

ANNUAL REPORT 2016

MARCH 31, 2016

YAMATO KOGYO CO., LTD.

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Group Vision



President Hiroyuki Inoue

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

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

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

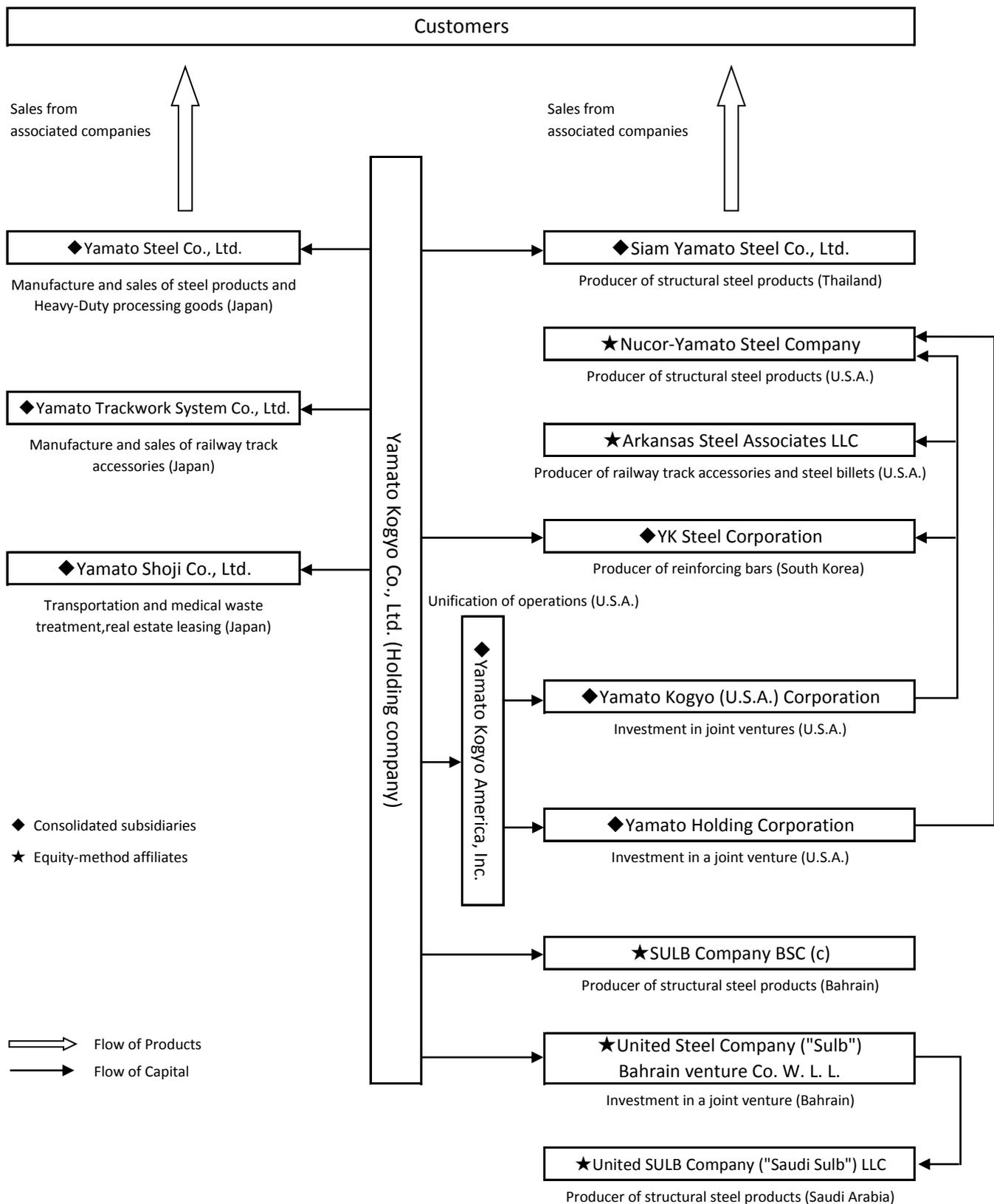
Under the umbrella of Yamato Kogyo, Co., Ltd. lies the various arms of the Yamato Kogyo Group, including Yamato Steel Co., Ltd. and Yamato Trackwork System Co., Ltd. More than seventy years of experience of working with steel has shown that there are still many secrets that remain unexplored. By using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

- Five Lessons of Stream of Water -

- It's a stream of water that moves on its own initiative, and thus makes others move.
- It's a stream of water that never stops, always seeking its course.
- It's a stream of water that dashes against an obstacle it meets, gaining a power a hundred times as great as that which it originally had.
- It's a stream of water that is clean and clear by itself, and washes away the dirt of others, being so "broad-minded" as to be tolerant of even muddy water getting mixed in it.
- It's a stream of water, too, that, in the long run, contributes to filling the vast expanse of an ocean, and that evaporates into the air to form clouds which bring rainfall to the earth.

Corporate Structure and Affiliates

As of March 31, 2016



* We have stakes in 1 non-consolidated subsidiary not accounted for by the equity method and 3 affiliates not accounted for by the equity method, however these have been omitted as they are immaterial.

YAMATO KOGYO CO., LTD.
OPERATING RESULTS FOR THE FISCAL YEAR
ENDED MARCH 31, 2016

1. Business Performance and Financial Status

(1) Business Performance

① Status During the Current Fiscal Year

In the current consolidated fiscal year, Yamato Kogyo Group (the Group) suffered from generally sluggish steel demand and was affected by exports from China of low-priced finished and semi-finished steel products, although until December 2015, we had an earnings increase as the result of falling scrap prices.

Demand for steel products in Japan as a whole has continued to lack strong momentum as companies have delayed or forgone capital spending in circumstance effected by slowdown of Chinese economy and prices of raw material have kept declining and other factors. In such circumstances, we are working to produce and sell steel products in a quantity that meets real demand. As a result of the above adjustment the operating income increased in comparison with the previous year though the sales quantities and net sales were lower than the previous year. Sales of stern frames and other products for shipbuilders continued to be sluggish in terms of both quantity and price.

In South Korea and Thailand, where we have consolidated subsidiaries, and in the United States, the Kingdom of Bahrain and the Kingdom of Saudi Arabia, where we have affiliated companies with equity method applied, the business performance for January through December of 2015 was reflected in the current consolidated fiscal year.

YK Steel Corporation in South Korea improved its full-year operating results to a breakeven point because of recovering demand for reinforcing steel resulting from a pickup in and after mid-2015 in the construction of apartments in the country. Business conditions in South Korea now look a bit brighter than before, although it is not certain until when the current demand for reinforcing bar will last and is concerned about the effect of low-priced steel products from China. In the fourth (current) quarter, the corporation outsourced part of its operations and therefore had solicited applicants for early retirement among its employees. In such a manner, the corporation is making efforts for greater work efficiency and stronger cost competitiveness.

Siam Yamato Steel Co., Ltd. in Thailand continues to suffer from slumping steel demand and sluggish prices of steel products amid slowing private sector investment in the stagnant Thai economy. In Southeast Asian markets, Siam Yamato Steel continues to be affected by sluggish market conditions attributable to the inflow from China of low-priced finished and semi-finished steel products. Because of such situation, the company posted a substantial decrease in revenue and lower profit compared to previous year.

Our U.S. affiliates accounted for under the equity method booked a profit favorably affected partly by declining scrap prices.

SULB Company BSC (c), a company in Bahrain accounted for under the equity method, was forced to post net loss as its production and sales have stalled amid significantly declining selling prices in circumstances where there has been a decrease in new investments and public projects in the Middle East as the result of declining oil prices and a subsequent drop in demand for structural steel, while the inflow of low-priced finished and semi-finished steel products from China and other countries has adversely affected company's sales of not only finished products but also DRI (direct reduced iron) and semi-finished products.

As a result of the above, sales for the current consolidated fiscal year were 150,978 million yen (a decrease of 36,472 million yen in comparison with the previous year), operating income was 11,215 million yen (an increase of 4,222 million yen comparison with the previous year) and ordinary income was 26,747 million yen (an increase of 4,083 million yen in comparison with the previous year).

Profit attributable to owners of parent increased 1,506 million yen from the previous consolidated fiscal year to 14,884 million yen which includes YK Steel Corporation in South Korea recording in the fourth quarter 873 million yen as special retirement benefits (extraordinary loss) for applicants for early retirement and of our U.S. subsidiary recording in the second quarter 1,027 million yen worth of refund of income taxes (tax benefit) and others.

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 2015)

121.04 yen/U.S. dollar, 3.53 yen/baht, and 9.35 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 2014)

106.45 yen/U.S. dollar, 3.27 yen/baht, and 9.89 won/yen

We report the business results of the segment as follows:

● **Steel (Japan)**

Demand for steel products in Japan as a whole has continued to lack strong momentum as companies have delayed or forgone capital spending in circumstance effected by slowdown of Chinese economy and prices of raw material have kept declining and other factors. In such circumstances, we are working to produce and sell steel products in a quantity that meets real demand.

As a result, sales were 40,762 million yen (a decrease of 6,863 million yen in comparison with the previous year), and the operating income was 5,943 million yen (an increase of 1,094 million yen in comparison with the previous year).

● **Steel (South Korea)**

Its full-year operating results were improved almost to a breakeven point because of recovering demand for reinforcing steel resulting from a pickup in and after mid-2015 in the construction of apartments in the country. Business conditions in South Korea now look brighter than before, although it is not certain until when the current demand for reinforcing bar will last.

As a result, sales were 44,536 million yen (a decrease of 10,748 million yen in comparison with the previous year), the operating income was 56 million yen (the operating loss of 3,695 million yen was posted during the previous year).

● **Steel (Thailand)**

In Thailand, slumping steel demand and sluggish prices of steel products amid slowing private sector investment in the stagnant Thai economy is continued. In Southeast Asian markets, Siam Yamato Steel continues to be affected by sluggish market conditions attributable to the inflow from China of low-priced finished and semi-finished steel products.

As a result, sales were 59,790 million yen (a decrease of 17,916 million yen in comparison with the previous year). The operating income was 5,917 million yen (a decrease of 421 million yen in comparison with the previous year).

● **Railway Track Accessories**

Sales were 5,623 million yen (a decrease of 950 million yen in comparison with the previous year), and the operating income was 714 million yen (a decrease of 264 million yen in comparison with the previous year).

● **Other Business Sectors**

Other sales were 266 million yen, (an increase of 5 million yen in comparison with the previous year) and the operating income was 24 million yen (the operating loss of 42 million yen was posted during the previous year).

② **Future Outlook**

China's exports of low-priced finished and semi-finished steel products are causing a slump in the global steel market. It has been reported that China has substantially cut its excess capacity to produce steel products; however, such capacity reduction is no more than "reported reduction". China's excess supply capacity continues to seriously affect our group, which is engaged in global business operations. Another negative factor is sluggish oil prices. If oil prices continue to stay at the current low levels, it will remain as a substantial negative factor in demand for steel products in the Middle East.

In such a business environment where the momentum fails to increase for recovery in steel demand, we see that in 2016 scrap prices have entered an upward phase. Despite our continuing efforts to reflect such increased cost in our product prices, we expect a generally tough business environment.

As a result of the above, the forecast for the entire fiscal year is decreased sales and profit as follows: Sales of 135,000 million yen, operating income of 7,500 million yen, ordinary income of 20,000 million yen, and profit attributable to owners of parent of 10,500 million yen.

Please note that the exchange rates used to convert revenues and expenses of our overseas subsidiaries and affiliates are based on their fiscal year, January to December, 2016. The rates are as follows:

Average rate: 103.93 yen/U.S. dollar, 2.94 yen/baht, and 11.55 won/yen

Current rate: 100.00 yen/U.S. dollar, 2.83 yen/baht, and 12.00 won/yen

(2) Analysis of Financial Status

Total assets at the end of the current consolidated fiscal year were 346,698 million yen, a decrease of 5,253 million yen in comparison with the end of the previous consolidated fiscal year. This was due to decrease in inventories.

Liabilities were 38,841 million yen, a decrease of 8,488 million yen in comparison with the end of the previous consolidated fiscal year. This was due to decrease in notes and accounts payable – trade and long-term loans payable.

Also, net assets were 307,857 million yen, an increase of 3,234 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 4,585 million yen in foreign currency translation adjustment.

In addition, we retired 1,500,000 treasury shares on June 17, 2015 and 580,000 treasury shares on December 28, 2015.

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 2015)

120.54 yen/U.S. dollar, 3.35 yen/baht, and 9.72 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 2014)

120.53 yen/U.S. dollar, 3.65 yen/baht, and 9.12 won/yen

(Cash Flows from Operating Activities)

The increase in funds from operating activities was 33,386 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 5,394 million yen, primarily due to factors such as proceeds from withdrawal of time deposits, payments into time deposits and payments of loans receivable from subsidiaries and associates.

(Cash Flows from Financing Activities)

The decrease in funds from financing activities was 7,582 million yen, due to payment of dividend and purchase of treasury shares.

With the addition of Δ 653 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 32,540 million yen, which is an increase of 19,757 million yen in comparison with the end of the previous year.

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

We believe that the dividend shall be determined in view of the Group's consolidated performance, financial situation, and development of future policies based on internal reserves. Moreover, from the standpoint of medium- and long-term shareholder profits, the company has already acquired and retired 27,770,000 of its own shares.

Regarding the end-of-term dividend for the current fiscal year, taking into the consideration the latest result, we would like to pay 25 yen per share in response to the constant support from our shareholders (latest forecast was 20 yen per share). Please note that the planned annual dividend is 45 yen per share, which includes interim dividend of 20 yen.

For the next period, being conscious of stable dividend payments we expect to pay an interim dividend of 25 yen and a year-end dividend of 25 yen per share, respectively, for an annual dividend of 50 yen per share (increase of 5 yen per share in comparison with the previous year). Together with improving employee wages, by these redistribution to all stakeholders, we join (although small) the vitalization of the economy.

(4) Business Risks

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

① Latent Risks in Doing Business Overseas

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

Kingdom of Bahrain, Kingdom of Saudi Arabia, as we are developing a global business targeting the world market. When entering overseas markets, there is a possibility that terrorism, war, and other factors could arise in various countries, causing social unrest, and having a huge impact on a company's results and financial standing. Moreover, problems in conducting business could also arise such as unpredictable changes in the political or legal environment, or changes in the economic environment in various countries.

② Exchange Rate Fluctuations

The Group is developing global operations which target world markets, thus the performance of subsidiaries greatly affects consolidated business results. Since figures in the consolidated financial statements are converted to yen from the local currencies, the financial standing can be affected by the exchange rate. Also, foreign currency holdings make up a high percentage of the Group's cash and savings. Generally, appreciation of the yen will have a negative influence on our company, and on the contrary, depreciation of yen will have a positive influence.

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

③ Fluctuations in Sales Prices and Scrap Prices

The performance of the Group's vital steel business is greatly affected by fluctuations in sales prices of products and the scrap prices, the primary raw material. These market prices can be greatly affected by the external environment, and first and foremost, the domestic and foreign economic situation.

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

④ Electrical Power Risks

Since our Company's Group is an electric furnace maker which operates on a global scale and utilizes large amounts of electrical power, the Company's performance could be negatively impacted if there are steep unit price increases in electrical power and if restrictions are imposed on electrical power consumption.

⑤ Risk of our Middle East Business

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

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

We have a large amount of capital invested in joint ventures operating in the Middle East (including loans and credit guarantees). If it should be required to book massive investment losses in addition to losses derived from business

operations in the Middle East, our group may have its earnings and financial condition substantially affected.

2. Management Policy

(1) Basic Business Policy

We have served as a responsible member of the business community and strive to manufacture high quality and high value added products based on customer needs. We utilize scrap steel to make final products in order to respond to global needs to conserve energy and resources, and we are striving on a global scale to meet the challenge of environmental protection, which is the most pressing task of modern society. We make products that enable high-speed and high-volume rail and ocean transportation. With all of its products, the Group contributes to the betterment of society and the economy, through the development of its domestic and global business enterprises.

(2) Our Target Business Indicator

We have been promoting the decentralization of investments by primarily investing in overseas business, so as to achieve a management environment capable of responding to dramatic changes in the structure of the global economy, and to avoid a unipolar approach to conducting business. We will conduct our business with an emphasis on cash flow, aiming to invest in future growth fields, while maintaining a sound financial standing.

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

In the business areas in which the Group deals, we anticipate increasingly vigorous competition with both foreign and domestic manufacturers in the future. Under such a tough business environment, we will aim to improve productivity and reduce costs by renewing and expanding manufacturing facilities at our operations in Japan and overseas, so as to achieve greater profitability as a manufacturing group. Furthermore, we are holding technical conferences among the steel manufacturing companies in our group, exchanging information and striving to raise the level of our technology.

In addition, on the basis of its structure as a holding company, the Group will look at how it can contribute to society from a variety of standpoints. The Group will maximize the unique qualities and functions of each company under its umbrella, and will promote an active and harmonious group business, as it develops its operations to target the global market.

(4) Our basic idea about selecting accounting standards

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

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

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

In Japanese Yen

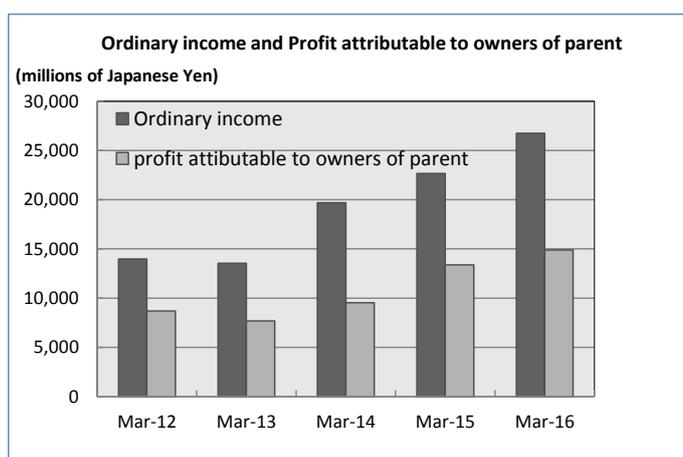
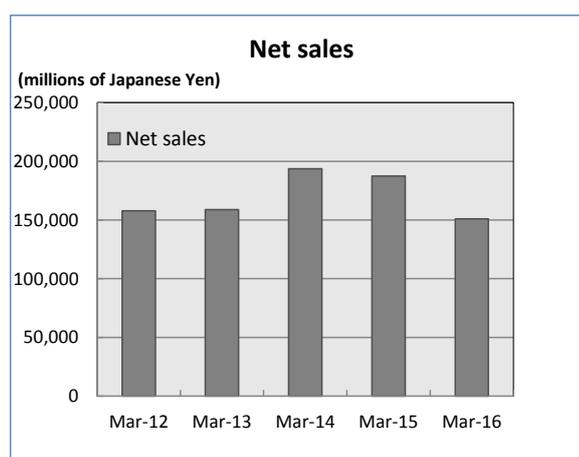
(In millions of Japanese Yen)
Years ended March 31

	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16
FOR THE YEAR					
Net sales	¥157,902	¥158,923	¥193,630	¥187,451	¥150,978
Ordinary income	13,978	13,531	19,691	22,663	26,747
Profit attributable to owners of parent	8,688	7,681	9,532	13,377	14,884
Per share (unit:Yen)	127.79	112.82	139.79	196.40	221.80
AT YEAR END					
Net assets	183,521	211,949	259,682	304,622	307,857
Total assets	230,340	256,006	310,236	351,952	346,698

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

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

	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16
FOR THE YEAR					
Net sales	\$1,401,209	\$1,410,275	\$1,718,262	\$1,663,423	\$1,339,771
Ordinary income	124,046	120,075	174,741	201,112	237,351
Profit attributable to owners of parent	77,099	68,165	84,587	118,712	132,083
Per share (unit:\$)	1.13	1.00	1.24	1.74	1.97
AT YEAR END					
Net assets	1,628,551	1,880,822	2,304,393	2,703,188	2,731,895
Total assets	2,044,017	2,271,777	2,753,007	3,123,190	3,076,572



Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥112.69 = \$1 as of March 31, 2016.
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, 2016 and 2015

In Japanese Yen

(In millions of Japanese Yen)

	Mar-15	Mar-16		Mar-15	Mar-16
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥96,711	¥112,455	Notes and accounts payable-trade	¥14,115	¥10,350
Notes and accounts receivable-trade	27,450	21,432	Short-term loans payable	2,117	1,675
Merchandise and finished goods	16,509	9,769	Accounts payable-other	4,643	4,242
Work in process	401	407	Accrued expenses	3,976	3,400
Raw materials and supplies	20,770	15,773	Income taxes payable	1,545	1,282
Other	3,068	2,761	Provision for bonuses	491	507
Allowance for doubtful accounts	(15)	(12)	Other	2,074	1,673
Total current assets	164,896	162,586	Total current liabilities	28,965	23,131
Noncurrent assets			Noncurrent liabilities		
Property, plant and equipment			Long-term loans payable	1,825	-
Buildings and structures, net	15,558	13,917	Deferred tax liabilities	11,920	11,592
Machinery, equipment and vehicles, net	33,132	28,812	Provision for directors' retirement benefits	1,528	1,409
Land	17,741	16,949	Net defined benefit liability	2,969	2,648
Construction in progress	1,930	1,886	Other	121	59
Other, net	300	220	Total noncurrent liabilities	18,364	15,709
Total property, plant and equipment	68,662	61,784	Total liabilities	47,329	38,841
Intangible assets			Net assets		
Goodwill	1,618	1,258	Shareholders' equity		
Other	400	369	Capital stock	7,996	7,996
Total intangible assets	2,018	1,628	Capital surplus	92	-
Investments and other assets			Retained earnings	242,556	251,941
Investments securities	54,229	47,229	Treasury stocks	(719)	(306)
Investments in capital	45,297	52,029	Total shareholders' equity	249,925	259,632
Long-term loans receivable from subsidiaries and associates	1,691	6,568	Accumulated other comprehensive income		
Long-term time deposits	12,074	12,105	Valuation difference on available-for-sale securities	4,192	3,414
Net defined benefit asset	2,535	2,055	Foreign currency translation adjustment	30,228	25,642
Other	746	927	Remeasurements of defined benefit plans	386	(139)
Allowance for doubtful accounts	(200)	(216)	Total accumulated other comprehensive income	34,807	28,917
Total investments and other assets	116,374	120,699	Non-controlling interests	19,888	19,306
Total noncurrent assets	187,055	184,112	Total net assets	304,622	307,857
Total assets	¥351,952	¥346,698	Total liabilities and net assets	¥351,952	¥346,698

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

(In thousands of U.S. Dollars)

	Mar-15	Mar-16		Mar-15	Mar-16
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	\$858,204	\$997,917	Notes and accounts payable-trade	\$125,263	\$91,852
Notes and accounts receivable-trade	243,593	190,188	Short-term loans payable	18,786	14,863
Merchandise and finished goods	146,507	86,693	Accounts payable-other	41,208	37,650
Work in process	3,561	3,614	Accrued expenses	35,287	30,171
Raw materials and supplies	184,314	139,969	Income taxes payable	13,714	11,381
Other	27,229	24,506	Provision for bonuses	4,364	4,500
Allowance for doubtful accounts	(134)	(114)	Other	18,411	14,848
Total current assets	1,463,274	1,442,775	Total current liabilities	257,035	205,269
Noncurrent assets			Noncurrent liabilities		
Property, plant and equipment			Long-term loans payable	16,194	-
Buildings and structures, net	138,065	123,499	Deferred tax liabilities	105,779	102,870
Machinery, equipment and vehicles, net	294,010	255,675	Provision for directors' retirement benefits	13,561	12,510
Land	157,434	150,404	Net defined benefit liability	26,352	23,500
Construction in progress	17,128	16,738	Other	1,076	526
Other, net	2,662	1,954	Total noncurrent liabilities	162,965	139,407
Total property, plant and equipment	609,300	548,272	Total liabilities	420,001	344,676
Intangible assets			Net assets		
Goodwill	14,362	11,170	Shareholders' equity		
Other	3,553	3,280	Capital stock	70,961	70,961
Total intangible assets	17,915	14,451	Capital surplus	818	-
Investments and other assets			Retained earnings	2,152,420	2,235,707
Investments securities	481,225	419,112	Treasury stocks	(6,387)	(2,717)
Investments in capital	401,962	461,700	Total shareholders' equity	2,217,813	2,303,952
Long-term loans receivable from subsidiaries and associates	15,012	58,288	Accumulated other comprehensive income		
Long-term time deposits	107,144	107,420	Valuation difference on available-for-sale securities	37,206	30,299
Net defined benefit asset	22,503	18,237	Foreign currency translation adjustment	268,244	227,552
Other	6,625	8,230	Remeasurements of defined benefit plans	3,430	(1,236)
Allowance for doubtful accounts	(1,774)	(1,917)	Total accumulated other comprehensive income	308,882	256,615
Total investments and other assets	1,032,698	1,071,072	Non-controlling interests	176,492	171,328
Total noncurrent assets	1,659,915	1,633,796	Total net assets	2,703,188	2,731,895
Total assets	\$3,123,190	\$3,076,572	Total liabilities and net assets	\$3,123,190	\$3,076,572

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥112.69 = \$1 as of March 31, 2016.
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, 2016 and 2015**

In Japanese Yen

(In millions of Japanese Yen)

	Mar-15	Mar-16
Net sales	¥187,451	¥150,978
Cost of sales	167,251	127,029
Selling, general and administrative expenses	13,205	12,733
Operating income	6,993	11,215
Non-operating income	16,664	16,323
Non-operating expenses	994	792
Ordinary income	22,663	26,747
Extraordinary income	169	123
Extraordinary loss	88	1,681
Income before income taxes	22,744	25,189
Income taxes		
Income taxes-current	7,189	9,029
Refund of income taxes	-	(1,027)
Income taxes-deferred	400	613
Total income taxes	7,589	8,615
Profit	15,154	16,573
Profit attributable to non-controlling interests	1,777	1,689
Profit attributable to owners of parent	¥13,377	¥14,884

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

(In thousands of U.S. Dollars)

	Mar-15	Mar-16
Net sales	\$1,663,423	\$1,339,771
Cost of sales	1,484,177	1,127,243
Selling, general and administrative expenses	117,184	112,999
Operating income	62,061	99,528
Non-operating income	147,878	144,852
Non-operating expenses	8,827	7,029
Ordinary income	201,112	237,351
Extraordinary income	1,502	1,093
Extraordinary loss	780	14,919
Income before income taxes	201,834	223,525
Income taxes		
Income taxes-current	63,796	80,122
Refund of income taxes	-	(9,114)
Income taxes-deferred	3,555	5,444
Total income taxes	67,352	76,453
Profit	134,482	147,072
Profit attributable to non-controlling interests	15,769	14,989
Profit attributable to owners of parent	\$118,712	\$132,083

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥112.69 = \$1 as of March 31, 2016.
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, 2016 and 2015**

In Japanese Yen

	(In millions of Japanese Yen)	
	Mar-15	Mar-16
Profit	¥15,154	¥16,573
Other comprehensive income		
Valuation difference on available-for-sale securities	787	(782)
Foreign currency translation adjustment	20,455	(6,293)
Remeasurements of defined benefit plans	207	(532)
Share of other comprehensive income of entities accounted for using equity method	(11,239)	(0)
Total other comprehensive income	32,690	(7,609)
Comprehensive income	¥47,845	¥8,963
(Breakdown)		
Comprehensive income attributable to owners of the parent	43,668	8,994
Comprehensive income attributable to non-controlling interests	4,177	(30)

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

	(In thousands of U.S. Dollars)	
	Mar-15	Mar-16
Profit	\$134,482	\$147,072
Other comprehensive income		
Valuation difference on available-for-sale securities	6,988	(6,943)
Foreign currency translation adjustment	181,518	(55,850)
Remeasurements of defined benefit plans	1,845	(4,728)
Share of other comprehensive income of entities accounted for using equity method	99,741	(5)
Total other comprehensive income	290,094	(67,527)
Comprehensive income	\$424,576	\$79,544
(Breakdown)		
Comprehensive income attributable to owners of the parent	387,508	79,816
Comprehensive income attributable to non-controlling interests	37,068	(271)

Notes:

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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, 2016**

In Japanese Yen

(In millions of Japanese Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2015	¥7,996	¥92	¥242,556	(¥719)	¥249,925
Changes of items during the period					
Dividends from surplus			(2,676)		(2,676)
Profit attributable to owners of parent			14,884		14,884
Purchase of treasury stock		(92)	(117)	(2,291)	(2,501)
Retirement of treasury stock			(2,704)	2,704	-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(92)	9,385	413	9,706
Balance at March 31, 2016	¥7,996	-	¥251,941	(¥306)	¥259,632

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2015	¥4,192	¥30,228	¥386	¥34,807	¥19,888	¥304,622
Changes of items during the period						
Dividends from surplus						(2,676)
Profit attributable to owners of parent						14,884
Purchase of treasury stock						(2,501)
Retirement of treasury stock						-
Net changes of items other than shareholders' equity	(778)	(4,585)	(525)	(5,889)	(582)	(6,471)
Total changes of items during the period	(778)	(4,585)	(525)	(5,889)	(582)	3,234
Balance at March 31, 2016	¥3,414	¥25,642	(¥139)	¥28,917	¥19,306	¥307,857

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

(In thousands of U.S. Dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2015	\$70,961	\$818	\$2,152,420	(\$6,387)	\$2,217,813
Changes of items during the period					
Dividends from surplus			(23,747)		(23,747)
Profit attributable to owners of parent			132,083		132,083
Purchase of treasury stock		(818)	(1,046)	(20,331)	(22,196)
Retirement of treasury stock			(24,001)	24,001	-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(818)	83,287	3,669	86,138
Balance at March 31, 2016	\$70,961	-	\$2,235,707	(\$2,717)	\$2,303,952

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2015	\$37,206	\$268,244	\$3,430	\$308,882	\$176,492	\$2,703,188
Changes of items during the period						
Dividends from surplus						(23,747)
Profit attributable to owners of parent						132,083
Purchase of treasury stock						(22,196)
Retirement of treasury stock						-
Net changes of items other than shareholders' equity	(6,907)	(40,692)	(4,667)	(52,267)	(5,164)	(57,431)
Total changes of items during the period	(6,907)	(40,692)	(4,667)	(52,267)	(5,164)	28,706
Balance at March 31, 2016	\$30,299	\$227,552	(\$1,236)	\$256,615	\$171,328	\$2,731,895

Notes:

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YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year Ended March 31, 2016

	In millions of Japanese Yen	In thousands of U.S. Dollars
(Note1)		
I . Cash flows from operating activities		
Income before income taxes	¥25,189	\$223,525
Depreciation and amortization	6,412	56,906
Interest and dividends income	(1,838)	(16,318)
Interest expenses	149	1,324
Equity in (earnings) losses of affiliates	(13,461)	(119,453)
Decrease (increase) in notes and accounts receivable-trade	5,188	46,039
Decrease (increase) in inventories	9,867	87,563
Increase (decrease) in notes and accounts payable-trade	(3,148)	(27,939)
Other, net	462	4,108
Subtotal	28,821	255,757
Interest and dividends income received	13,104	116,285
Interest expenses paid	(168)	(1,493)
Income taxes paid	(8,370)	(74,277)
Net cash provided by (used in) operating activities	33,386	296,271
II . Cash flows from investment activities		
Payments into time deposits	(15,594)	(138,383)
Proceeds from withdrawal of time deposits	19,103	169,518
Purchase of property, plant and equipment	(3,820)	(33,898)
Proceeds from sales of investment securities	194	1,728
Payments of loans receivable from subsidiaries and associates	(5,209)	(46,229)
Other, net	(67)	(603)
Net cash provided by (used in) investment activities	(5,394)	(47,867)
III . Cash flows from financing activities		
Repayment of long-term loans payable	(2,047)	(18,168)
Purchase of treasury stock	(2,225)	(19,745)
Cash dividends paid	(2,673)	(23,727)
Dividends paid to non-controlling shareholders	(617)	(5,479)
Other, net	(18)	(161)
Net cash provided by (used in) financing activities	(7,582)	(67,282)
IV . Effect of exchange rate change on cash and cash equivalents	(653)	(5,795)
V . Net increase(decrease) in cash and cash equivalents	19,757	175,326
VI . Cash and cash equivalents at beginning of year	12,783	113,439
VII . Cash and cash equivalents at end of year	¥32,540	\$288,765

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, 2016)

(1) Total number of shares authorized to be issued	171,257,770
Number of shares outstanding	67,670,000
Total number of shareholders	3,268

(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	46	203,614	30.10
	Financial instrument dealers	34	6,650	0.98
	Other corporations	60	178,579	26.40
	Foreign corporations, etc. (Individuals)	264 (2)	150,274 (21)	22.22 0.00
	Japanese individuals and other	2,864	137,311	20.30
	Total		3,268	676,428
Shares less than one unit		—	272	—

(2) Dividends

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

2016	2015	2015	2014	2014
Mar.	Sep.	Mar.	Sep.	Mar.
25	20	20	17	17
0.22	0.18	0.18	0.15	0.15

(Unit : Japanese Yen)

(Unit : U.S. Dollar)

Note: U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of
¥ 112.69 = \$1 as of March 31, 2016.

Board of Directors

(As of March 31, 2016)

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

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.



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