

SEMI-ANNUAL REPORT 2019

SEPTEMBER 30, 2019

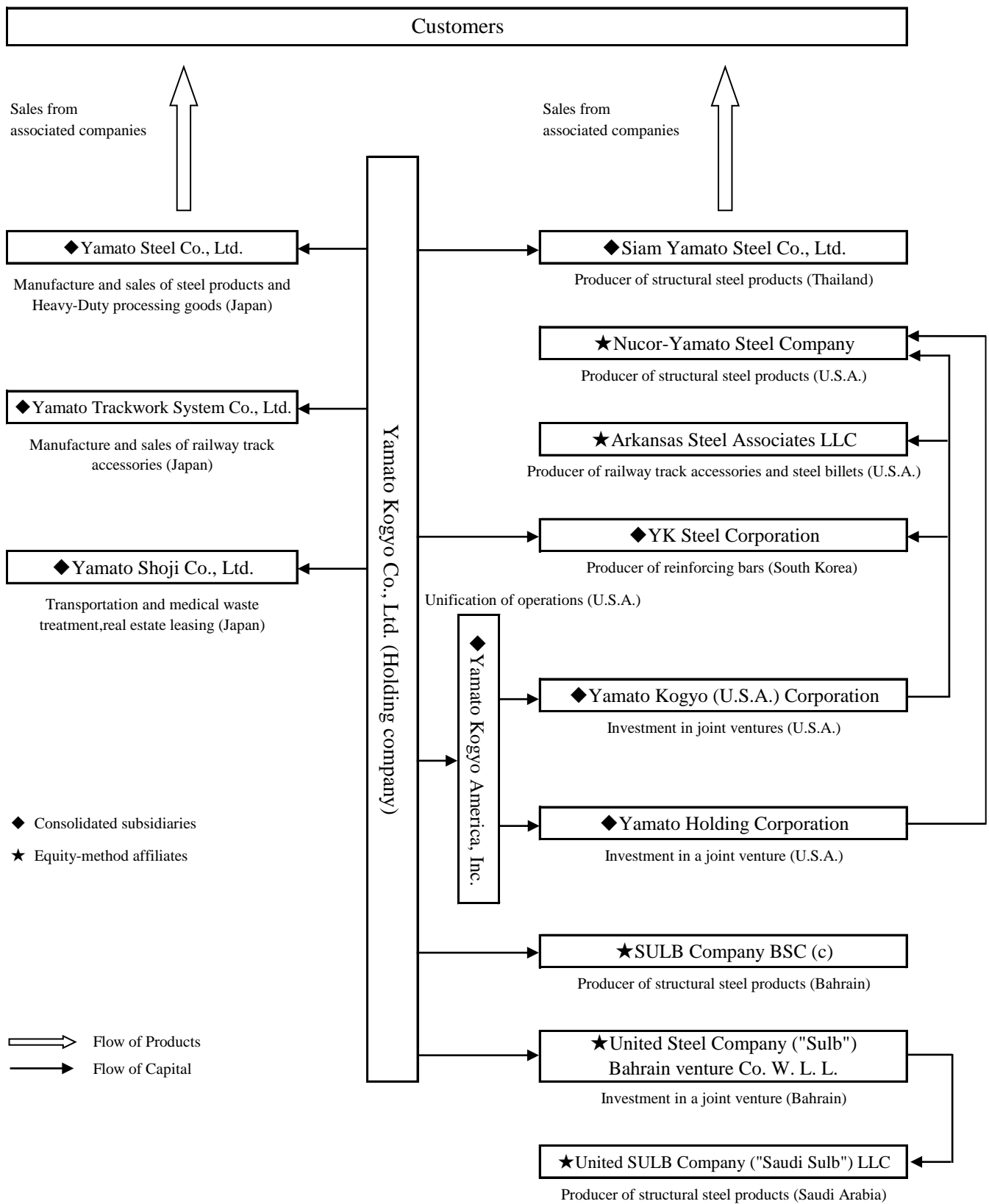
YAMATO KOGYO CO., LTD.

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Corporate Structure and Affiliates

As of September 30, 2019



YAMATO KOGYO CO., LTD.
OPERATING RESULTS FOR THE SIX-MONTH PERIOD
ENDED SEPTEMBER 30, 2019

1. Business Performance and Financial Status

(1) Business Performance

① Status During the Current Mid-Term Consolidated Accounting Period

In the current mid-term consolidated accounting period, Yamato Kogyo Group experienced a business environment in which price of steel scrap continued to fall and iron ore prices saw a milder decline compared to steel scrap price while demand for steel products lack strength in terms of the volume and price. Declining steel scrap prices are beneficial to electric furnace steel producers, which use steel scrap as the main raw material, but also invite conservative purchase by those who expect the prices of steel products to go down. In some regions where our Group does business, conservative purchase was observed. As well, SULB Company BSC(c), the Group's only company which uses iron ore pellets as the main raw material, was hugely affected by declining selling prices caused by the fall in the steel scrap prices which was greater than the decline in iron ore prices.

In Japan, delay in construction due to a shortage of high-tension bolts, revision of investment plans from concerns over the economic outlook and other factors had impacts on demand for steel products, and the conservative purchase led to enter an inventory adjustment phase. Under such circumstances, we strove to bring production and sales into line with demand. As a result, we sold steel products less in volume terms and therefore earned less than the same period in the previous year, but profit increased compared with the same period in the previous year due to a decline in the prices of our main raw material, steel scrap. Stern frames and other products for shipbuilders have struggled 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 between January and June of 2019 was reflected in the current mid-term accounting period.

Concerning YK Steel Corporation in South Korea, new apartment building starts turned downward because South Korea government kept some regulations and restrictions on real estate transactions, including the introduction of caps on households' outstanding debts. However, shipment of rebar for apartment buildings under construction still continued up to June. In addition, the prices of steel scrap declined. As a result, YK Steel Corporation in South Korea reported stronger sales and profit compared with the same period in the previous year.

Siam Yamato Steel Co., Ltd. in Thailand, while construction demand in the private sector lacked strength, continues to be supported by pump-priming public investment. Under such circumstances, the company had decrease in sales but had increase in profit from the same period in the previous year thanks to a decline in the price of steel scrap. However, it is expected to be affected by emerging manufacturers which have begun operations in Malaysia and started export to Thailand, in addition to continued imports, even though by small volume, from Chinese manufacturers.

Concerning our U.S. affiliates that are accounted for by the equity method, the company secured a constant flow of revenue partly due to imposition of import duties pursuant to Section 232 of the Trade Expansion Act and the application of Section 301 of the Trade Act to Chinese products. On the other hand, they were affected by unusual weather and inventory adjustment by customers and conservative purchase by those who expected a decline in product prices from the drop in steel scrap prices.

Concerning SULB Company BSC (c), an equity-method affiliate, in Bahrain, while crude oil prices were stable, demand for structural steel in the Middle Eastern market was stagnant in the midst of sluggish spending by the government due to the uncertainty about the future and concerns over the Middle East situation. Under such circumstance, the company's sales were affected by a decline in the prices of finished products, DRI (intermediate materials) and semi-finished products, which occurred in tandem with a decline in steel scrap prices, and an influx of cheap steel product. Also, in terms of cost, the company was affected by the fact that shift of the iron ore price had remained higher than the scrap price.

As a result of the above, sales for the current mid-term consolidated accounting period were 98,602 million yen (an increase of 789 million yen in comparison with the same period in the previous year), operating income was 6,967 million yen (an increase of 2,442 million yen in comparison with the same period in the previous year), ordinary income was 14,830 million yen (a decrease of 1,502 million yen in comparison with the same period in the previous year), and profit attributable to owners of parent was 10,096 million yen (a decrease of 2,299 million yen in comparison with the same period in the previous year).

Please note that the exchange rates, used to convert profits and losses in financial statements of overseas subsidiaries and affiliates, are as follows:

(Each company's accounting period is from January to June, 2019)

109.98 yen/U.S. dollar, 3.49 yen/baht, and 10.42 won/yen

The average exchange rates for same period in the previous year are as follows:

(Each company's accounting period is from January to June, 2018)

108.52 yen/U.S. dollar, 3.41 yen/baht, and 9.91 won/yen

We report the business results of the segment as follows:

● Steel (Japan)

In Japan, delay in construction due to a shortage of high-tension bolts, revision of investment plans from concerns over the economic outlook and other factors had impacts on demand for steel products, and the conservative purchase led to a decline in inventory in the market. Under such circumstances, we strove to bring production and sales into line with demand. As a result, we sold steel products less in volume terms and therefore earned less than the same period in the previous year, but profit increased compared with the same period in the previous year due to a decline in the prices of our main raw material, steel scrap. Stern frames and other products for shipbuilders have struggled because shipbuilders had to build ships which were previously ordered at lower prices.

As a result, sales were 25,351 million yen (a decrease of 1,153 million yen in comparison with the same period in the previous year), the operating income was 3,080 million yen (an increase of 300 million yen in comparison with the same period in the previous year).

● Steel (South Korea)

Concerning YK Steel Corporation in South Korea, new apartment building starts turned downward because South Korea government kept some regulations and restrictions on real estate transactions, including the introduction of caps on households' outstanding debts. But shipment of reinforcing iron bars for apartment buildings under construction still continued. In addition, the prices of steel scrap declined. YK Steel Corporation in South Korea reported stronger revenues and earnings compared with the same period in the previous year.

As a result, sales were 32,374 million yen (an increase of 2,022 million yen in comparison with the same period in the previous year), the operating income was 1,691 million yen (an increase of 1,553 million yen in comparison with the same period in the previous year).

● **Steel (Thailand)**

Siam Yamato Steel Co., Ltd. in Thailand, while construction demand in the private sector lacked strength, continues to be supported by pump-priming public investment. Under such circumstances, the company had decrease in sales and increase in profit from the same period in the previous year due to a decline in the price of steel scrap. However, it is expected to be affected by emerging manufacturers which have begun operations in Malaysia and started export to Thailand, in addition to continued imports, even though by small volume, from Chinese manufacturers which saw termination of the anti-dumping regulations on their products.

As a result, sales were 36,987 million yen (a decrease of 193 million yen in comparison with the same period in the previous year), the operating income was 2,969 million yen (an increase of 926 million yen in comparison with the same period in the previous year).

● **Railway Track Accessories**

Sales were 3,736 million yen (an increase of 105 million yen in comparison with the same period in the previous year), and the operating income was 285 million yen (a decrease of 201 million yen in comparison with the same period in the previous year).

● **Other Business Sectors**

Other sales were 153 million yen, (an increase of 7 million yen in comparison with the same period in the previous year) and operating income was 6 million yen (a decrease of 16 million yen in comparison with the same period in the previous year).

② **Future Outlook (as of November 1, 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 backed by economic stimulus measure has been strong so far, China's steel production has been consumed within the country and the volume of steel exports has decreased. However, as we concern that the trade dispute between the U.S. and China will not soon be resolved and the outcome thereof remains uncertain, the Group, which is engaging in business globally, will continue to closely watch how the economic conflict between the two countries will turn out, its impact on their domestic economies and trends in export by China's steel industry. Concerning our business in the Middle East, crude oil price is steady but the geopolitical risks in the region is growing ever higher, so we cannot be optimistic on Middle East business environment.

Concerning our consolidated earning forecast, among consolidated subsidiaries conducting steel business, the Japan business is expected to see that the current situation continues for the time being. However, the South Korea business has risk of falling demand and the Thailand business has some risks such as increasing imports from Chinese manufactures and emerging manufacture in Malaysia

Concerning our affiliates that are accounted for by the equity method, the U.S. and the Middle East businesses are both expected to fall much below the forecast released last time. The U.S. business is subject to the impact from conservative purchase by customers as a result of declining steel scrap prices, and in the Middle East, iron ore prices remain at high levels while prices of finished products, DRI (intermediate materials) and semi-finished products have fallen significantly in tandem with decline in steel scrap prices. Accordingly, we are expected to see tough business environments in those regions.

With respect to consolidated earnings forecast for the full fiscal year ending March 2020, we revised our previously announced forecast numbers (announced on August 1, 2019) to 180,000 million yen of sales (down by 10,000 million yen from the previous projection), to 11,500 million yen of operating income (unchanged from the previous projection), to 21,500 million yen of ordinary income (down by 7,000 million yen from the previous projection), and to 14,000 million yen of profit attributable to owners of parent (down by 6,000 million yen from the previous projection).

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)

108.16 yen/U.S. dollar, 3.48 yen/baht, and 10.83 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, 3.45 yen/baht, and 11.40 won/yen.

(2) Analysis of Financial Status

Total assets at the end of the current mid-term consolidated accounting period were 380,598 million yen, a decrease of 3,470 million yen in comparison with the end of the previous consolidated fiscal year.

Liabilities were 44,020 million yen, a decrease of 6,355 million yen in comparison with the end of the previous consolidated fiscal year. This was due to decrease in notes and accounts payable – trade.

Also, net assets were 336,578 million yen, an increase of 2,885 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 5,617 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 accounting period.

(The end of first fiscal half for each overseas company is end of June 2019)

107.75 yen/U.S. dollar, 3.51 yen/baht, and 10.74 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 2018)

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

(Cash Flows from Operating Activities)

The increase in funds from operating activities was 15,971 million yen, primarily due to factors such as the income before income tax, 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 13,672 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 3,331 million yen, due to payment of dividend.

With the addition of -569 million yen, in effect of exchange rate changes on cash and cash equivalents, the balance of cash and cash equivalents at the current mid-term consolidated accounting period was 27,959 million yen, which is a decrease of 1,602 million yen in comparison with the end of the previous year.

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

We believe that investment for growth, contribution to stakeholders, and return to shareholders are important management issues, and we aim to achieve sustainable growth and increase corporate value in medium- to long-term.

Regarding dividends, our basic policy is to distribute profit according to the results and the dividend for each fiscal year will be determined considering a benchmark of consolidated payout ratio of 30%.

In addition, we will endeavor to maintain a continuous and stable dividend, and we set the minimum dividend per share at 50 yen per year.

Regarding the dividend for the current fiscal year, 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 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
CONSOLIDATED BALANCE SHEETS
September 30, 2019 and March 31, 2019

In Japanese Yen

(In millions of Japanese Yen)

	Mar-19	Sep-19		Mar-19	Sep-19
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥106,835	¥95,891	Notes and accounts payable-trade	¥18,741	¥14,879
Notes and accounts receivable-trade	33,588	30,377	Income taxes payable	2,081	1,040
Short-term investment securities	697	10,848	Provision for bonuses	575	840
Merchandise and finished goods	12,555	12,583	Other	12,276	10,247
Work in process	448	421	Total current liabilities	33,675	27,009
Raw materials and supplies	22,123	21,229			
Other	2,992	3,274	Noncurrent liabilities		
Allowance for doubtful accounts	(22)	(17)	Deferred tax liabilities	11,297	11,605
Total current assets	179,219	174,608	Provision for directors' retirement benefits	23	22
Noncurrent assets			Net defined benefit liability	2,674	2,678
Property, plant and equipment			Other	2,705	2,703
Buildings and structures, net	13,425	13,590	Total noncurrent liabilities	16,700	17,011
Machinery, equipment and vehicles, net	32,462	32,081			
Land	17,582	17,157	Total liabilities	50,375	44,020
Construction in progress	4,179	6,037			
Other, net	425	809	Net assets		
Total property, plant and equipment	68,076	69,676	Shareholders' equity		
Intangible assets			Capital stock	7,996	7,996
Goodwill	179	-	Retained earnings	288,294	295,732
Other	434	487	Treasury stock	(309)	(309)
Total intangible assets	614	487	Total shareholders' equity	295,981	303,419
Investments and other assets			Accumulated other comprehensive income		
Investments securities	43,074	41,401	Valuation difference on available-for-sale securities	3,988	4,027
Investments in capital	53,965	51,659	Foreign currency translation adjustment	11,441	5,824
Long-term loans receivable from subsidiaries and associates	17,676	17,197	Remeasurements of defined benefit plans	(118)	(94)
Long-term time deposits	18,038	21,931	Total accumulated other comprehensive income	15,311	9,757
Net defined benefit asset	997	996	Non-controlling interests	22,399	23,400
Other	2,662	2,896			
Allowance for doubtful accounts	(257)	(257)	Total net assets	333,692	336,578
Total investments and other assets	136,157	135,825			
Total noncurrent assets	204,848	205,989	Total liabilities and net assets	¥384,068	¥380,598
Total assets	¥384,068	¥380,598			

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

(In thousands of U.S. Dollars)

	Mar-19	Sep-19		Mar-19	Sep-19
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	\$989,582	\$888,213	Notes and accounts payable-trade	\$173,598	\$137,827
Notes and accounts receivable-trade	311,121	281,381	Income taxes payable	19,280	9,637
Short-term investment securities	6,459	100,485	Provision for bonuses	5,328	7,789
Merchandise and finished goods	116,300	116,559	Other	113,714	94,923
Work in process	4,158	3,900	Total current liabilities	311,922	250,177
Raw materials and supplies	204,924	196,645			
Other	27,715	30,327	Noncurrent liabilities		
Allowance for doubtful accounts	(205)	(166)	Deferred tax liabilities	104,644	107,501
Total current assets	1,660,057	1,617,347	Provision for directors' retirement benefits	216	210
Noncurrent assets			Net defined benefit liability	24,769	24,811
Property, plant and equipment			Other	25,058	25,044
Buildings and structures, net	124,358	125,881	Total noncurrent liabilities	154,690	157,568
Machinery, equipment and vehicles, net	300,694	297,162			
Land	162,863	158,923	Total liabilities	466,612	407,745
Construction in progress	38,711	55,927			
Other, net	3,942	7,499	Net assets		
Total property, plant and equipment	630,569	645,395	Shareholders' equity		
Intangible assets			Capital stock	74,070	74,070
Goodwill	1,665	-	Retained earnings	2,670,384	2,739,276
Other	4,026	4,511	Treasury stock	(2,866)	(2,866)
Total intangible assets	5,692	4,511	Total shareholders' equity	2,741,589	2,810,480
Investments and other assets			Accumulated other comprehensive income		
Investments securities	398,987	383,487	Valuation difference on available-for-sale securities	36,940	37,306
Investments in capital	499,866	478,504	Foreign currency translation adjustment	105,981	53,947
Long-term loans receivable from subsidiaries and associates	163,735	159,295	Remeasurements of defined benefit plans	(1,099)	(872)
Long-term time deposits	167,088	203,142	Total accumulated other comprehensive income	141,821	90,381
Net defined benefit asset	9,236	9,234	Non-controlling interests	207,482	216,755
Other	24,658	26,832			
Allowance for doubtful accounts	(2,388)	(2,388)	Total net assets	3,090,893	3,117,617
Total investments and other assets	1,261,186	1,258,108			
Total noncurrent assets	1,897,448	1,908,015	Total liabilities and net assets	\$3,557,505	\$3,525,363
Total assets	\$3,557,505	\$3,525,363			

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥107.96 = \$1 as of September 30, 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 INCOME
For the Six-Month Period Ended September 30, 2019 and 2018

In Japanese Yen

	(In millions of Japanese Yen)	
	Sep-18	Sep-19
Net sales	¥97,813	¥98,602
Cost of sales	85,722	84,023
Selling, general and administrative expenses	7,566	7,612
Operating income	4,524	6,967
Non-operating income	11,998	8,411
Non-operating expenses	190	548
Ordinary income	16,332	14,830
Extraordinary income	124	3
Extraordinary loss	10	33
Income before income taxes	16,447	14,800
Income taxes		
Income taxes-current	3,492	3,379
Income taxes-deferred	(47)	356
Total income taxes	3,444	3,736
Profit	13,002	11,063
Profit attributable to non-controlling interests	606	967
Profit attributable to owners of parent	¥12,396	¥10,096

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

	(In thousands of U.S. Dollars)	
	Sep-18	Sep-19
Net sales	\$906,014	\$913,328
Cost of sales	794,016	778,279
Selling, general and administrative expenses	70,090	70,511
Operating income	41,908	64,537
Non-operating income	111,141	77,910
Non-operating expenses	1,762	5,081
Ordinary income	151,286	137,366
Extraordinary income	1,154	33
Extraordinary loss	93	310
Income before income taxes	152,348	137,089
Income taxes		
Income taxes-current	32,345	31,305
Income taxes-deferred	(435)	3,305
Total income taxes	31,909	34,611
Profit	120,438	102,477
Profit attributable to non-controlling interests	5,617	8,959
Profit attributable to owners of parent	\$114,820	\$93,517

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥107.96 = \$1 as of September 30, 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
For the Six-Month Period Ended September 30, 2019 and 2018

In Japanese Yen

	(In millions of Japanese Yen)	
	Sep-18	Sep-19
Profit	¥13,002	¥11,063
Other comprehensive income		
Valuation difference on available-for-sale securities	1,119	39
Foreign currency translation adjustment	(6,098)	(2,574)
Remeasurements of defined benefit plans	20	24
Share of other comprehensive income of entities accounted for using equity method	(1,644)	(2,375)
Total other comprehensive income	(6,604)	(4,886)
Comprehensive income	¥6,398	¥6,177
(Breakdown)		
Comprehensive income attributable to owners of the parent	6,616	4,542
Comprehensive income attributable to non-controlling interests	(218)	1,634

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

	(In thousands of U.S. Dollars)	
	Sep-18	Sep-19
Profit	\$120,438	\$102,477
Other comprehensive income		
Valuation difference on available-for-sale securities	10,365	362
Foreign currency translation adjustment	(56,492)	(23,843)
Remeasurements of defined benefit plans	190	229
Share of other comprehensive income of entities accounted for using equity method	(15,235)	(22,006)
Total other comprehensive income	(61,171)	(45,257)
Comprehensive income	\$59,267	\$57,220
(Breakdown)		
Comprehensive income attributable to owners of the parent	61,291	42,077
Comprehensive income attributable to non-controlling interests	(2,023)	15,142

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥107.96 = \$1 as of September 30, 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 CHANGES IN NET ASSETS
For the Six-Month Period Ended September 30, 2019

In Japanese Yen

(In millions of Japanese Yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2019	¥7,996	¥288,294	(¥309)	¥295,981
Changes of items during the period				
Dividends from surplus		(2,658)		(2,658)
Profit attributable to owners of parent		10,096		10,096
Purchase of treasury stock			(0)	(0)
Net changes of items other than shareholders' equity				
Total changes of items during the period	-	7,437	(0)	7,437
Balance at September 30, 2019	7,996	295,732	(309)	303,419

	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, 2019	¥3,988	¥11,441	(¥118)	¥15,311	¥22,399	¥333,692
Changes of items during the period						
Dividends from surplus						(2,658)
Profit attributable to owners of parent						10,096
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	39	(5,617)	24	(5,553)	1,001	(4,552)
Total changes of items during the period	39	(5,617)	24	(5,553)	1,001	2,885
Balance at September 30, 2019	¥4,027	¥5,824	(¥94)	¥9,757	¥23,400	¥336,578

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

(In thousands of U.S. Dollars)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2019	\$74,070	\$2,670,384	(\$2,866)	\$2,741,589
Changes of items during the period				
Dividends from surplus		(24,625)		(24,625)
Profit attributable to owners of parent		93,517		93,517
Purchase of treasury stock			(0)	(0)
Net changes of items other than shareholders' equity				
Total changes of items during the period	-	68,892	(0)	68,891
Balance at September 30, 2019	74,070	2,739,276	(2,866)	2,810,480

	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, 2019	\$36,940	\$105,981	(\$1,099)	\$141,821	\$207,482	\$3,090,893
Changes of items during the period						
Dividends from surplus						(24,625)
Profit attributable to owners of parent						93,517
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	366	(52,033)	226	(51,440)	9,273	(42,166)
Total changes of items during the period	366	(52,033)	226	(51,440)	9,273	26,724
Balance at September 30, 2019	\$37,306	\$53,947	(\$872)	\$90,381	\$216,755	\$3,117,617

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥107.96 = \$1 as of September 30, 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 CASH FLOWS
For the Six-Month Period Ended September 30, 2019

	In millions of Japanese Yen	In thousands of U.S. Dollars (Note1)
I. Cash flows from operating activities		
Income before income taxes	¥14,800	\$137,089
Depreciation and amortization	3,441	31,877
Interest and dividends income	(2,046)	(18,957)
Interest expenses	5	54
Equity in (earnings) losses of affiliates	(5,941)	(55,032)
Decrease (increase) in notes and accounts receivable-trade	3,013	27,908
Decrease (increase) in inventories	1,069	9,908
Increase (decrease) in notes and accounts payable-trade	(3,591)	(33,262)
Other, net	1,012	9,377
Subtotal	11,763	108,963
Interest and dividends income received	9,499	87,994
Interest expenses paid	(5)	(54)
Income taxes paid	(5,286)	(48,966)
Net cash provided by (used in) operating activities	15,971	147,937
II. Cash flows from investment activities		
Payments into time deposits	(8,331)	(77,170)
Proceeds from withdrawal of time deposits	1,016	9,415
Purchase of property, plant and equipment	(6,136)	(56,840)
Payments of loans receivable from subsidiaries and associates	(5)	(46)
Other, net	(216)	(2,006)
Net cash provided by (used in) investment activities	(13,672)	(126,647)
III. Cash flows from financing activities		
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(2,656)	(24,606)
Dividends paid to non-controlling shareholders	(633)	(5,869)
Other, net	(40)	(379)
Net cash provided by (used in) financing activities	(3,331)	(30,855)
IV. Effect of exchange rate change on cash and cash equivalents	(569)	(5,275)
V. Net increase(decrease) in cash and cash equivalents	(1,602)	(14,841)
VI. Cash and cash equivalents at beginning of year	29,561	273,818
VII. Cash and cash equivalents at end of year	¥27,959	\$258,977

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥107.96 = \$1 as of September 30, 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.

Situation of Issue Shares

The situation of shares in this fiscal year is as outlined below.
(As of September 30, 2019)

(1) Total number of shares authorized to be issued	171,257,770
Number of shares outstanding	67,670,000
Total number of shareholders	3,162

(2) Dividends

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

2019	2019	2018	2018	2017	
Sep.	Mar.	Sep.	Mar.	Sep.	
50	40	25	25	25	(Unit : Japanese Yen)
0.46	0.37	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
¥107.96 = \$1 as of September 30, 2019.

Board of Directors

(As of September 30, 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	
			Kazuhiro Tsukamoto	Kazumi Yonezawa	Shigeaki Katayama
				Damri Tunshevavong	
				Takenosuke Yasufuku	Mikio Nakajo
				Kiyoshige Akamatsu	
Kunitoshi Takeda					

At the 75th anniversary of the founding of the company, Yamato Kogyo Group have newly established our mission, vision, Yamato SPIRIT and logo to clarify our policies and philosophies for the future while upholding our traditions.



MISSION

Our Steel, Your Future

- Creating more value for an even richer society -

VISION

**To be a global leading company
with cutting-edge technology supporting world's infrastructure.**

Yamato SPIRIT - We are

- | | |
|----------------------|--|
| Pride | committed to be professionals of Steel and Trackwork business. |
| Manufacturing | committed to deliver world class products with the highest safety standards in mind. |
| Global | committed to be successful anywhere in the world. |
| Harmony | committed to be "One Team" beyond nationality, race, age or gender. |
| Fairness | committed to be honest and maintain the highest level of ethical standards. |
| Challenge | committed to challenge the future with no fear of failure. |



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