

Our Steel, Your Future



Yamato Kogyo Co., Ltd.

Annual Report 2020
March 31, 2020

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Group Vision



Yamato Kogyo Group has expanded its business to the US, Thailand, Korea, the Middle East (Bahrain and Saudi Arabia) and Vietnam from our headquarters located in Himeji.

We put our convictions into our mission in an effort to fulfill the infrastructural needs of those countries and regions through locally produced products for local use, and to support the development of each country and region and the current and future lives of the people living there.

Steel has a great advantage over other materials in terms of its processing ease and cost competitiveness. It is a very important material for all kinds of infrastructure such as roads, bridges, buildings, ships and cars. We believe that the importance of steel will remain unchanged throughout the world in developed and developing countries.

In Japan, the markets are already mature for both the steel and railroad industries. Therefore, it is imperative that the Yamato Kogyo Group expands overseas for further development. We will develop our existing overseas businesses even further with our partners. At the same time, we will continue to actively seek opportunities for new overseas business.

Based on the traditions of the Yamato Kogyo Group, which were established by Mr. Inoue, the former President, we will continue supporting your future by developing and expanding our global steel business with our technology hub in Himeji.

Corporate Philosophy

Yamato Kogyo Group celebrated the 75th anniversary of its founding in November 2019.

To clarify our group's direction and principles, we established new Mission, Vision and Yamato SPIRIT.

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.



Along with our Mission, Vision and Yamato SPIRIT, we also renewed our company logo.

The design of the "Y" includes an arrow which symbolizes "creation of new quality" and "cutting-edge technology".

The remaining characters jump out from the arrow, representing "progress toward the future".

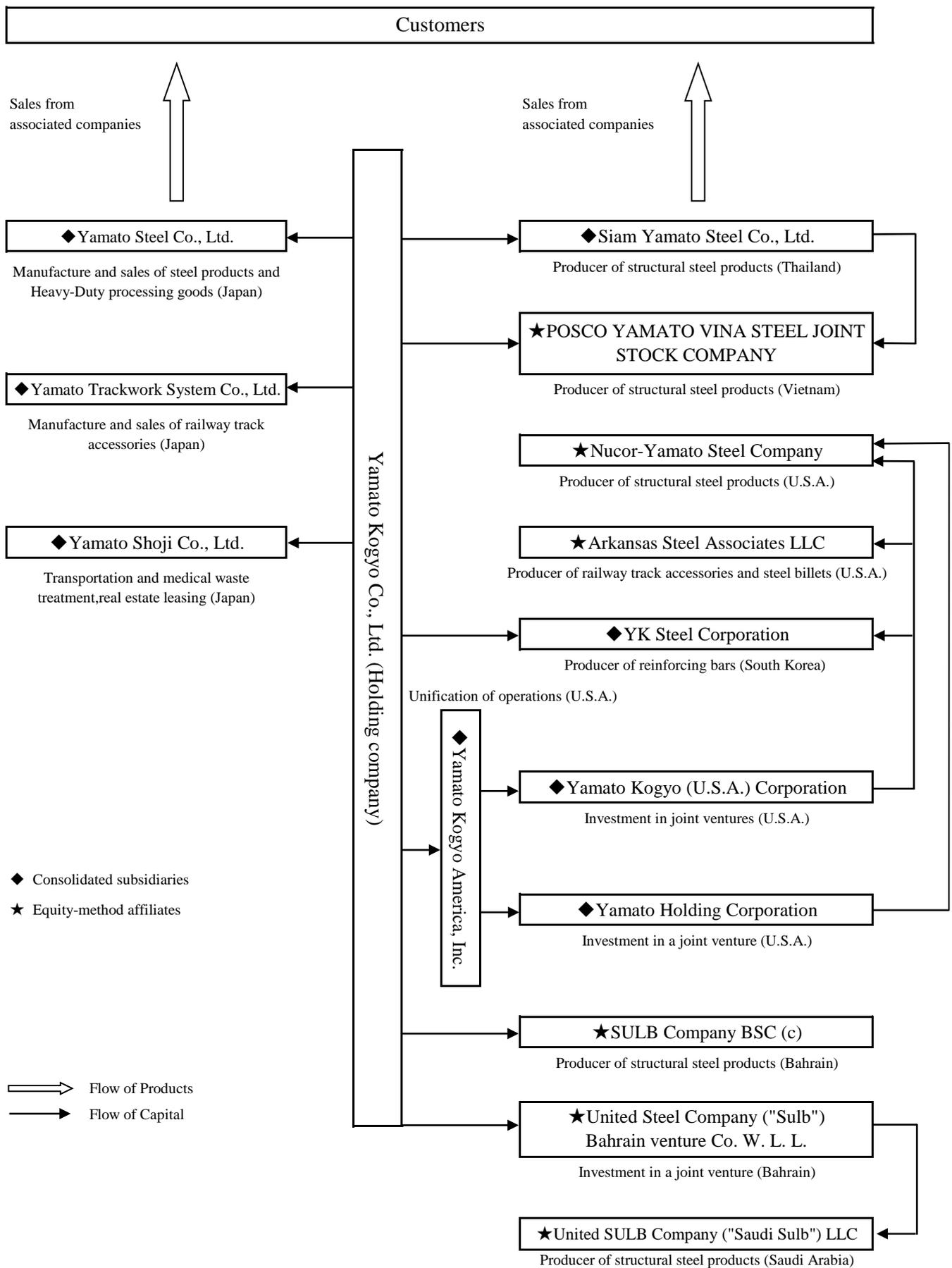
We used lowercase letters and connected them together. This represents our flexible attitude and intra-group relationships.

The shape of the letters also implies a group attitude carving out a new future.

The bluish green color stands for our will to co-exist with the world, and the black color stands for our unwavering Yamato SPIRIT.

Corporate Structure and Affiliates

As of March 31, 2020



YAMATO KOGYO CO., LTD.

OPERATING RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2020

1. 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 added value 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.

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Pride	committed to be professionals of Steel and Trackwork business.
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Challenge	committed to challenge the future with no fear of failure.

Under these new Mission, Vision and Yamato SPIRIT, we reconfirm that the source of our Group's growth lies in our overseas businesses but not in Japan which has already become a mature market and we will continue to stabilize, develop and expand overseas businesses. To achieve this aim, we position Himeji factory in Japan as the group's mother factory, which is the base of technology and management, to support our overseas business and strengthen the foundation of our business. And, we shall make tireless efforts to sharpen cost competitiveness, stabilize and improve the quality, and improve customer service including delivery. We 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.

(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. The Group's business performance is greatly affected by fluctuations in product sales prices and raw material prices, and each market price is significantly affected by the external environment, including domestic and overseas economic conditions. Therefore, we have not created a medium to long-term profit plan.

(3) Business and Financial Issues

While stagnant economic activities and a sharp decline in the crude oil prices due to the spread of COVID-19 could impact our overseas businesses, there is only a little decrease in steel production volume in China, and steel products inventory is piling up. For some steel products, there is a move to promote export by raising the VAT refund rate at the time of export. Considering these factors, the tough business environment for the Group is expected to continue for the time being.

Under such circumstances, we anticipate competition with both domestic and foreign manufacturers will continue to intensify in the future in the business areas in which the Group do business. In order to respond to it, we will aim to improve productivity and reduce costs by renewing and improving manufacturing facilities at our operations in Japan and overseas to achieve greater profitability as the group.

Regarding the steel business in Japan, after the full-scale operation of a single stage preheater (SSP) for scraps which was renewed in the melt shop department in 2019, we seek to achieve further energy saving and safe operation through the introduction of sealing equipment and exhaust gas analyzer. In continuous casting process, we work to enhance the quality of semi-finished products through the introduction of some equipment such as an auto powder feeder and mold cooling water automatic controller. In the rolling mill department, the installation of a profile gauge to automatically measure product dimensions on-line is carried forward to achieve better quality and greater productivity.

In the Group, we hold technical conferences among steel product manufacturing companies every year to exchange information and enhance technology. In order to educate engineers and generate more opportunities for technology exchange, we aim to share technology information in the Group and raise the level of engineers to strengthen our competitiveness by further activating the exchange of engineers between overseas affiliate companies and Yamato Steel Co., Ltd. in Himeji.

In the sales department, an EC site for customers was established to streamline administrative work and provide higher quality services. In the administrative department, we consolidate back-office functions such as finance, accounting, human resources, and general affairs in Yamato Steel Co., Ltd. and Yamato Trackwork System Co. Ltd. within Yamato Kogyo Co., Ltd., and seek to develop personnel who can respond from a viewpoint of Yamato Kogyo Group.

Regarding overseas steel business, utilizing the large steel logistics center which started to operate in Siam Yamato Steel Company engaging in steel business (Thailand), we will aim to differentiate our products from imported steel products by leveraging our strength that it can respond to small lots with a short delivery lead time. In addition, by the start of in-house steel fabrication, we will strengthen solution business deployed in Thailand and focus on marketing to local fabricators and general constructors to acquire projects.

Regarding the renewal of the rolling mill at Nucor-Yamato Steel Company in the U.S., the introduction of the same type as that in SULB Company BSC (c) in Bahrain was decided based on the operation results there. We will continue to exchange and elevate technological capabilities among steel product manufacturing companies.

Regarding Posco Yamato Vina Steel Joint Stock Company in Vietnam which became an affiliated company with equity method at the end of this consolidated fiscal year, we will promote quality and production cost improvement and marketing strategies to improve the performance in collaboration with our partner Posco.

(Steel logistic center of Siam Yamato Steel Co., Ltd.)



2. 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) Risk of our Middle East Business

We are engaged in global business operations targeting the world market. In 2007 we decided to move into the Middle East. 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 BSC (c), we built a DRI-based integrated mill for production and sales principally of H structural steel. In 2011, we acquired the assets of a Saudi Arabian steelmaker via a special purpose company and established United SULB Company ("Saudi Sulb") LLC (hereinafter referred to as "Saudi Sulb"). Thus, we have pushed ahead with business in the Middle East.

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

We have a large amount of capital invested in joint ventures operating in the Middle East (including loans and credit guarantees). If it should be required to book massive investment losses in addition to losses derived from business operations in the Middle East, our group may have its earnings and financial condition substantially affected.

(2) Risk related to COVID-19 and future pandemic

In response to the spread of COVID-19, the Group refrains from nonessential and nonurgent outings, business trips, and meetings. In addition, we practice working from home and shift work, and avoid the use of public transportation at the time of staggered work shift and commuting. We will continue to strive to prevent infection and spread of infection and work to continue our business at full power by prioritizing the safety of our employees and related people.

At present, there is a decline in operating rate of construction sites and fabricators that process steel products and stagnation of transportation. Depending on how the situation changes in the future, steel demand could decrease by postponement or cancellation of construction/civil engineering projects. We expect that the recovery of the steel demand to the level of the fiscal year ended March 2020 will be difficult within the fiscal year ending March 2021. If a pandemic with an unknown virus occurs in the future and causes restrictions in the political and economic environment, the Group's business performance may be significantly impacted by stagnant economic activities.

(3) 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, Vietnam, 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.

(4) 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. Also, SLUB is the only company using iron ore pellets as the primary raw material in our group. These market prices can be greatly affected by the external environment, and first and foremost, the domestic and foreign economic situation.

(5) Exchange Rate Fluctuations

The Group is developing global operations which target world markets, thus the performance of subsidiaries greatly affects consolidated business performance. 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.

(6) 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.

3. Business Performance and Financial Status

(1) Business Performance

① Status During the Current Fiscal Year

Regarding the consolidated business performance of our group for this consolidated fiscal year, the performance from January to December of 2019 was reflected in overseas consolidated subsidiaries and affiliates with equity method, and performance from April 2019 to March 2020 is reflected in consolidated subsidiaries in Japan. Although the world economy is seriously affected by the spread of COVID-19 at present, please note that most of the consolidated performance of the Group for this fiscal year is that before COVID-19's impact became evident for the above reason.

In this consolidated fiscal year, Yamato Kogyo Group experienced a business environment in which steel demand was weak overall due to concerns over the economic outlook by the U.S.-China trade friction. The scrap prices, which is raw material, stopped declining toward the end of 2019 once, but showed a downward trend again in 2020 due to declining of steel demand. The electrode prices which have a significant impact on manufacturing cost started to decline from around the beginning of 2019. Meanwhile, although the price of iron ore temporarily escaped from soaring period, it remains high due to a tremendous demand in China, which significantly affects SULB Company BSC (c) (hereinafter referred to as "SULB"), the only company using iron ore pellets as the raw material in our group.

In Japan, we have escaped from the situation of delay in construction due to shortage of high tension bolts. However, due to concerns over the economic outlook, there is a move to reconsider new investments in plants, small and medium-sized hotels, etc., and it is impacting the steel demand. As a result, the sales volume shows a downward trend toward the end of the fiscal year ended March 2020. Under such circumstances, we strove to bring production and sales in line with demand. As a result, we sold steel product less in volume terms and therefore earned less than the same period in the previous year, but profit increased compared to same period in the previous year due to a decline in the prices of our primary raw material, steel scrap. Stern frame 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 December of 2019 was reflected in the current consolidated fiscal year.

YK Steel Corporation in South Korea is starting to be affected by a decrease in new apartment buildings because the government introduced some regulations and restrictions on real estate transactions, including the introduction of caps on household's outstanding debt, so the second half of this fiscal year became tough. However, decline in the scrap prices generated profits in the first half and we got more operating profits compared to the previous fiscal year.

Regarding Siam Yamato Steel Co., Ltd. in Thailand, steel demand in the private construction lacked strength, the demand continued to be supported by pump-priming public investment. Under such circumstances, in the domestic market in Thailand where anti-dumping restrictions against China were lifted and a small volume import from China continues, it is affected by inflow of H-beam produced by an emerging manufacture which have begun operations on a full scale in Malaysia. Also, in the Southeast Asian market, our main export destination, the sales volume decreased due to the high competition with the products from South Korea, China, and Malaysia, in addition to strong Thai Baht. As a result, the company had decrease in sales and increase in operating profits from the previous period due to decline in the price of steel scrap. In Thailand, utilizing the steel logistics center which started to operate in November 2019, we will appeal our strength that we respond to small lots with a short delivery time. In addition, we will strive to differentiate ourselves from imported steel products and enhance our ability to respond to customer requests by improving added value caused by increase of steel material storage capacity indoor and partial insourcing of steel fabrication that had been outsourced.

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. We will continue to strengthen a structure to obtain demand, including acquisition of projects.

SULB, an equity-method affiliate in the Kingdom of Bahrain, the recovery of government spending in GCC countries has not progressed as expected due to concerns over the outlook and instabilities in the Middle East, and demand for structural steel in the Middle East market is stagnant. Under such circumstances, in terms of sales, the inflow of cheap steel products continues, in addition to the decline in the sales prices of product linked to the decline in scrap prices and the sales prices of DRI and semi-finished products as intermediate materials. In terms of costs, the iron ore remains high compared to the scrap price, while China's steel production continues to be at a high level, so the situation become tough.

As disclosed on March 27, 2020, the Group acquired 49% of the shares of Posco SS Vina Joint Stock Company, a steel manufacturer in Vietnam, making the company an equity-method affiliate in the fiscal year ended March 2020. In addition, the company changed its name to Posco Yamato Vina Steel Joint Stock Company (PY Vina) on April 28, 2020. As the company's accounting period is from January to December, Business performance of PY Vina will be reflected in the consolidated financial statements from second quarter of the fiscal year ending March 2021.

As a result of the above, sales for the current consolidated fiscal year were 181,964 million yen (a decrease of 19,335 million yen in comparison with the previous year), operating income was 11,333 million yen (an increase of 2,061 million yen comparison with the previous year), ordinary income was 23,125 million yen(a decrease of 8,343 million yen in comparison with the previous year), and profit attributable to owners of parent was 14,762 million yen(a decrease of 8,030 million yen in comparison with the previous year).

Please note that the average exchange rates, used in preparation of consolidated financial statements from financial statements of overseas subsidiaries and affiliates, are set forth below.

(Each company's fiscal year is from January to December 2019)

109.25 yen/U.S. dollar, 3.53 yen/baht, and 10.67 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 2018)

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

We report the business results of the segment as follows:

● **Steel (Japan)**

In Japan, we have escaped from the situation of delay in construction due to shortage of high tension bolts. However, due to concerns over the economic outlook, there is a move to reconsider new investments in plants, small and medium-sized hotels, etc., and it is impacting the steel demand. As a result, the sales volume shows a downward trend toward the end of the fiscal year ended March 2020. Under such circumstances, we strove to bring production and sales in line with demand. As a result, we sold steel product less in volume terms and therefore earned less than the same period in the previous year, but profit increased compared to same period in the previous year due to a decline in the prices of our primary raw material, steel scrap. Stern frame 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 47,552 million yen (a decrease of 6,466 million yen in comparison with the previous year), and the operating income was 6,161 million yen (an increase of 652 million yen in comparison with the previous year).

● **Steel (South Korea)**

YK Steel Corporation in South Korea is starting to be affected by a decrease in new apartment buildings because the government introduced some regulations and restrictions on real estate transactions, including the introduction of caps on household's outstanding debt, so the second half of this fiscal year became tough. However, decline in the scrap prices generated profits in the first half and we got more operating profits compared to the previous fiscal year. As a result, sales were 59,703 million yen (a decrease of 1,953 million yen in comparison with the previous year), the operating income was 1,735 million yen (an increase of 1,024 million yen in comparison with the previous year).

● **Steel (Thailand)**

Regarding Siam Yamato Steel Co., Ltd. in Thailand, steel demand in the private construction lacked strength, the demand continued to be supported by pump-priming public investment. Under such circumstances, in the domestic market in Thailand where anti-dumping restrictions against China were lifted and a small volume import from China continues, it is affected by inflow of H-beam produced by an emerging manufacture which have begun operations on a full scale in Malaysia. Also, in the Southeast Asian market, our main export destination, the sales volume decreased due to the high competition with the products from South Korea, China, and Malaysia, in addition to strong Thai Baht. As a result, sales were 66,882 million yen (a decrease of 10,382 million yen in comparison with the previous year). The operating income was 5,268 million yen (an increase of 1,112 million yen in comparison with the previous year).

● **Railway Track Accessories**

Sales were 7,518 million yen (a decrease of 547 million yen in comparison with the previous year), and the operating income was 636 million yen (a decrease of 179 million yen in comparison with the previous year).

● **Other Business Sectors**

Other sales were 307 million yen, (an increase of 15 million yen in comparison with the previous year) and the operating income was 10 million yen (a decrease of 27 million yen in comparison with the previous year).

② Future Outlook (as of May 15, 2020)

In the area of construction and civil engineering, the Group's products are primarily used in factories, warehouses, shopping centers, high-rise buildings, small and medium-sized hotels, transmission towers, and water barriers. Due to the spread of COVID-19, various impacts may become evident in the future. At present, as short-term impact on the Group, there is a decline in operating rates of construction sites and fabricators that process steel products and stagnation of transport. As long-term impact, there could be postponement of construction/civil engineering projects and a decline in steel demand.

Regarding economic stagnation due to demand decline, its impact is likely to become prolonged. We cannot expect that the steel demand will recover to the level of the fiscal year ended March 2020 during the fiscal year ending March 2021, and a significant decrease in revenues and earnings is expected in the consolidated business performance for the fiscal year ending March 2021 compared to the previous fiscal year.

In the comparison of the first half and the second half of the fiscal year, the forecast of consolidated business performance expects a greater decline in revenues and earnings in the second half than the first half, because the impact of the spread of COVID-19 will become evident from April to June 2020 onward, while the first half includes our overseas results of January to March 2020 when the impact of the spread of COVID-19 is limited.

Even during the spread of COVID-19, there is only a little decrease in steel production volume in China, and steel products inventory is piling up. For some products, there is a move to promote export by raising the VAT refund rate at the time of export. As our group is operating the business globally, we will keep watching the situation in China carefully. Regarding our business in the Middle East, the crude oil prices, which had been relatively stable until the end of last year, significantly declined in response to a fall in demand due to the spread of COVID-19, which may impact future investments in the GCC countries. We are expected to see tough business environments in those regions.

As a result of the above, the forecast for the second quarter fiscal year is set out as follows: Sales of 70,000 million yen, operating income of 4,500 million yen, ordinary income of 8,000 million yen, and profit attributable to owners of parent of 5,000 million yen.

And the forecast for the entire fiscal year is set out as follows: Sales of 130,000 million yen, operating income of 5,500 million yen, ordinary income of 10,500 million yen, and profit attributable to owners of parent of 6,000 million yen.

Please note that for the January-December 2020 period we applied the exchange rates for translating into Japanese yen revenues generated and costs incurred by our overseas subsidiaries and affiliates on the basis of the following: (Average rates for the period)
106.03 yen/U.S. dollar, 3.27 yen/baht, and 11.46 won/yen.

We applied the following exchange rates for translating the year-end (meaning the end of December 2020 for overseas subsidiaries and affiliates and the end of March 2021 for domestic subsidiaries and affiliates) assets and liabilities of each subsidiary and affiliate: (End of period rates)
105.00 yen/U.S. dollar, 3.21 yen/baht, and 11.60 won/yen.

(2) Analysis of Financial Status

Total assets at the end of the current consolidated fiscal year were 383,025 million yen, a decrease of 1,042 million yen in comparison with the end of the previous consolidated fiscal year. This was mainly due to decrease in notes and accounts receivable-trade.

Liabilities were 40,418 million yen, a decrease of 9,956 million yen in comparison with the end of the previous consolidated fiscal year. This was mainly due to decrease in notes and accounts payable-trade.

Also, net assets were 342,606 million yen, an increase of 8,914 million yen in comparison with the end of the previous consolidated fiscal year. This was due to factors such as increase in profit attributable to owners of parent and decrease by the payment of dividends.

Please note that the following exchange rates are used in preparation of financial statements for overseas subsidiaries and affiliates at the end of the current consolidated fiscal year.

(The end of fiscal year for each overseas company is end of December 2019)
109.55 yen/U.S. dollar, 3.63 yen/baht, and 10.57 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 26,105 million yen, mainly 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 22,319 million yen, mainly due to purchase of stocks of subsidiaries and affiliates.

(Cash Flows from Financing Activities)

The decrease in funds from financing activities was 6,694 million yen, mainly due to payment of dividend.

With the addition of -166 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 26,487 million yen, which is a decrease of 3,073 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

As announced in August 2019, 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 performance 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 end of current fiscal year, as already announced, 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.

Regarding dividend for the next fiscal year, tough business environment is expected due to the spread of COVID-19. However, in order to respond to the constant support from our shareholders, we will maintain ordinary dividends excluding commemorative dividends, without sticking to the above dividend policy; we expect to pay an interim and year-end dividend of 40 yen per share respectively. (80 yen per share as the annual dividends).

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

In Japanese Yen

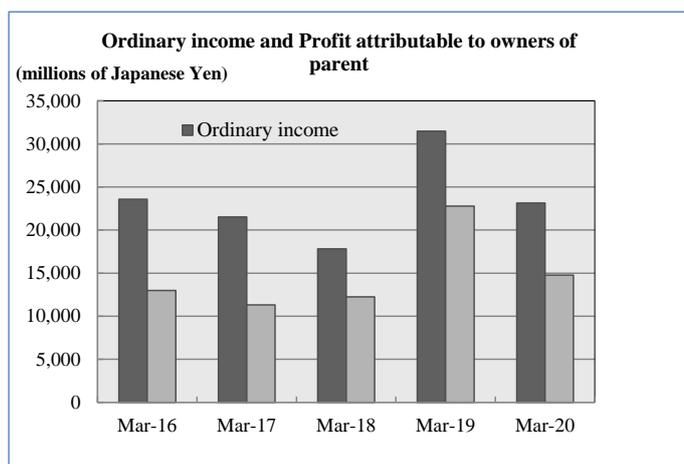
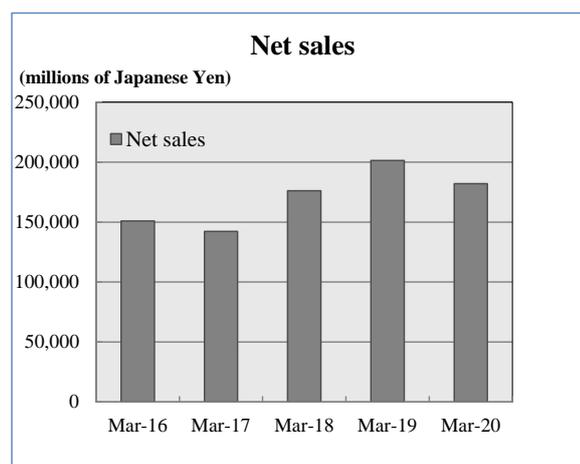
(In millions of Japanese Yen)
Years ended March 31

	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20
FOR THE YEAR					
Net sales	¥150,978	¥142,136	¥176,073	¥201,299	¥181,964
Ordinary income	23,585	21,519	17,828	31,469	23,125
Profit attributable to owners of parent	12,994	11,319	12,238	22,793	14,762
Per share (unit:Yen)	193.63	169.24	182.97	340.78	220.72
AT YEAR END					
Net assets	308,068	309,198	320,073	333,692	342,606
Total assets	347,051	348,951	367,083	384,068	383,025

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

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

	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20
FOR THE YEAR					
Net sales	\$1,387,290	\$1,306,042	\$1,617,878	\$1,849,670	\$1,672,004
Ordinary income	216,720	197,733	163,815	289,162	212,492
Profit attributable to owners of parent	119,397	104,011	112,454	209,442	135,651
Per share (unit:\$)	1.78	1.56	1.68	3.13	2.03
AT YEAR END					
Net assets	2,830,730	2,841,111	2,941,038	3,066,184	3,148,092
Total assets	3,188,933	3,206,387	3,372,998	3,529,066	3,519,485



Notes:

- U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥108.83 = \$1 as of March 31, 2020.
- All figures are prepared under accounting principles generally accepted in Japan.
- All figures are rounded down to the nearest millions of Japanese Yen or thousands of U.S. Dollars.
- In Mar-17, one of affiliates changed its accounting method for valuing certain inventories. Mar-16 presented in the above table reflect this change in accounting principle.
- The company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" in the beginning of 2018 fiscal year, and reclassified differed tax asset/ liability into fixed asset/ liability retrospectively. Accordingly, Total asset of 2017 fiscal year reflect this change.

YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2020 and 2019

In Japanese Yen

(In millions of Japanese Yen)

	Mar-19	Mar-20		Mar-19	Mar-20
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥106,835	¥99,994	Notes and accounts payable-trade	¥18,741	¥10,932
Notes and accounts receivable-trade	33,588	25,428	Accounts payable-other	7,776	6,136
Short-term investment securities	697	189	Accrued expenses	3,106	3,084
Merchandise and finished goods	12,555	12,263	Income taxes payable	2,081	535
Work in process	448	435	Provision for bonuses	575	591
Raw materials and supplies	22,123	21,585	Other	1,394	1,732
Other	2,992	2,946	Total current liabilities	33,675	23,012
Allowance for doubtful accounts	(22)	(15)			
Total current assets	179,219	162,829	Noncurrent liabilities		
Noncurrent assets			Deferred tax liabilities	11,297	11,844
Property, plant and equipment			Provision for directors' retirement benefits	23	22
Buildings and structures, net	13,425	15,696	Net defined benefit liability	2,674	2,756
Machinery, equipment and vehicles, net	32,462	34,855	Other	2,705	2,782
Land	17,582	17,423	Total noncurrent liabilities	16,700	17,406
Construction in progress	4,179	3,273	Total liabilities	50,375	40,418
Other, net	425	958			
Total property, plant and equipment	68,076	72,206	Net assets		
Intangible assets			Shareholders' equity		
Goodwill	179	-	Capital stock	7,996	7,996
Other	434	606	Retained earnings	288,294	297,075
Total intangible assets	614	606	Treasury stocks	(309)	(309)
Investments and other assets			Total shareholders' equity	295,981	304,762
Investments securities	43,074	47,370	Accumulated other comprehensive income		
Investments in capital	53,965	56,582	Valuation difference on available-for-sale securities	3,988	2,547
Long-term loans receivable from subsidiaries and associates	17,676	17,334	Foreign currency translation adjustment	11,441	10,667
Long-term time deposits	18,038	22,398	Remeasurements of defined benefit plans	(118)	(199)
Net defined benefit asset	997	821	Total accumulated other comprehensive income	15,311	13,015
Other	2,662	3,146	Non-controlling interests		
Allowance for doubtful accounts	(257)	(271)		22,399	24,828
Total investments and other assets	136,157	147,383			
Total noncurrent assets	204,848	220,196	Total net assets	333,692	342,606
Total assets	¥384,068	¥383,025	Total liabilities and net assets	¥384,068	¥383,025

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

(In thousands of U.S. Dollars)

	Mar-19	Mar-20		Mar-19	Mar-20
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	\$981,671	\$918,818	Notes and accounts payable-trade	\$172,210	\$100,451
Notes and accounts receivable-trade	308,634	233,657	Accounts payable-other	71,451	56,382
Short-term investment securities	6,408	1,741	Accrued expenses	28,543	28,344
Merchandise and finished goods	115,370	112,684	Income taxes payable	19,126	4,923
Work in process	4,125	4,004	Provision for bonuses	5,286	5,433
Raw materials and supplies	203,286	198,345	Other	12,810	15,915
Other	27,494	27,072	Total current liabilities	309,428	211,451
Allowance for doubtful accounts	(203)	(141)	Noncurrent liabilities		
Total current assets	1,646,786	1,496,182	Deferred tax liabilities	103,808	108,839
Noncurrent assets			Provision for directors' retirement benefits	215	206
Property, plant and equipment			Net defined benefit liability	24,571	25,329
Buildings and structures, net	123,364	144,226	Other	24,858	25,566
Machinery, equipment and vehicles, net	298,290	320,271	Total noncurrent liabilities	153,453	159,941
Land	161,561	160,096	Total liabilities	462,882	371,392
Construction in progress	38,401	30,076	Net assets		
Other, net	3,910	8,811	Shareholders' equity		
Total property, plant and equipment	625,529	663,481	Capital stock	73,478	73,478
Intangible assets			Retained earnings	2,649,037	2,729,724
Goodwill	1,652	-	Treasury stocks	(2,843)	(2,845)
Other	3,994	5,569	Total shareholders' equity	2,719,672	2,800,357
Total intangible assets	5,646	5,569	Accumulated other comprehensive income		
Investments and other assets			Valuation difference on available-for-sale securities	36,644	23,406
Investments securities	395,798	435,271	Foreign currency translation adjustment	105,134	98,020
Investments in capital	495,870	519,916	Remeasurements of defined benefit plans	(1,090)	(1,831)
Long-term loans receivable from subsidiaries and associates	162,427	159,278	Total accumulated other comprehensive income	140,688	119,595
Long-term time deposits	165,753	205,812	Non-controlling interests		
Net defined benefit asset	9,162	7,552		205,823	228,139
Other	24,461	28,913			
Allowance for doubtful accounts	(2,369)	(2,493)	Total net assets	3,066,184	3,148,092
Total investments and other assets	1,251,104	1,354,251	Total liabilities and net assets	\$3,529,066	\$3,519,485
Total noncurrent assets	1,882,280	2,023,302			
Total assets	\$3,529,066	\$3,519,485			

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥108.83 = \$1 as of March 31, 2020.
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, 2020 and 2019

In Japanese Yen

(In millions of Japanese Yen)

	Mar-19	Mar-20
Net sales	¥201,299	¥181,964
Cost of sales	176,856	155,738
Selling, general and administrative expenses	15,170	14,892
Operating income	9,272	11,333
Non-operating income	22,244	12,301
Non-operating expenses	47	509
Ordinary income	31,469	23,125
Extraordinary income	172	13
Extraordinary loss	140	349
Income before income taxes	31,501	22,789
Income taxes		
Income taxes-current	6,980	5,251
Income taxes-deferred	425	1,170
Total income taxes	7,405	6,421
Profit	24,095	16,367
Profit attributable to non-controlling interests	1,301	1,604
Profit attributable to owners of parent	¥22,793	¥14,762

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

(In thousands of U.S. Dollars)

	Mar-19	Mar-20
Net sales	\$1,849,670	\$1,672,004
Cost of sales	1,625,071	1,431,021
Selling, general and administrative expenses	139,396	136,839
Operating income	85,202	104,143
Non-operating income	204,395	113,033
Non-operating expenses	435	4,684
Ordinary income	289,162	212,492
Extraordinary income	1,586	121
Extraordinary loss	1,292	3,208
Income before income taxes	289,456	209,405
Income taxes		
Income taxes-current	64,145	48,251
Income taxes-deferred	3,905	10,757
Total income taxes	68,050	59,008
Profit	221,405	150,397
Profit attributable to non-controlling interests	11,963	14,745
Profit attributable to owners of parent	\$209,442	\$135,651

Notes:

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YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended March 31, 2020 and 2019

In Japanese Yen

(In millions of Japanese Yen)

	Mar-19	Mar-20
Profit	¥24,095	¥16,367
Other comprehensive income		
Valuation difference on available-for-sale securities	(820)	(1,443)
Foreign currency translation adjustment	(4,260)	1,782
Remeasurements of defined benefit plans	(42)	(81)
Share of other comprehensive income of entities accounted for using equity method	(1,410)	(1,095)
Total other comprehensive income	(6,533)	(838)
Comprehensive income	¥17,561	¥15,529
(Breakdown)		
Comprehensive income attributable to owners of the parent	16,575	12,467
Comprehensive income attributable to non-controlling interests	985	3,062

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

(In thousands of U.S. Dollars)

	Mar-19	Mar-20
Profit	\$221,405	\$150,397
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,536)	(13,261)
Foreign currency translation adjustment	(39,150)	16,381
Remeasurements of defined benefit plans	(389)	(751)
Share of other comprehensive income of entities accounted for using equity method	(12,960)	(10,069)
Total other comprehensive income	(60,036)	(7,700)
Comprehensive income	\$161,368	\$142,696
(Breakdown)		
Comprehensive income attributable to owners of the parent	152,310	114,559
Comprehensive income attributable to non-controlling interests	9,058	28,137

Notes:

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YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Year Ended March 31, 2020

In Japanese Yen

As of March 31, 2020

(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		(5,981)		(5,981)
Profit attributable to owners of parent		14,762		14,762
Purchase of treasury stock		-	(0)	(0)
Net changes of items other than shareholders' equity				
Total changes of items during the period	-	8,781	(0)	8,780
Balance at March 31, 2020	¥7,996	¥297,075	(¥309)	¥304,762

	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						(5,981)
Profit attributable to owners of parent						14,762
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	(1,440)	(774)	(80)	(2,295)	2,428	133
Total changes of items during the period	(1,440)	(774)	(80)	(2,295)	2,428	8,914
Balance at March 31, 2020	¥2,547	¥10,667	(¥199)	¥13,015	¥24,828	¥342,606

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

As of March 31, 2020

(In thousands of U.S. Dollars)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2019	\$73,478	\$2,649,037	(\$2,843)	\$2,719,672
Changes of items during the period				
Dividends from surplus		(54,964)		(54,964)
Profit attributable to owners of parent		135,651		135,651
Purchase of treasury stock		-	(2)	(2)
Net changes of items other than shareholders' equity				
Total changes of items during the period	-	80,686	(2)	80,684
Balance at March 31, 2020	\$73,478	\$2,729,724	(\$2,845)	\$2,800,357

	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	\$36,644	\$105,134	(\$1,090)	\$140,688	\$205,823	\$3,066,184
Changes of items during the period						
Dividends from surplus						(54,964)
Profit attributable to owners of parent						135,651
Purchase of treasury stock						(2)
Net changes of items other than shareholders' equity	(13,238)	(7,113)	(741)	(21,092)	22,315	1,223
Total changes of items during the period	(13,238)	(7,113)	(741)	(21,092)	22,315	81,908
Balance at March 31, 2020	\$23,406	\$98,020	(\$1,831)	\$119,595	\$228,139	\$3,148,092

Notes:

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YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year Ended March 31, 2020

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

I. Cash flows from operating activities		
Income before income taxes	¥22,789	\$209,405
Depreciation and amortization	7,085	65,102
Interest and dividends income	(3,767)	(34,620)
Interest expenses	11	108
Equity in (earnings) losses of affiliates	(7,744)	(71,157)
Decrease (increase) in notes and accounts receivable-trade	8,240	75,722
Decrease (increase) in inventories	1,778	16,344
Increase (decrease) in notes and accounts payable-trade	(7,736)	(71,084)
Other, net	855	7,862
Subtotal	21,513	197,684
Interest and dividends income received	12,150	111,648
Interest expenses paid	(11)	(108)
Income taxes paid	(7,547)	(69,347)
Net cash provided by (used in) operating activities	26,105	239,876
II. Cash flows from investment activities		
Payments into time deposits	(10,805)	(99,290)
Proceeds from withdrawal of time deposits	9,289	85,360
Purchase of property, plant and equipment	(9,900)	(90,974)
Purchase of stocks of subsidiaries and affiliates	(11,163)	(102,580)
Other, net	261	2,402
Net cash provided by (used in) investment activities	(22,319)	(205,082)
III. Cash flows from financing activities		
Purchase of treasury stock	(0)	(2)
Cash dividends paid	(5,977)	(54,926)
Dividends paid to non-controlling shareholders	(633)	(5,822)
Other, net	(82)	(761)
Net cash provided by (used in) financing activities	(6,694)	(61,512)
IV. Effect of exchange rate change on cash and cash equivalents	(166)	(1,526)
V. Net Increase(decrease) in cash and cash equivalents	(3,073)	(28,245)
VI. Cash and cash equivalents at beginning of year	29,561	271,629
VII. Cash and cash equivalents at end of year	¥26,487	\$243,384

Notes:

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Situation of Issue Shares

The situation of shares in this fiscal year is as outlined below.
(As of March 31, 2020)

(1) Total number of shares authorized to be issued	171,257,770
Number of shares outstanding	67,670,000
Total number of shareholders	4,235

(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	37	222,334	32.87
	Financial instrument dealers	32	4,481	0.66
	Other corporations	62	174,243	25.76
	Foreign corporations, etc. (Individuals)	278 (9)	137,593 (38)	20.34 (0.01)
	Japanese individuals and other	3,826	137,778	20.37
	Total	4,235	676,429	100.00
Shares less than one unit		—	271	—

(2) Dividends

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

2020	2019	2019	2018	2018	
Mar.	Sep.	Mar.	Sep.	Mar.	
50	50	40	25	25	(Unit : Japanese Yen)
0.46	0.46	0.37	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
¥108.83 = \$1 as of March 31, 2020.

Board of Directors

(As of March 31, 2020)

Chairman	President	Senior Managing Director	Managing Directors	Directors	Auditors
Hiroyuki Inoue	Mikio Kobayashi	Kazumi Kajihara	Takafumi Yoshida	Kengo Nakaya	Hisakazu Fukuhara
				Katsumasa Kohata	
				Motoyoshi Maruyama	
				Kazumi Yonezawa	
			Kazuhiro Tsukamoto	Damri Tunshevavong	Shigeaki Katayama
				Takenosuke Yasufuku	
				Kiyoshige Akamatsu	
				Kunitoshi Takeda	

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