(41)	(6,217)	368	13,619
Balance at March 31, 2019	¥3,988	¥11,441	(¥118)	¥15,311	¥22,399	¥333,692

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

As of March 31, 2019

(In thousands of U.S. Dollars)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	\$72,035	\$2,421,623	(\$2,775)	\$2,490,883
Changes of items during the period				
Dividends from surplus		(29,936)		(29,936)
Profit attributable to owners of parent		205,329		205,329
Purchase of treasury stock		-	(12)	(12)
Net changes of items other than shareholders' equity				
Total changes of items during the period	-	175,392	(12)	175,380
Balance at March 31, 2019	\$72,035	\$2,597,015	(\$2,787)	\$2,666,264

	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, 2018	\$43,303	\$151,329	(\$697)	\$193,935	\$198,463	\$2,883,282
Changes of items during the period						
Dividends from surplus						(29,936)
Profit attributable to owners of parent						205,329
Purchase of treasury stock						(12)
Net changes of items other than shareholders' equity	(7,378)	(48,259)	(372)	(56,009)	3,317	(52,692)
Total changes of items during the period	(7,378)	(48,259)	(372)	(56,009)	3,317	122,688
Balance at March 31, 2019	\$35,925	\$103,069	(\$1,069)	\$137,925	\$201,781	\$3,005,971

Notes:

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YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year Ended March 31, 2019

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

I . Cash flows from operating activities		
Income before income taxes	¥31,501	\$283,771
Depreciation and amortization	6,494	58,505
Interest and dividends income	(3,370)	(30,364)
Equity in (earnings) losses of affiliates	(17,069)	(153,765)
Decrease (increase) in notes and accounts receivable-trade	(1,465)	(13,201)
Decrease (increase) in inventories	1,907	17,187
Increase (decrease) in notes and accounts payable-trade	1,678	15,116
Other, net	(426)	(3,846)
Subtotal	19,249	173,403
Interest and dividends income received	10,326	93,019
Income taxes paid	(5,182)	(46,684)
Net cash provided by (used in) operating activities	24,393	219,738
II . Cash flows from investment activities		
Payments into time deposits	(9,792)	(88,215)
Proceeds from withdrawal of time deposits	7,021	63,250
Purchase of property, plant and equipment	(9,701)	(87,389)
Other, net	(536)	(4,831)
Net cash provided by (used in) investment activities	(13,008)	(117,185)
III . Cash flows from financing activities		
Purchase of treasury stock	(1)	(12)
Cash dividends paid	(3,321)	(29,918)
Dividends paid to non-controlling shareholders	(617)	(5,562)
Other, net	(9)	(86)
Net cash provided by (used in) financing activities	(3,949)	(35,579)
IV . Effect of exchange rate change on cash and cash equivalents	(597)	(5,378)
V . Net decrease(increase) in cash and cash equivalents	6,837	61,595
VI . Cash and cash equivalents at beginning of year	22,723	204,699
VII . Cash and cash equivalents at end of year	¥29,561	\$266,295

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, 2019)

(1) Total number of shares authorized to be issued	171,257,770
Number of shares outstanding	67,670,000
Total number of shareholders	2,658

(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	40	200,046	29.58
	Financial instrument dealers	28	3,618	0.53
	Other corporations	46	173,036	25.58
	Foreign corporations, etc. (Individuals)	272 (2)	168,706 (21)	24.94 0.00
	Japanese individuals and other	2,272	131,039	19.37
	Total	2,658	676,445	100.00
	Shares less than one unit	—	255	—

(2) Dividends

The following table shows the dividends per share paid by Company

2019	2018	2018	2017	2017	
Mar.	Sep.	Mar.	Sep.	Mar.	
40	25	25	25	25	(Unit : Japanese Yen)
0.36	0.23	0.23	0.23	0.23	(Unit : U.S. Dollar)

Note: U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of
¥111.01 = \$1 as of March 31, 2019.

Board of Directors

(As of March 31, 2019)

Chairman	President	Senior Managing Director	Managing Directors	Directors	Auditors
Hiroyuki Inoue	Mikio Kobayashi	Kazumi Kajihara	Takafumi Yoshida	Kengo Nakaya	Hisakazu Fukuhara
				Katsumasa Kohata	
				Motoyoshi Maruyama	Kazumi Yonezawa
			Damri Tunshevavong		
			Kazuhiro Tsukamoto	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.



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