

# **ANNUAL REPORT 2007**

**MARCH 31, 2007**

**YAMATO KOGYO CO., LTD.**

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## Group Vision



President Hiroyuki Inoue

Technology and globalization are the two themes that constantly spur the Yamato Kogyo Group to new levels.

By honing our skills as a railroad parts manufacturer, our overseas expansion has progressed so rapidly that the Yamato Kogyo Group is now one of only a few electrical furnace manufacturers in Japan with a global presence. Our products have received high praise both domestically and internationally due to the vast technology and expertise incorporated within them.

Forming the psychological core of our company is the theory of Five Lessons of a Stream of Water that provides the continual driving force for our company. Obstructions are overcome with a renewed energy and provide the power to rise again. We motivate ourselves in the same way that water behaves, pushing us forward to new heights.

Under the umbrella of Yamato Kogyo, Co., Ltd. lies the various arms of the Yamato Kogyo Group, including Yamato Steel Co., Ltd. and Yamato Trackwork System Co., Ltd. Sixty years of experience of working with steel has shown that there are still many secrets that remain unexplored. By using the Five Lessons of a Stream of Water theory, we hope to explore the possibilities of steel to new boundaries.

### - Five Lessons of Stream of Water -

It's a stream of water that moves on its own initiative, and thus makes others move.

It's a stream of water that never stops, always seeking its course.

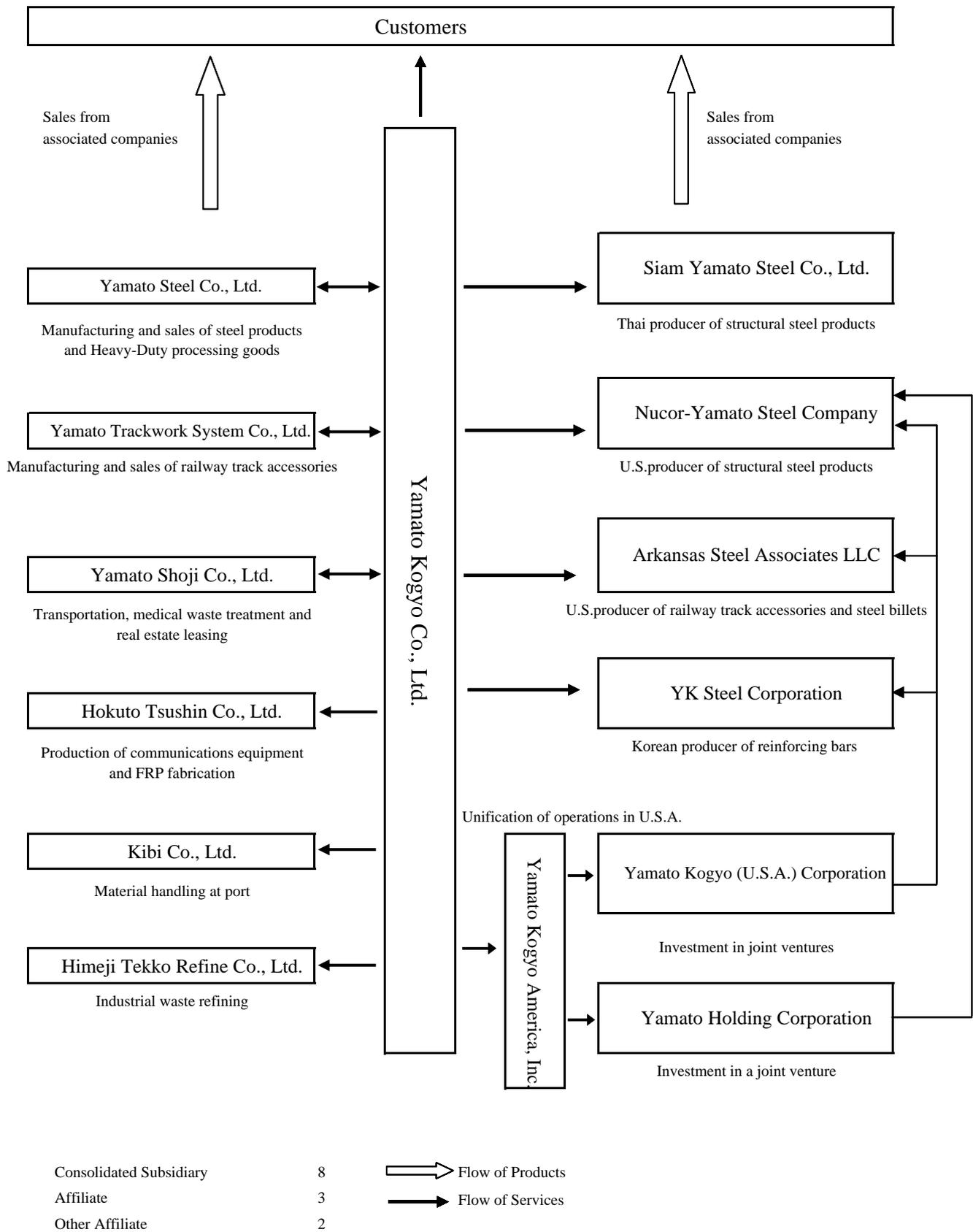
It's a stream of water that dashes against an obstacle it meets, gaining a power a hundred times as great as that which it originally had.

It's a stream of water that is clean and clear by itself, and washes away the dirt of others, being so "broad-minded" as to be tolerant of even muddy water getting mixed in it.

It's a stream of water, too, that, in the long run, contributes to filling the vast expanse of an ocean, and that evaporates into the air to form clouds which bring rainfall to the earth.

# Corporate Structure and Affiliates

As of March 31, 2007



Note: NDM Company, Ltd., an affiliated company with equity method non-applied, was sold as of May 18, 2006

**YAMATO KOGYO CO., LTD.**  
**OPERATING RESULTS FOR THE FISCAL YEAR**  
**ENDED MARCH 31, 2007**

**1. Business Performance and Financial Status**

**(1) Business Performance**

**Status During the Current Consolidated Accounting Period**

During the current consolidated accounting period, there were concerns about the effect of rising crude oil and raw material prices on the Japanese economy, but thanks to greater plant and equipment investment by corporations, as well as improved personal consumption, the economy has experienced moderate growth. In addition, in the United States, Thailand, and South Korea, where our company has developed joint ventures, business moved for the most part in a favorable direction, and although there were indications of a business slowdown for a while, the company's overall performance was solid.

In view of this situation, the group has been working to raise product quality and to promote greater energy conservation and to raise productivity, so as to bring costs down.

Equity method investment profit showed record highs for our U.S. joint venture operations, with solid performance for our Thai joint venture operations as well.

As a result of the above, performance during the current consolidated accounting period shows sales of 110,729 million yen, which is an increase of 11,393 million yen (+11.5%) over the same accounting period of the previous fiscal year. Although the operating profit was 10,294 million yen, which is a decrease of 4,739 million yen (-31.5%) in comparison with the same accounting period of the previous fiscal year, the ordinary profit was 43,440 million yen, which is an increase of 11,199 million yen (+34.7%) over the same accounting period of the previous fiscal year. The net profit for the current accounting period was 26,696 million yen, which is an increase of 8,897 million yen (+50.0%) over the same accounting period of the previous fiscal year.

N.B.: In preparing consolidated financial statements from the financial statements of our overseas subsidiaries and affiliates, the following foreign exchange rates were used (for the accounting year January-December 2006):

Average rates during the period: 116.40 yen/US\$, 3.10 yen/baht, 8.21 won/yen

Average rates at end of the period: 119.12 yen/US\$, 3.43 yen/baht, 7.80 won/yen

We report in brief on the performance of each of our business operations as follows.

**Steel**

Raw material prices continue to rise throughout the world, and the price of scrap steel, the primary raw material for our company's group, has been rising dramatically. During the first half of the period, the domestic demand for formed steel was affected by suspicions regarding

earthquake-resistance and problems regarding price-fixing among general contractors for bridge construction in Japan, but as we entered the second half of the period, signs of recovery were evident. In addition to the export of finished products, since we also exported semi-finished products to Siam Yamato Steel Company Limited, our Thai joint venture, export sales for our domestic operations were 5,061 million yen, an increase of 4,366 million yen over the same accounting period of the previous year. If domestic sales are added, sales for our domestic operations amounted to 41,932 million yen, an increase of 5,205 million yen over the same accounting period of the previous year. In South Korea, given the influx of cheap Chinese products and greater price competition with domestic producers, sales process are lower than in the same accounting period of the previous year, but since construction demand moved upwards somewhat, production and sales volumes are greater than in the previous year. The stronger South Korean Won was also a factor leading to sales in South Korea of 57,120 million yen, an increase of 4,632 million yen. As a result, sales in this business sector were 99,052 million yen (Results in the same accounting period of the previous year: 89,214 million yen), and the operating profit was 10,540 million yen (Results in the same accounting period of the previous year: 15,145 million yen).

#### **Railway Track Accessories**

With sales affected by reduced exports to Taiwan, we made efforts to solidify sales in Japan, but sales fell below the levels of last year. We also had to accept raw material price increases. Sales in the current accounting period were 3,717 million yen (Results in the same accounting period of the previous year: 3,930 million yen), and the operating profit was 257 million yen (Results in the same accounting period of the previous year: 132 million yen).

#### **Heavy-Duty Machining**

Favorable demand for ships forms the back-drop for a sustained high volume of new ship-building for ship builders, and there has been continued favorable movement in the volume of construction of our company's products, steel casings and stern frames, as well as in sales of rolled steel for ship hulls. Sales in this business sector were 6,400 million yen (Results in the same accounting period of the previous year: 4,787 million yen), and the operating profit was 671 million yen (Results in the same accounting period of the previous year: 444 million yen).

#### **FRP Forming**

Although there was a decrease in processing operations for the residential housing market, there was an increase in sales from FRP processing for instruments and electrical equipment. Thus, sales in this business sector were 1,178 million yen (Results in the same accounting period of the previous year: 983 million yen), and the operating profit was 70 million yen (Results in the same accounting period of the previous year: 15 million yen).

#### **Real Estate Leases**

Occupancy rates in buildings owned by the company show favorable movement in the Kanto Area, and some signs of improvement are also evident in the Kansai Area. Since we sold some real estate in the previous fiscal year, sales in this business sector were 253 million yen (Results in the same accounting period of the previous year: 291 million yen), and the operating profit

was 64 million yen (Results in the same accounting period of the previous year: 84 million yen).

### **Treatment of Medical Waste**

Our Company's system for the treatment of medical waste (Messcud) features melt-treatment that utilizes high-temperature electric furnaces. This system is safe, reliable, and responsive to environmental protection needs. Stiff price competition continues, and sales in this sector amounted to 127 million yen (Results in the same accounting period of the previous year: 128 million yen), and the operating profit was 4 million yen (Results in the same accounting period of the previous year: 12 million yen).

### **Future Outlook**

With regard to the future outlook, we expect Japan's economy to grow modestly in the future, given the improved corporate profits with the support of plant and equipment investment and personal consumption. Looking overseas, we expect to see the economies of Thailand and South Korea grow favorably, but we are concerned about a slow-down in the U.S. economy due to a cooling of investment in housing. In addition, the business environment in which our company operates, which includes not only raw material prices, but also interest rate and foreign exchange rate movements, is unclear and unpredictable.

Given this state of affairs, our steel operations in Japan aim to achieve increased profits through sales with an emphasis on pricing. Also, favorable performance is forecast for the Nucor Yamato Steel Company in the United States, due to the vigorous demand for steel, and we expect to see steady improvement elsewhere as well.

In the past, Siam Yamato Steel Company Limited booked its profits in terms of equity method investment profit, but starting in the second accounting period, we intend to treat the company as a consolidated subsidiary, reflected in estimates for the entire accounting period of 23,200 million yen for sales, 3,300 million yen for operating profit, and 3,300 million yen for ordinary profit. (In addition, credit redemption, which arises due to additional acquisition of the company's stock, is reflected in non-operating expenses of 167 million yen.)

Based on the above, the forecast for the entire fiscal year is as follows: Sales of 144,000 million yen, ordinary profit of 44,500 million yen, and net profit for the current accounting period of 24,000 million yen.

It should be noted that with regard to foreign exchange rates, we forecast that at the end of December 2007, the value of the Japanese yen with respect to the pivotal U.S. dollar will be 115 yen/dollar, the Thai baht will be at 36 baht/dollar, and the South Korean won will be at 950 won/dollar. We have estimated the average exchange rates for the entire period to be 116.10 yen/dollar, 3.28 yen/baht, and 8.16 yen/won.

## **(2) Financial Status**

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the current consolidated accounting period amount to 68,802 million yen, which is an increase of 21,246

million yen in comparison with the end of the previous consolidated accounting period. This is the result of a conversion differential (2,082 million yen) pertaining to cash and cash equivalents applied to fluctuations in cash flow due to business activity, investment activity, and financial activity.

**(Cash Flows from Operating Activities)**

The increase in funds from operating activities was 28,838 million yen. This is because of the receipt of large cash dividends from the Nucor Yamato Steel Company, whose net profit for the current accounting period before adjustment for taxes was 43,376 million yen, which was assisted by its favorable performance.

**(Cash Flows from Investing Activities)**

The increase in funds from investing activities was 3,052 million yen. This was because even though there was a decrease in funds due to the acquisition of tangible fixed assets, there was an increase in funds due to repayment of time deposits over 3 months and recovery of short-term loans to affiliates.

**(Cash Flows from Financing Activities)**

The decrease in funds from financing activities was 12,727 million yen. This was due to the payment of dividends and the acquisition of treasury stock, as well as the repayment of bank loans by YK Steel Corporation.

**Cash Flow Index Trends**

	Period Ending March 2003	Period Ending March 2004	Period Ending March 2005	Period Ending March 2006	Period Ending March 2007
Stockholders' Equity Ratio	69.4%	72.9%	74.3%	71.9%	75.0%
Stockholders' Equity Ratio on Market Price Basis	31.3%	76.5%	64.5%	96.4%	121.0%

Stockholders' Equity Ratio:  $\text{Stockholders' equity} / \text{Total assets}$

Stockholders' Equity Ratio on Market Price Basis:  $\text{Total value of stock at market price} / \text{Total assets}$

Note 1: Both of these indices are computed from financial figures on a consolidated basis.

Note 2: The total value of stock at market price is computed by multiplying the final market price at the end of the accounting period by the number of shares issued at the end of the accounting period (after deducting treasury stock).

**(3) Basic Policy Regarding Profit Allocation and Dividends for the Current and Next Accounting Period**

We believe that the development of future dividend policies will be based not only on the performance of each member of the group, but also on the consolidated performance, financial situation, and internal reserves of the group as a whole. Moreover, from the standpoint of

medium- and long-term shareholder profits, the company has already acquired and retired 22,880,000 of its own share.

Regarding the distribution of profits for the current accounting period: performance is proceeding steadily, with record high figures for consolidated sales and net profit. In response to the constant support from our shareholders, we would like to pay a dividend of 20 yen per share (the original plan was 17 yen per share). It should be noted that, with the inclusion of the mid-term dividend, the planned annual distribution of profit is 37 yen per share.

Taking the above performance forecasts into consideration, the plan is for an end-of-term dividend of 20 yen per share, and for an annual dividend of 40 yen per share, which includes the mid-term dividend.

#### **(4) Business Risks**

Following is a description of the main items we consider to be possible risk factors involved in developing our group's business. Items relating to the future reflect our company's judgment based on data as of today.

##### **Latent Risks in Doing Business Overseas**

Our group's manufacturing and sales activities are not only in Japan, but also in the U.S., Thailand, and South Korea, 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.

##### **Exchange Rate Fluctuations**

In our group, 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, the yen is strong vis-à-vis other currencies, so a lower yen would be better for our Company.

##### **Fluctuations in Sales Prices and Scrap Prices**

The performance of our group's vital steel business is greatly affected by fluctuations in sales prices of products and the price of scrap, 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.

## **2. Management Policy**

### **(1) Basic Business Policy**

The Yamato Kogyo group of companies has served as a responsible member of the business community and strives 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 domestic and overseas business investments 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. The revamping of our company's organizational structure to enable it to rapidly respond to these changes resulted in our Company being positioned at the top of the group as the holding company. Our Company aims for a management structure that maximizes the unique qualities and functions of each of the subsidiaries under the overall management umbrella of the group as a whole. We consider ROE (Return on Equity) as an important business indicator.

### **(3) Medium- and Long-term Corporate Business Strategy and Challenges Facing the Company**

In the business areas in which our Company's group deals, we anticipate increasingly vigorous competition with both foreign and domestic manufacturers in the future. In order to counter this competition, our Company's group aims to improve productivity and to cut costs by renewing and expanding manufacturing facilities at our operations in Japan and overseas, so as to achieve greater profitability as a group.

In addition, on the basis of its structure as a holding company, our Company's group will look at how it can contribute to society from a variety of standpoints. Our 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.

In that context, we plan to raise the investment participation in Siam Yamato Steel Company Limited in Thailand from 40.66% to 64.18%, converting it into a consolidated subsidiary, and we plan to build a second plant for formed steel on an annual production scale of 400,000 tons. This will greatly bolster the manufacturing and sales base that covers Thailand and neighboring countries in Asia.

### **(4) Challenges for Our Company**

Our Company's group aims to constantly improve its value, and we recognize this as our greatest corporate responsibility and as an on-going issue of importance from the standpoint of management. Thus, we formulated specialized projects with regard to medium- and long-term

management strategies and internal control systems, and have been striving to consolidate these. In order to earn the trust of all of our stakeholders, including our stockholders first and foremost, we are striving to raise the management efficiency of the group as a whole and to ensure sound management.

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

**In Japanese Yen**

(In millions of Japanese Yen)

FOR THE YEAR	Years ended March 31,				
	2007	2006	2005	2004	2003
Sales	<b>¥110,729</b>	¥99,336	¥89,975	¥71,147	¥28,571
Ordinary income	<b>43,440</b>	32,240	28,371	12,146	11,857
Net income	<b>26,696</b>	17,798	17,581	12,771	7,974
Per share (unit:Yen)	<b>378.50</b>	249.48	244.02	173.25	107.24
<b>AT YEAR-END</b>					
Net assets	<b>171,649</b>	132,431	107,208	90,010	85,134
Total assets	<b>214,811</b>	184,298	144,381	123,544	122,686

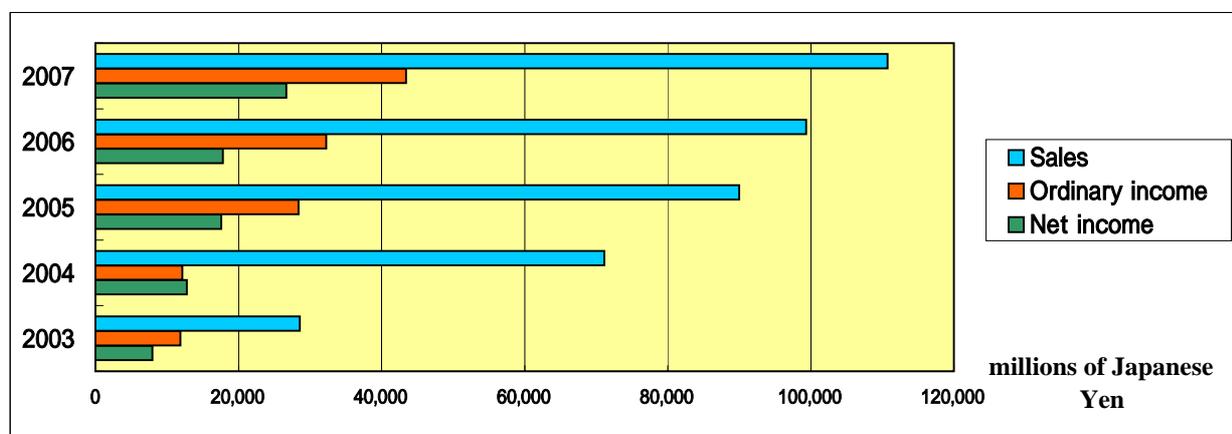
**In U.S. Dollars for Convenience Purposes (Note 1)**

(In thousands of U.S. Dollars)

FOR THE YEAR	Years ended March 31,				
	2007	2006	2005	2004	2003
Sales	<b>\$937,673</b>	\$841,190	\$761,924	\$602,484	\$241,947
Ordinary income	<b>367,858</b>	273,018	240,252	102,862	100,413
Net income	<b>226,068</b>	150,722	148,878	108,154	67,530
Per share(unit:\$)	<b>3.21</b>	2.11	2.07	1.47	0.91
<b>AT YEAR-END</b>					
Net assets	<b>1,453,544</b>	1,121,446	907,851	762,220	720,926
Total assets	<b>1,819,049</b>	1,560,657	1,222,639	1,046,186	1,038,925

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥118.09 = \$ 1 as of March 31, 2007.
2. All figures are prepared under accounting principles generally accepted in Japan.
3. All figures are rounded down to the nearest millions of Japanese Yen or thousands of U.S.Dollars



**YAMATO KOGYO CO., LTD.**  
**AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**March 31, 2007 and 2006**

**In Japanese Yen**

	(In millions of Japanese Yen)			(In millions of Japanese Yen)	
	2007	2006		2007	2006
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and deposits at banks	¥72,500	¥56,851	Trade notes and accounts payable	¥14,855	¥9,784
Trade notes and accounts receivable	32,728	26,439	Short-term loans payable	2,170	9,895
Inventories	11,011	10,369	Income taxes payable	2,131	3,348
Others	1,892	3,683	Others	7,639	6,120
Allowance for doubtful accounts	(33)	(27)	Total current liabilities	26,797	29,149
Total current assets	118,099	97,317			
<b>Property, plant and equipment, net</b>			Long-term loans payable	3,152	2,150
Buildings and structures	9,188	8,179	Accrued retirement benefits for employees	2,038	1,816
Machinery, equipment and vehicles	12,817	11,393	Deferred income tax liabilities	9,818	7,913
Land	19,081	18,159	Others	1,355	1,530
Others	1,071	1,958	Total liabilities	43,162	42,559
Total property, plant and equipment	42,158	39,690			
<b>Intangible fixed assets</b>	663	723	<b>Net assets</b>		
<b>Investments, etc.</b>			Shareholders' equity		
Investments in securities	19,490	18,363	Common stock	7,996	7,996
Investments in capital	33,300	27,413	Additional paid-in capital	1,883	3,438
Others	1,248	951	Retained earnings	139,715	115,352
Allowance for doubtful accounts	(149)	(163)	Treasury stocks	(888)	(885)
Total investments	53,889	46,566	Total shareholder's equity	148,707	125,902
			Valuation and translation adjustments		
Total assets	¥214,811	¥184,298	Unrealized gain on revaluation of securities	5,128	3,925
			Translation adjustments	7,249	2,603
			Total valuation and translation adjustments	12,378	6,529
			Minority shareholders' equity in consolidated subsidiaries	10,562	9,306
			Total net assets	171,649	141,738
			Total liabilities and net assets	¥214,811	¥184,298

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

	(In thousands of U.S. Dollars)			(In thousands of U.S. Dollars)	
	2007	2006		2007	2006
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and deposits at banks	\$613,945	\$481,426	Trade notes and accounts payable	\$125,802	\$82,852
Trade notes and accounts receivable	277,150	223,896	Short-term loans payable	18,376	83,800
Inventories	93,244	87,810	Income taxes payable	18,053	28,352
Others	16,024	31,192	Others	64,688	51,832
Allowance for doubtful accounts	(281)	(231)	Total current liabilities	226,921	246,837
Total current assets	1,000,083	824,094			
<b>Property, plant and equipment, net</b>			Long-term loans payable	26,693	18,210
Buildings and structures	77,808	69,264	Accrued retirement benefits for employees	17,262	15,380
Machinery, equipment and vehicles	108,537	96,484	Deferred income tax liabilities	83,146	67,016
Land	161,583	153,772	Others	11,480	12,957
Others	9,073	16,585	Total liabilities	365,505	360,401
Total property, plant and equipment	357,003	336,107			
<b>Intangible fixed assets</b>	5,620	6,128	<b>Net assets</b>		
<b>Investments, etc.</b>			Shareholders' equity		
Investments in securities	165,044	155,507	Common stock	67,716	67,716
Investments in capital	281,989	232,141	Additional paid-in capital	15,952	29,121
Others	10,576	8,060	Retained earnings	1,183,129	976,817
Allowance for doubtful accounts	(1,268)	(1,383)	Treasury stocks	(7,522)	(7,498)
Total investments	456,341	394,326	Total shareholder's equity	1,259,276	1,066,157
			Valuation and translation adjustments		
Total assets	\$1,819,049	\$1,560,657	Unrealized gain on revaluation of securities	43,432	33,244
			Translation adjustments	61,389	22,044
			Total valuation and translation adjustments	104,821	55,289
			Minority shareholders' equity in consolidated subsidiaries	89,446	78,809
			Total net assets	1,453,544	1,200,256
			Total liabilities and net assets	\$1,819,049	\$1,560,657

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥118.09 = \$1 as of March 31, 2007.

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, 2007 and 2006**

**In Japanese Yen**

(In millions of Japanese Yen)

	<u>2007</u>	<u>2006</u>
Sales	¥ 110,729	¥ 99,336
Cost of goods sold	91,657	77,077
Operating expenses	8,777	7,224
Operating income	<u>10,294</u>	<u>15,033</u>
Non operating revenues	33,611	17,678
Non operating expenses	465	471
Ordinary income	<u>43,440</u>	<u>32,240</u>
Special gains	534	139
Special losses	598	259
Income before taxes	<u>43,376</u>	<u>32,120</u>
Income taxes		
Current	14,420	10,544
Deferred	687	1,996
Total income taxes	<u>15,108</u>	<u>12,541</u>
Minority stockholders' interest	1,572	1,780
Net income	<u>¥ 26,696</u>	<u>¥ 17,798</u>

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

(In thousands of U.S. Dollars)

	<u>2007</u>	<u>2006</u>
Sales	\$ 937,673	\$ 841,190
Cost of goods sold	776,169	652,702
Operating expenses	74,329	61,181
Operating income	<u>87,174</u>	<u>127,305</u>
Non operating revenues	284,626	149,706
Non operating expenses	3,942	3,993
Ordinary income	<u>367,858</u>	<u>273,018</u>
Special gains	4,529	1,178
Special losses	5,067	2,197
Income before taxes	<u>367,320</u>	<u>271,999</u>
Income taxes		
Current	122,118	89,292
Deferred	5,818	16,910
Total income taxes	<u>127,936</u>	<u>106,202</u>
Minority stockholders' interest	13,315	15,074
Net income	<u>\$ 226,068</u>	<u>\$ 150,722</u>

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥ 118.09 = \$ 1 as of March 31, 2007.
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.

**YAMTO KOGYO CO., LTD.**  
**AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**Year ended March 31, 2007**

(In millions of Japanese Yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stocks	
<b>Balance at March 31, 2006</b>	¥7,996	¥3,438	¥115,352	(¥885)	¥125,902
Cash dividends paid			(2,253)		(2,253)
Bonus to directors			(79)		(79)
Net income			26,696		26,696
Purchase of treasury stocks				(1,557)	(1,557)
Retirement of treasury stocks		(1,555)		1,555	-
Others					-
<b>Total</b>	-	(1,555)	24,363	(2)	22,805
<b>Balance at March 31, 2007</b>	¥7,996	¥1,883	¥139,715	(¥888)	¥148,707

	Valuation and translation adjustments			Minority shareholders' equity in consolidated subsidiaries	Total net assets
	Unrealized gain on revaluation of securities	Translation adjustments	Total valuation and translation adjustments		
<b>Balance at March 31, 2006</b>	¥3,925	¥2,603	¥6,529	¥9,306	¥141,738
Cash dividends paid			-		(2,253)
Bonus to directors			-		(79)
Net income			-		26,696
Purchase of treasury stocks			-		(1,557)
Retirement of treasury stocks			-		-
Others	1,203	4,646	5,849	1,256	7,105
<b>Total</b>	1,203	4,646	5,849	1,256	29,910
<b>Balance at March 31, 2007</b>	¥5,128	¥7,249	¥12,378	¥10,562	¥171,649

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

(In thousands of U.S. Dollars)

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stocks	
<b>Balance at March 31, 2006</b>	\$67,716	\$29,121	\$976,817	(\$7,498)	\$1,066,157
Cash dividends paid			(19,081)		(19,081)
Bonus to directors			(674)		(674)
Net income			226,068		226,068
Purchase of treasury stocks				(13,192)	(13,192)
Retirement of treasury stocks		(13,168)		13,168	-
Others					-
<b>Total</b>	-	(13,168)	206,311	(24)	193,119
<b>Balance at March 31, 2007</b>	\$67,716	\$15,952	\$1,183,129	(\$7,522)	\$1,259,276

	Valuation and translation adjustments			Minority shareholders' equity in consolidated subsidiaries	Total net assets
	Unrealized gain on revaluation of securities	Translation adjustments	Total valuation and translation adjustments		
<b>Balance at March 31, 2006</b>	\$33,244	\$22,044	\$55,289	\$78,809	\$1,200,256
Cash dividends paid			-		(19,081)
Bonus to directors			-		(674)
Net income			-		226,068
Purchase of treasury stocks			-		(13,192)
Retirement of treasury stocks			-		-
Others	10,188	39,344	49,532	10,636	60,169
<b>Total</b>	10,188	39,344	49,532	10,636	253,288
<b>Balance at March 31, 2007</b>	\$43,432	\$61,389	\$104,821	\$89,446	\$1,453,544

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥118.09 = \$1 as of March 31, 2007.
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 STATEMENT OF CASH FLOWS**  
**Year ended March 31, 2007**

**Cash flows from operating activities**

	In millions of Japanese Yen	In thousands of U.S.Dollars
Income before taxes	¥43,376	\$367,320
Depreciation and amortization	3,911	33,125
Interest and dividends	(2,566)	(21,730)
Interest expenses	449	3,802
Equity in earnings of affiliated companies	(29,612)	(250,760)
Increase in receivable	(5,005)	(42,388)
Increase in inventories	(215)	(1,825)
Increase in payable	4,250	35,996
Others	273	2,317
	<b>14,862</b>	<b>125,856</b>
Interest and dividends received	30,266	256,304
Interest paid	(463)	(3,928)
Income taxes paid	(15,826)	(134,023)
<b>Net cash provided by operating activities</b>	<b>28,838</b>	<b>244,209</b>
Payment for time deposits	(3,525)	(29,852)
Proceeds from time deposits	9,692	82,077
Purchase of marketable securities	0	0
Purchase of investment securities	0	0
Decrease of deposit as collateral at overseas subsidiaries	0	0
<b>Net cash provided by investing activities</b>	<b>3,052</b>	<b>25,847</b>
Purchase of treasury stocks	(1,557)	(13,192)
Proceeds from short-term loans	0	0
Proceeds from long-term loans	2,996	25,376
Repayment of long-term loans	(2,996)	(25,376)
Dividends paid	(2,252)	(19,075)
Dividends paid to minority interests	(1,385)	(11,735)
<b>Net cash used in financing activities</b>	<b>(12,727)</b>	<b>(107,775)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>2,082</b>	<b>17,633</b>
<b>Net increase in cash and cash equivalents</b>	<b>21,246</b>	<b>179,915</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>47,556</b>	<b>402,710</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥68,802</b>	<b>\$582,625</b>

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of

¥ 118.09 = \$ 1 as of March 31, 2007.

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, 2007)

(1) Total number of shares to be issued.....	171,257,770
Total number of shares issued .....	72,560,000
Total number of shares holders .....	6,822

### (2) Distribution of shares (by holder)

Kind of holder	No. of persons	No. of stocks held	Ratio of stocks held
Banking facilities	59	17,642,140	24.31
Security companies	33	699,586	0.97
Other corporations	159	18,562,545	25.58
Foreign corporations	176	19,211,690	26.48
(Individual foreigners among the foreign corporations)	(2)	(4,000)	(0.01)
Individual persons and others	6,395	16,444,039	22.66
<b>Total</b>	<b>6,822</b>	<b>72,560,000</b>	<b>100.00</b>

### (3) Dividends

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

2007	2006	2006	2005	2005
Mar.	Sep.	Mar.	Sep.	Mar.
20	17	16	15	15

(Unit : Japanese Yen)

## Board of Directors

(As of March 31, 2007)

President	Senior Executive Director	Executive Director	Executive Advisor	Director	Auditors
Hiroyuki Inoue	Yoshiro Inoue	Kazumi Kajihara	Shigeo Kawata	Takafumi Yoshida	Takeshi Kanamori
					Morimasa Yoshida
					Hisashi Sawada

# 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、  
鉄事業をとおして、和の精神をもって、  
グローバルな事業展開により、新たな価値を創造し、  
豊かな社会の実現に貢献します。

Generate unique value and contribute to society  
through our global steel business,  
based on pride in our manufacturing skill,  
fair management, and a spirit of Harmony.



YAMATO KOGYO CO., LTD.

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

Phone: Japan (81), Himeji (079) 273-1061 Fax: Japan (81), Himeji (079) 273-9337



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