

Our Steel, Your Future



Yamato Kogyo Co.,Ltd.

Annual Report 2021
March 31, 2021

Contents

Group Vision	1
Corporate Philosophy.....	2
Corporate Structure and Affiliates	3
Operating Results for The Fiscal Year Ended March 31, 2021	4
Five-Year Summary of Selected Financial Data	14
Consolidated Balance Sheets	15
Consolidated Statements of Income	17
Consolidated Statements of Comprehensive Income	18
Consolidated Statements of Changes in Net Assets	19
Consolidated Statements of Cash Flows	21
Situation of Issue Shares	22
Board of Directors	22

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".

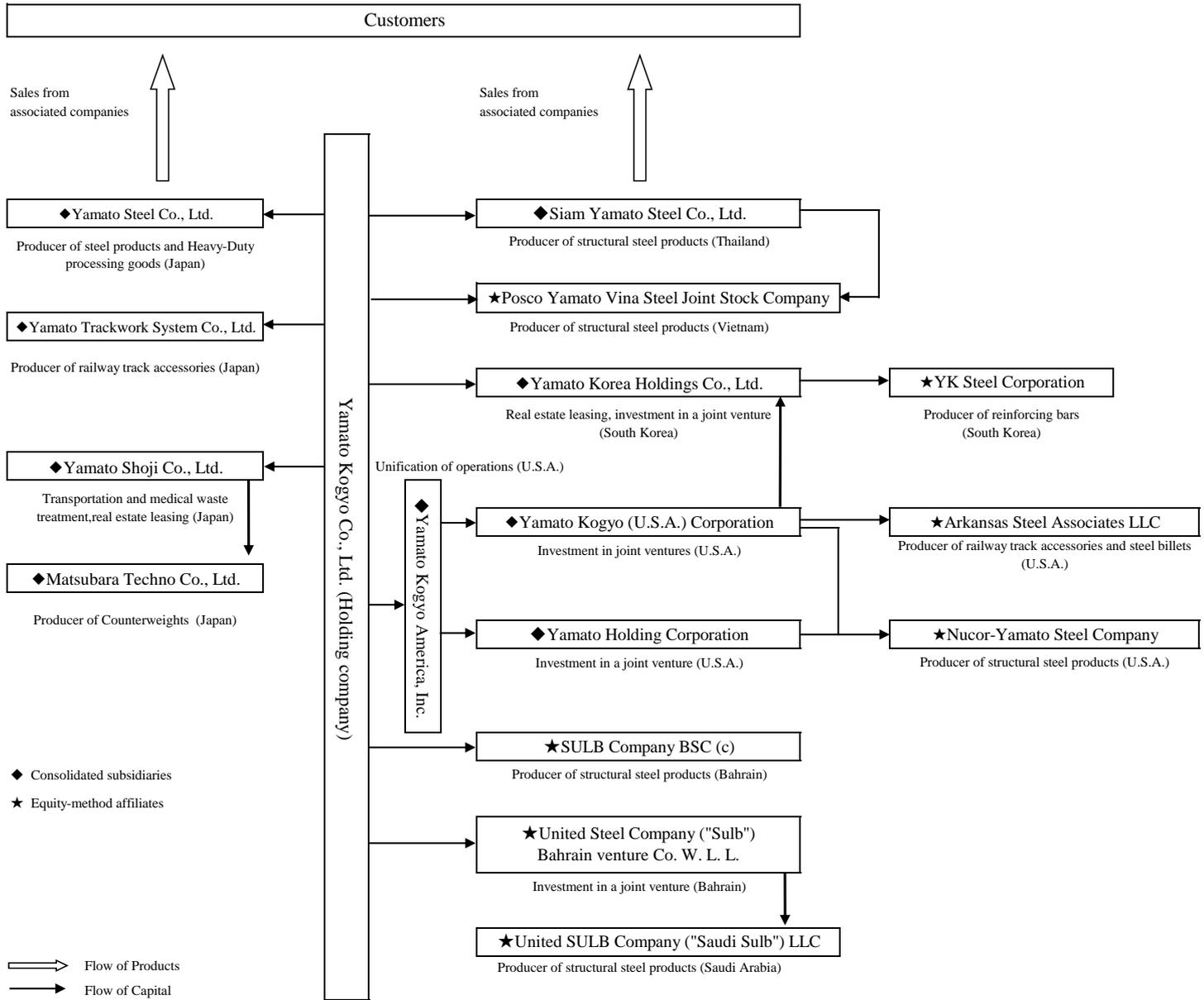
We used lowercase letters and connected them together. This represents our flexible attitude and intra-group relationships.

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, 2021



YAMATO KOGYO CO., LTD.

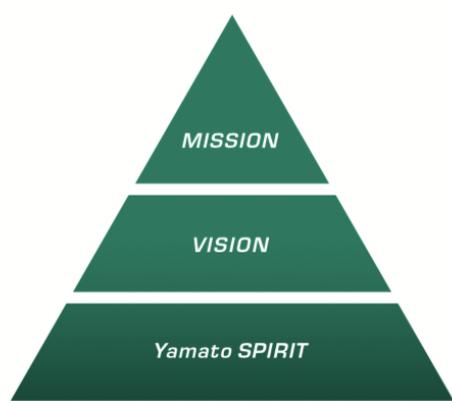
OPERATING RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2021

1. Management Policy

(1) Basic Business Policy

Under a holding company structure, Yamato Kogyo Group will examine possibilities of social contribution from all perspectives, utilize the respective features and functions of the Group companies, promote group management that builds up energy and harmony, and develop businesses targeting the global market.

The Group celebrated the 75th anniversary of its founding in 2019. To clarify our group's direction and principles, we established new Mission, Vision and Yamato SPIRIT.



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Since the Japanese markets for both the steel business and the trackwork business are matured, the Group will have business sites in emerging economies or other places where demand is steady or growth in infrastructure investments is expected, and thereby contribute to growth of relevant countries and along with share in the fruits of such growth so that the Group can continue to grow further. Under these new Mission, Vision and Yamato SPIRIT, we reconfirm that the source of our Group's growth lies in our overseas businesses 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 our business.

(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

In the recent business environment of the Group, COVID-19 vaccinations are gradually expanding, but because of the spread of variant viruses and other factors, it will take time for the pandemic to end. Due to strains in iron source supply-demand conditions, scrap and iron ore prices are expected to remain high, while the pace of steel demand recovery varies depending on countries and regions where the Group companies engage in business.

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, a profile gauge is installed to automatically measure product dimensions on-line which enables to achieve better quality and greater productivity. In addition, we are planning to renew rolling mill. By introducing state-of-the-art mill, we will endeavor to improve productivity, enhance product quality and otherwise strengthen our competitiveness. Also, as the mother plant that supports global business development, we will inject energy into providing information on technologies to overseas businesses.

In the Group, we regularly hold technical conferences among steel product manufacturing companies 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.

Furthermore, in the sales sector, an EC site for customers is established to streamline administrative work and provide higher quality services, and we will endeavor to capture customer orders that require a short delivery lead time. Through these and other activities, our production and sales functions unite as one to step up measures for offering a short delivery lead time which constitutes our strength. In the administrative department, we consolidate back-office functions such as finance and 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 distribution center which started to operate in Siam Yamato Steel Co., Ltd. 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. Additionally, since long before, we have regarded H-beam market in South East Asia as one of the most important markets for the Group that can be expected to grow in the future. In Vietnam where particular growth can be expected, we have acquired 49% of shares in Posco Yamato Vina Steel Joint Stock Co., Ltd. (hereinafter referred to as "PY VINA"), the only H-beam manufacture in the country, and made the company to equity-method affiliate. We will work to improve the quality of PY VINA's business operations through measures to improve product quality, operations, etc., while making efforts to strengthen coordination between SYS and PY VINA, thereby enhancing our presence in H-beam market of South East Asia.

In addition, Nucor-Yamato Steel Co., Ltd. (hereinafter referred to as "NYS") in the U.S. has renewed a rolling mill for a large-size production line, thereby working to ensure stable production and sales expansion of large-size products, which constitute one of the strengths of NYS.

Environmental Initiatives

The Group produces steel by recycling scraps, thereby contributing to the realization of a recycling-based society. In addition, we work to reduce resources and energy used for our production processes and actively take measures such as introducing facilities that has a low environmental impact. Yamato Steel Co., Ltd. in Japan introduced a single stage preheater (SSP) for scraps that enables the company to use high temperature gas emitted from an electric furnace to pre-heat scraps, thereby reducing energy consumption significantly. As a result, CO2 emissions have been reduced to one-sixth compared with blast furnace processes. Also, SYS actively takes environmental measures such as promoting solar power generation and use of waste heat.

Additionally, in August 2020, Yamato Steel Co., Ltd. in Japan obtained certification for two types of environmental declaration including the “Eco-Leaf Environmental Label” and “Carbon Footprint” from the Sustainable Management Promotion Organization with regard to six products including H-beam. Information disclosed as a result of the certification includes the results of quantitative and objective evaluation of environmental burdens of each product and is useful when deciding whether to purchase eco-friendly products. In addition, Yamato Steel Co., Ltd. is the first to obtain those two types of certifications in the steel industry of Japan. Also, in 2018, SYS became the first steel manufacturer in Thailand that received the “Eco-Factory” certificate from the Federation of Thai Industries. We will continue to conduct business in Japan and overseas with the environmental prospects in mind.

Regarding CO2 emission reduction targets of the Group, we have recently set the goal of reducing the CO2 emissions from domestic businesses for FY2025 by 38% from the FY2013 level. We will continue to make efforts to reduce energy consumption by renewing production facilities and streamlining operations.

(Example of solar power panels installed at SYS)



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-beam. 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 a tough business environment because of sluggish public investment in the Middle East, inflows of low-priced steel products from other countries, and increased production costs due to hikes in power, gas and water bills caused by government subsidy cuts in the Gulf countries, among others. All these factors had not been considered in our initially designed project. Saudi Sulb also faces 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.

Currently, COVID-19 vaccinations are gradually expanding, but because of the spread of variant viruses and other factors, it will take time for the pandemic to end. If COVID-19 infections spread again in the future and the business environment of our respective sites worsens, this may greatly affect the Group's business performance.

If a pandemic with an unknown virus, etc., occurs and causes restrictions, etc., in the political and economic environment in the future, the Group's business performance may be significantly impacted by stagnant economic activities.

(3) Latent Risks in New 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 targeting 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

The Group's business environment for the current consolidated fiscal year became stagnant in the first half due to the global COVID-19 pandemic (hereinafter referred to as the "Pandemic"), then actions for seeking a balance between maintenance of economic activities and containment of the Pandemic were seen in a wide range of countries and regions, and there were signs of economic recovery, but recovery remained sluggish partly because the end of the Pandemic was nowhere in sight.

Regarding steel demand, although it varies depending on countries and regions where we conduct business, the overall trend is that after the demand bottomed out in the April-June period during which economic activities deteriorated rapidly due to the Pandemic, there are signs of gradual demand recovery..

On the other hand, regarding raw materials, scrap prices which had been on a downward trend since the beginning of 2020, showed a rising trend mainly due to the economic recovery in China and an increase in steel production in the country. In the October-December period, scrap prices surged partly because the price was expected to rise in the future due to a forecast for importing resumption in China. In addition, iron ore prices have continued to be high since the beginning of 2020, and has recently showed a further powerful upward trend due to tight iron source supply-demand conditions. Therefore, the circumstances related to raw materials continue to serve as a factor that greatly affects the business performance of the Group companies.

In Japan, construction demand recovery is weak and cargo movement has continued to be sluggish. In addition, although we have made efforts to push up steel sales prices reflecting with the sharp rise in scrap prices, high scrap prices have been pushing ahead due to the weak steel demand environment. Under these circumstances, we have made an effort to capture customer orders that require a short delivery lead time and through these and other activities, our production and sales functions have united as one to step up measures for offering a short delivery lead time which constitutes our strength, while we have made efforts to reduce costs. As a result, we succeeded in securing a certain level of earnings although the sales volume and selling prices fell below the level of the previous fiscal year.

In Thailand, where we have consolidated subsidiary, 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 2020 was reflected in the current consolidated fiscal year. The results of Posco Yamato Vina Steel Joint Stock Co., Ltd. in Vietnam (hereinafter, "PV VINA"; the company's accounting period is from January to December), which became an equity-method affiliate at the end of March 2020, has started to be reflected on the consolidated results from this consolidated fiscal year. In this consolidated fiscal year, PY VINA's April-December results are reflected in the consolidated results as equity-method earnings. In South Korea, as we disclosed on September 8, 2020, YK Steel Corporation (currently Yamato Korea Holdings Co., Ltd.; hereinafter, "YKH") split and transitioned its rebar business into a new company (currently YK Steel Co., Ltd.; hereinafter, "YKS"), and has transferred 51.00% of the newly established company's shares to Daehan Steel Co., Ltd. (hereinafter, "Daehan Steel"). Consequently, the results of the rebar business from 2020 January to August are reflected in the consolidated financial statements as a subsidiary YKH's performance and the results of the rebar business of YKS from 2020 September to December are reflected in the consolidated financial statements as equity-method earnings.

As for YKH in South Korea, steel demand is on a downward trend due to restrictions imposed by the South Korean government on real estate investments. However, we have worked to strike a balance between supply and demand of steel and maintain selling prices, and as a result, we successfully secured profits amid a decrease in the scrap prices in the first half. Therefore, operating profits increased in comparison with the previous fiscal year.

As for Siam Yamato Steel Co., Ltd. (hereinafter referred to as "SYS") in Thailand, steel demand declined in the second quarter (April-June period) due to the spread of the Pandemic which shows a gradual recovery trend but is affected by an increase in scrap prices. In addition, because imports continue to come into the Thai market, the market environment is becoming increasingly harsh and the sales volume decreased compared with the previous fiscal year. Under these circumstances, utilizing indoor storage capabilities of the distribution center which started to operate in November 2019, we have built a system for promptly delivering products with a size that can compete with those imports, and endeavor to secure sales volume by taking measures against the imports, such as leveraging our domestic mills' strength, namely capacity responding to small lots with a short delivery lead time and enhancing customer services for steel fabrication. Also, in the Southeast Asian market, which is main export destination, demand for steel products has fallen due to import restrictions that had been placed in the destination countries as a countermeasure against the COVID-19 pandemic. Although a recovery trend can be seen, the environment of fierce competition with overseas manufacturers continues. While sales decreased compared to the previous fiscal year due to a decline in sales volume, we recorded profits on the same level as the previous fiscal year as a result of our efforts to reduce costs and other factors.

For equity-method affiliates in the U.S., sales volume of finished products increased from the previous fiscal year due to steady demand for steel products, driven by stable non-residential construction demand for logistics warehouses, data centers and others. In addition, profit increased from the previous fiscal year due to efforts pushing up selling prices in response to soaring scrap prices. Nucor Yamato Steel Co., Ltd. (hereinafter referred to as "NYS") renewed the rolling mill of its aged large-size production line, and is striving for stable production and sales expansion of large-size products, which is one of NYS's strengths.

Taking a look at SULB Company BSC (c), an equity-method affiliate in Bahrain, production and sales had been affected by high iron ore prices and low scrap prices, but supply-demand conditions became tight globally because there was a surge in scrap prices and Chinese manufacturers stepped up efforts to import semi-finished products. As a result, selling price of products, sales volume and prices of intermediate materials (DRI and semi-finished products) are starting to pick up gradually in the GCC countries as well. On the other hand, since construction activities continue to be sluggish in the GCC countries, H-beam demand continues to be stagnant, resulting in continuation of the harsh business environment.

Regarding PY VINA, an equity-method affiliate in Vietnam, business performance showed a recovery trend because there was a sign of construction projects resumption that had been suspended due to the COVID-19 pandemic and steel demand was also recovering. In addition, since an anti-dumping investigation of H-beam imported from Malaysia was started, the pace of importing from Malaysia has slowed down. Although we have been affected by rising scrap prices, we make various initiatives such as dispatching engineers to Vietnam and working for cost reduction, improving quality and operations, and the monthly performance became profitable since September thanks to improvement of the business environment.

YKS, an equity-method affiliate in South Korea, was affected by higher cost of scrap prices, but posted a certain level of profit as customers made arrangements to purchase steel in advance due to anticipation of steel price rise and it was in a demand season. In addition, we have strengthened cooperation with our local partner, Daehan Steel, in terms of purchasing and production, and are working to improve business efficiency and profitability of YKS.

In addition to the above, as we announced on January 21, 2021, YKS was ordered by the Korea Fair Trade Commission to pay a fine of 42,948 million won (3,872 million yen) as the commission found that YKS violated the Monopoly Regulation and Fair Trade Act (hereinafter referred to as the “Fair Trade Act”) in relation to iron scrap sales transactions. Because imposition of the fine resulted from a Fair Trade Act related to transactions in a period before the company split, the final bearer of all losses arising from this case is YKH which stated in the special indemnification clause of the share purchase agreement with Daehan Steel. Due to this, 49% (1,897 million yen) of the fine paid by YKS was recorded as a decrease equity method earnings and 51% (1,975 million yen) of the fine was recognized as a loss borne on behalf of Daehan Steel and posted Loss on sale of shares of subsidiaries and associates (the loss was determined by adjusting the sales price of YKS shares) in the “extraordinary losses” section. Note that Loss on sale of shares of subsidiaries and associates is 9,460 million yen, which was calculated by aggregating a revaluation difference related to YKS shares held continuously by YKH, a loss on sales of YKS shares transferred to Daehan Steel, a loss of 1,975 million yen arising from adjustment of the sales price of YKS shares as a result of 51% of the aforementioned fine imposed by the Korea Fair Trade Commission being borne on behalf of Daehan Steel, and other amounts.

As a result of the above, net sales for the current consolidated fiscal year were 136,025 million yen (a decrease of 45,939 million yen in comparison with the same period in the previous year), operating profit was 10,018 million yen (a decrease of 1,315 million yen in comparison with the same period in the previous year), ordinary profit was 21,569 million yen (a decrease of 1,556 million yen in comparison with the same period in the previous year), and profit attributable to owners of parent was 4,984 million yen (a decrease of 9,778 million yen in comparison with the same period in 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 2020)
106.44 yen/U.S. dollar, 3.40 yen/baht, and 11.09 won/yen

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

(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

We report the business results of the segment as follows:

● **Steel (Japan)**

Construction demand recovery is weak and cargo movement has continued to be sluggish. In addition, although we have made efforts to push up steel sales prices reflecting with the sharp rise in scrap prices, high scrap prices have been pushing ahead due to the weak steel demand environment. Under these circumstances, we have made an effort to capture customer orders that require a short delivery lead time and through these and other activities, our production and sales functions have united as one to step up measures for offering a short delivery lead time which constitutes our strength, while we have made efforts to reduce costs. As a result, we succeeded in securing a certain level of earnings although the sales volume and selling prices fell below the level of the previous fiscal year. As a result, we succeeded in securing a certain level of earnings although the sales volume and selling prices fell below the level of the previous fiscal year. As a result, net sales were 39,927 million yen (a decrease of 7,625 million yen in comparison with the previous year), and the operating profit was 3,226 million yen (a decrease of 2,934 million yen in comparison with the previous year).

● **Steel (South Korea)**

Steel demand is on a downward trend due to restrictions imposed by the South Korean government on real estate investments. However, we have worked to strike a balance between supply and demand of steel and maintain selling prices, and as a result, we successfully secured profits amid a decrease in the scrap prices in the first half. Therefore, operating profits increased in comparison with the previous fiscal year. As a result, net sales were 33,851 million yen (a decrease of 25,851 million yen in comparison with the previous year), the operating profit was 2,507 million yen (an increase of 772 million yen in comparison with the previous year).

● **Steel (Thailand)**

Steel demand declined in the second quarter (April-June period) due to the spread of the Pandemic which shows a gradual recovery trend but is affected by an increase in scrap prices. In addition, because imports continue to come into the Thai market, the market environment is becoming increasingly harsh and the sales volume decreased compared with the previous fiscal year. Under these circumstances, utilizing indoor storage capabilities of the distribution center which started to operate in November 2019, we have built a system for promptly delivering products with a size that can compete with those imports, and endeavor to secure sales volume by taking measures against the imports, such as leveraging our domestic mills' strength, namely capacity responding to small lots with a short delivery lead time and enhancing customer services for steel fabrication. Also, in the Southeast Asian market, which is main export destination, demand for steel products has fallen due to import restrictions that had been placed in the destination countries as a countermeasure against the COVID-19 pandemic. Although a recovery trend can be seen, the environment of fierce competition with overseas manufacturers continues. While sales decreased compared to the previous fiscal year due to a decline in sales volume, we recorded profits on the same level as the previous fiscal year as a result of our efforts to reduce costs and other factors. As a result, net sales were 52,136 million yen (a decrease of 14,746 million yen in comparison with the previous year). The operating profit was 5,648 million yen (an increase of 379 million yen in comparison with the previous year).

● **Railway Track-Accessories**

Net sales were 8,048 million yen (an increase of 530 million yen in comparison with the previous year), and the operating profit was 836 million yen (an increase of 200 million yen in comparison with the previous year).

● **Other Business Sectors**

Net sales were 2,061 million yen, (an increase of 1,753 million yen in comparison with the previous year) and the operating profit was 24 million yen (an increase of 13 million yen in comparison with the previous year).

② Future Outlook (as of April 30, 2021)

COVID-19 vaccinations are gradually expanding, but because of the spread of variant viruses and other factors, it will take time for the pandemic to end. Therefore, the Group will continue to make efforts to prevent infections and their spread by giving top priority to safety of employees and other stakeholders.

We foresee that due to tight iron source supply-demand conditions, scrap and iron ore prices are expected to remain high, while the pace of steel demand recovery varies depending on countries and regions where the Group companies engage in business. In addition, regarding a measure taken by the Chinese government to lower the VAT refund rate on exports of steel products, the measure is expected to affect steel product markets globally. Therefore, we will continue to keep an eye on actions taken by the country as well as the importing of scraps which has been resumed since January 2021.

As a result of the above, the forecast for the second quarter of next fiscal year is set out as follows: Net sales of 65,000 million yen, operating profit of 3,500 million yen, ordinary profit of 15,500 million yen, and profit attributable to owners of parent of 10,000 million yen, mainly led by business results of our equity-method affiliate in the U.S. where steel demand is stable, despite sales and operating profit will be impacted by the fact that we transferred 51% of shares in our consolidated subsidiary engaging in the rebar business in South Korea to Daehan Steel in September 2020 and made the subsidiary an equity-method affiliate.

And the forecast for the entire fiscal year is set out as follows: Net sales of 133,000 million yen, operating profit of 8,000 million yen, ordinary profit of 26,500 million yen, and profit attributable to owners of parent of 17,000 million yen.

Please note that for the January-December 2021 period we applied the exchange rates for translating into Japanese yen revenues generated and costs incurred by our overseas subsidiaries and affiliates on the basis of the following:

(Average rates for the period)

108.54 yen/U.S. dollar, 3.47 yen/baht, and 10.34 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 for overseas subsidiaries and affiliates)

109.00 yen/U.S. dollar, 3.45 yen/baht, and 10.31 won/yen.

(End of period rates for domestic subsidiaries and affiliates)

109.00 yen/U.S. dollar, 3.45 yen/baht, and 10.31 won/yen.

(2) Analysis of Financial Status

① Changes in Financial Position

Total assets at the end of the current consolidated fiscal year were 359,788 million yen, a decrease of 23,237 million yen in comparison with the end of the previous consolidated fiscal year.

Liabilities were 33,990 million yen, a decrease of 6,427 million yen in comparison with the end of the previous consolidated fiscal year. The main reason for decreases in both total assets and liabilities is because YKS became an equity-method affiliate as a result of sales of YKS shares to Daehan Steel.

Also, net assets were 325,797 million yen, a decrease of 16,809 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 2020)

103.52 yen/U.S. dollar, 3.44 yen/baht, and 10.51 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 2019)

109.55 yen/U.S. dollar, 3.63 yen/baht, and 10.57 won/yen

② Situation of Cash Flows

(Cash Flows from Operating Activities)

The increase in funds from operating activities was 27,042 million yen, mainly due to the income before income taxes, and cash distribution from affiliated companies in U.S. with equity method applied.

(Cash Flows from Investing Activities)

The decrease in funds from investing activities was 24,378 million yen, primarily due to factors such as payments into time deposits.

(Cash Flows from Financing Activities)

The decrease in funds from financing activities was 9,937 million yen, primarily due to payment of dividend with the decrease of 721 million yen in effect of exchange rate changes on cash and cash equivalents and increase in cash and cash equivalents resulting from change in scope of consolidation, the balance of cash and cash equivalents at the current consolidated fiscal year was 19,163 million yen, which is a decrease of 7,324 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 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. 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.

We will continue to consider acquiring treasury stock in a timely manner, with comprehensive consideration given to the market environment, business investment opportunities, etc. from the viewpoint of enhancing medium- to long-term shareholder value.

Based on the above policy, regarding distribution of dividends from surplus at the end of the current fiscal year, we plan to pay 40 yen per share as announced previously. (Annual dividends of 80 yen per share)

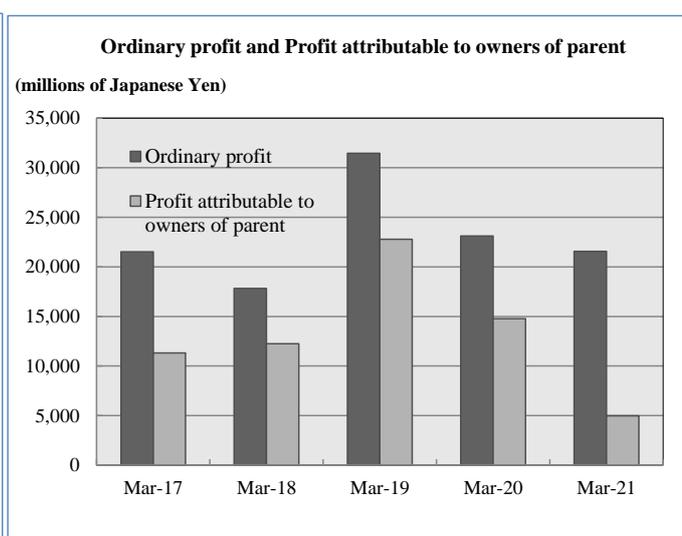
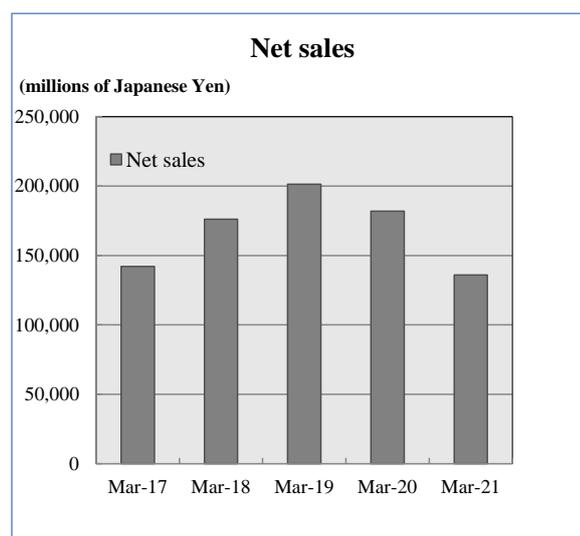
Regarding dividends for the next fiscal year, in order to respond to the constant support from our shareholders, we expect to pay an interim and year-end dividend of 40 yen per share respectively. (80 yen per share as the annual dividends). In addition, at a Board of Directors meeting held on April 30, 2021, we adopted a resolution to acquire one million shares of treasury stock with the total acquisition amount not exceeding 4,000 million yen, with the aim of flexibly implementing the capital policy.

**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-17	Mar-18	Mar-19	Mar-20	Mar-21
FOR THE YEAR					
Net sales	¥142,136	¥176,073	¥201,299	¥181,964	¥136,025
Ordinary profit	21,519	17,828	31,469	23,125	21,569
Profit attributable to owners of parent	11,319	12,238	22,793	14,762	4,984
Per share (unit: Yen)	169.24	182.97	340.78	220.72	75.29
AT YEAR END					
Net assets	309,198	320,073	333,692	342,606	325,797
Assets	348,951	367,083	384,068	383,025	359,788



Notes:

- All figures are prepared under accounting principles generally accepted in Japan.
- All figures are rounded down to the nearest millions of Japanese Yen.
- In Mar-17, one of affiliates changed its accounting method for valuing certain inventories.
- The company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" in the beginning of 2018 fiscal year, and reclassified deferred tax assets/ liabilities into fixed assets/ liabilities retrospectively. Accordingly, Total assets of 2017 fiscal year reflect this change.

Consolidated Financial Statements

Consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of March 31,2021
Assets		
Current assets		
Cash and deposits	99,994	101,572
Notes and accounts receivable - trade	25,428	17,616
Securities	189	-
Merchandise and finished goods	12,263	10,627
Work in process	435	492
Raw materials and supplies	21,585	16,931
Other	2,946	2,775
Allowance for doubtful accounts	(15)	(15)
Current assets	162,829	150,000
Non-current assets		
Property, plant and equipment		
Buildings and structures	38,780	32,913
Accumulated depreciation	(23,084)	(21,410)
Buildings and structures, net	15,696	11,502
Machinery, equipment and vehicles	136,720	116,350
Accumulated depreciation	(101,865)	(87,485)
Machinery, equipment and vehicles, net	34,855	28,864
Tools, furniture and fixtures	2,898	2,364
Accumulated depreciation	(2,390)	(1,997)
Tools, furniture and fixtures, net	508	366
Land	17,423	17,630
Construction in progress	3,273	1,609
Other	545	2,377
Accumulated depreciation	(94)	(209)
Other, net	450	2,167
Property, plant and equipment	72,206	62,142
Intangible assets		
Goodwill	-	912
Other	606	574
Intangible assets	606	1,486
Investments and other assets		
Investment securities	47,370	45,660
Investments in capital	56,582	54,489
Long-term loans receivable from subsidiaries and associates	17,334	20,886
Long-term time deposits	22,398	21,253
Retirement benefit asset	821	995
Other	3,146	3,144
Allowance for doubtful accounts	(271)	(272)
Investments and other assets	147,383	146,158
Non-current assets	220,196	209,787
Assets	383,025	359,788

(Million yen)

	As of March 31,2020	As of March 31,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,932	7,528
Accounts payable - other	6,136	4,149
Accrued expenses	3,084	2,184
Income taxes payable	535	570
Provision for bonuses	591	552
Other	1,732	846
Current liabilities	23,012	15,831
Non-current liabilities		
Deferred tax liabilities	11,844	12,011
Provision for retirement benefits for directors (and other officers)	22	-
Retirement benefit liability	2,756	2,068
Other	2,782	4,080
Non-current liabilities	17,406	18,159
Liabilities	40,418	33,990
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Retained earnings	297,075	295,740
Treasury shares	(309)	(2,966)
Shareholders' equity	304,762	300,770
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,547	3,566
Foreign currency translation adjustment	10,667	(2,213)
Remeasurements of defined benefit plans	(199)	(77)
Valuation and translation adjustments	13,015	1,275
Non-controlling interests	24,828	23,750
Net assets	342,606	325,797
Liabilities and net assets	383,025	359,788

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31,2020	For the fiscal year ended March 31,2021
Net sales	181,964	136,025
Cost of sales	155,738	113,346
Gross profit (loss)	26,226	22,679
Selling, general and administrative expenses		
Packing and transportation costs	6,343	5,240
Salaries and allowances	2,315	2,348
Provision for bonuses	132	129
Retirement benefit expenses	382	189
Provision for retirement benefits for directors (and other officers)	14	12
Depreciation	222	253
Taxes and dues	370	380
Other	5,111	4,106
Selling, general and administrative expenses	14,892	12,661
Operating profit (loss)	11,333	10,018
Non-operating income		
Interest income	3,273	1,361
Dividend income	494	301
Equity in earnings of affiliates	7,744	8,521
Foreign exchange gains	-	696
Other	789	775
Non-operating income	12,301	11,657
Non-operating expenses		
Interest expenses	11	67
Foreign exchange losses	204	-
Loss on valuation of derivatives	43	5
Other	249	32
Non-operating expenses	509	105
Ordinary profit (loss)	23,125	21,569
Extraordinary income		
Gain on sale of non-current assets	13	3
Other	-	0
Extraordinary income	13	3
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	-	9,460
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	95	215
Loss on valuation of investment securities	239	1
Other	14	124
Extraordinary losses	349	9,803
Profit (loss) before income taxes	22,789	11,770
Income taxes - current	5,251	5,381
Income taxes - deferred	1,170	(109)
Income taxes	6,421	5,272
Profit (loss)	16,367	6,498
Profit (loss) attributable to non-controlling interests	1,604	1,513
Profit (loss) attributable to owners of parent	14,762	4,984

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31,2020	For the fiscal year ended March 31,2021
Profit	16,367	6,498
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,443)	1,021
Foreign currency translation adjustment	1,782	(9,489)
Remeasurements of defined benefit plans, net of tax	(81)	125
Share of other comprehensive income of entities accounted for using equity method	(1,095)	(4,813)
Total other comprehensive income	(838)	(13,156)
Comprehensive income	15,529	(6,657)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,467	(6,755)
Comprehensive income attributable to non-controlling interests	3,062	97

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31,2020

(Million yen)

	Shareholders' equity			
	Share capital	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,996	288,294	(309)	295,981
Changes during period				
Dividends of surplus		(5,981)		(5,981)
Profit attributable to owners of parent		14,762		14,762
Purchase of treasury shares			(0)	(0)
Purchase of shares of consolidated subsidiaries				-
Net increase (decrease) in surplus by change of consolidated scope				-
Net changes in items other than shareholders' equity				
Total changes during period	-	8,781	(0)	8,780
Balance at end of period	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 beginning of period	3,988	11,441	(118)	15,311	22,399	333,692
Changes during period						
Dividends of surplus						(5,981)
Profit attributable to owners of parent						14,762
Purchase of treasury shares						(0)
Purchase of shares of consolidated subsidiaries						-
Net increase (decrease) in surplus by change of consolidated scope						-
Net changes in items other than shareholders' equity	(1,440)	(774)	(80)	(2,295)	2,428	133
Total changes during period	(1,440)	(774)	(80)	(2,295)	2,428	8,914
Balance at end of period	2,547	10,667	(199)	13,015	24,828	342,606

For the fiscal year ended March 31,2021

(Million yen)

	Shareholders' equity			
	Share capital	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,996	297,075	(309)	304,762
Changes during period				
Dividends of surplus		(5,957)		(5,957)
Profit attributable to owners of parent		4,984		4,984
Purchase of treasury shares			(2,580)	(2,580)
Purchase of shares of consolidated subsidiaries		(409)	(76)	(486)
Net increase (decrease) in surplus by change of consolidated scope		47		47
Net changes in items other than shareholders' equity				
Total changes during period	-	(1,335)	(2,656)	(3,992)
Balance at end of period	7,996	295,740	(2,966)	300,770

	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 beginning of period	2,547	10,667	(199)	13,015	24,828	342,606
Changes during period						
Dividends of surplus						(5,957)
Profit attributable to owners of parent						4,984
Purchase of treasury shares						(2,580)
Purchase of shares of consolidated subsidiaries					18	(468)
Net increase (decrease) in surplus by change of consolidated scope						47
Net changes in items other than shareholders' equity	1,018	(12,880)	122	(11,739)	(1,096)	(12,835)
Total changes during period	1,018	(12,880)	122	(11,739)	(1,077)	(16,809)
Balance at end of period	3,566	(2,213)	(77)	1,275	23,750	325,797

Consolidated Statements of Cash Flows

	(Million yen)	
	For the fiscal year ended March 31, 2020	For the fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	22,789	11,770
Depreciation	7,085	6,568
Amortization of goodwill	179	102
Increase (decrease) in allowance for doubtful accounts	6	(1)
Increase (decrease) in provision for bonuses	16	(55)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	(21)
Increase (decrease) in retirement benefit liability	100	(604)
Interest and dividend income	(3,767)	(1,663)
Interest expenses	11	67
Foreign exchange losses (gains)	45	(10)
Equity in (earnings) losses of affiliates	(7,744)	(8,521)
Loss (gain) on sale of non-current assets	(13)	(3)
Loss on retirement of non-current assets	95	215
Decrease (increase) in trade receivables	8,240	2,359
Decrease (increase) in inventories	1,778	217
Increase (decrease) in trade payables	(7,736)	1,630
Loss (gain) on sale of shares of subsidiaries and associates	-	9,460
Increase (decrease) in accounts payable - other	(858)	(926)
Other, net	1,282	(1,864)
Subtotal	21,513	18,719
Interest and dividends received	12,150	14,614
Interest paid	(11)	(5)
Income taxes paid	(7,547)	(6,285)
Net cash provided by (used in) operating activities	26,105	27,042
Cash flows from investing activities		
Payments into time deposits	(10,805)	(18,799)
Proceeds from withdrawal of time deposits	9,289	5,637
Purchase of property, plant and equipment	(9,900)	(5,028)
Proceeds from sale of property, plant and equipment	14	4
Purchase of investment securities	(26)	(19)
Proceeds from sale of investment securities	-	22
Purchase of shares of subsidiaries and associates	(11,163)	(2,606)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(494)
Loan advances to subsidiaries and associates	(5)	(3,106)
Other, net	278	12
Net cash provided by (used in) investing activities	(22,319)	(24,378)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(2,580)
Dividends paid	(5,977)	(5,954)
Dividends paid to non-controlling interests	(633)	(1,219)
Other, net	(82)	(183)
Net cash provided by (used in) financing activities	(6,694)	(9,937)
Effect of exchange rate change on cash and cash equivalents	(166)	(721)
Net increase (decrease) in cash and cash equivalents	(3,073)	(7,994)
Cash and cash equivalents at beginning of period	29,561	26,487
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	-	670
Cash and cash equivalents at end of period	26,487	19,163

Situation of Issue Shares

The situation of shares in this fiscal year is as outlined below.
(As of March 31, 2021)

(1) Total number of shares authorized to be issued	171,257,770
Number of shares outstanding	67,670,000
Total number of shareholders	3,054

(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	31	229,125	33.87
	Financial instrument dealers	27	4,769	0.71
	Other corporations	54	172,789	25.54
	Foreign corporations, etc. (Individuals)	243 (5)	128,221 (28)	18.96 (0.00)
	Japanese individuals and other	2,699	141,540	20.92
	Total	3,054	676,444	100.00
Shares less than one unit		—	256	—

(2) Dividends

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

2021	2020	2020	2019	2019	
Mar.	Sep.	Mar.	Sep.	Mar.	
40	40	50	50	40	(Unit : Japanese Yen)

Board of Directors

(As of March 31, 2021)

Chairman	President	Vice President	Managing Directors	Directors	Auditors
Hiroyuki Inoue	Mikio Kobayashi	Katsumasa Kohata	Kazuhiro Tsukamoto	Motoyoshi Maruyama	Kengo Nakaya
				Yasuhiko Yamauchi	
				Kazumi Yonezawa	Damri Tunshevavong
			Takenosuke Yasufuku		
			Kiyoshige Akamatsu		Mikio Nakajo
			Kunitoshi Takeda		

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