

# **SEMI-ANNUAL REPORT 2003**

**SEPTEMBER 30, 2003**

**YAMATO KOGYO CO., LTD.**

**AND CONSOLIDATED SUBSIDIARIES**

# Contents

---

Operating Results for The Six Months Period Ended September 30, 2003 .....	2
Consolidated Balance Sheets .....	6
Consolidated Statements of Income .....	7
Consolidated Statements of Changes in Shareholder's Equity .....	8
Consolidated Statements of Cash Flows .....	9
Situation of Issue of Shares .....	10
Board of Directors .....	10
Non-Consolidated Financial Statements of Yamato Kogyo Co.,Ltd.....	11
Statement of Income.....	13

**YAMATO KOGYO CO., LTD.  
AND CONSOLIDATED SUBSIDIARIES  
OPERATING RESULTS FOR THE FIRST SIX MONTHS  
ENDED SEPTEMBER 30, 2003**

## **Management Policy**

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

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

### **2) Basic Policy Regarding Profit Allocation**

We believe that the development of future dividend policies will be based not only on the performance of each member of the group, but also on the consolidated performance, financial situation, and internal reserves of the group as a whole. Moreover, from the standpoint of medium- and long-term shareholder profits, the Company has already acquired and retired 18,440,000 of its own shares, and this will continue in the future.

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

In order for the Company's group to respond to the dramatic changes in society, it aims to place its foreign and domestic subsidiaries under the umbrella of a holding company serving the functions of a main office, with each subsidiary functioning autonomously, so as to create an organizational structure capable of rapidly responding to changes in the corporate environment. In addition to starting a new company known as Yamato Trackwork System Co., Ltd., in April 2002, the Company started a new company known as Yamato Steel Corporation, by spinning off its steel and heavy-duty machining operations in October 2003. By separating the Company's business functions in this manner in Japan, it will become a holding company with its affiliates under one umbrella, not only in Japan, but also in The United States, Thailand, and South Korea, thereby developing its operations to target the world market with its railway track accessories operations and its steel operations.

### **4) The Basic Concept of Corporate Governance and the Status of Policy Implementation**

The Company's group aims to increase the speed of decision-making by giving its subsidiaries greater autonomy, with an eye toward enhancing corporate competitiveness. The holding company strives to build a system that can maximize the group's strengths by establishing a basic management strategy and consistent supervisory functions. It is

also working to establish thorough check functions from the standpoint of transparency in management.

### **3. Business Performance**

#### **1) Overview of the Current Mid-Term**

Although the United States, the leader of the world economy, has ended its war in Iraq for the time being, the economic situation in the current mid-term still continues to be unclear, despite tax reduction policies and other economic policies. At the same time, the economies of the Asia region are experiencing slow export growth, due to the negative impact of SARS, and the slowdown has grown stronger over the last six months. Nonetheless, the economy in Thailand, where our Company operates a joint venture company, has been holding firm.

Although the domestic economy in Japan is bringing better results for some companies, the recovery in private plant and equipment investment is weak, with an uncertain outlook for income and employment, as well as sluggish personal consumption. This situation has continued without any signs of the economy bottoming-out.

In view of this situation, we report in brief on the performance of each of our business operations as follows.

#### **Steel**

Given that the price of scrap steel, our primary raw material, is showing an upward trend, and given the stagnation in the demand for steel shapes, the sales efforts of our domestic steel operations have placed an emphasis on the sales price. Accordingly, sales increased by 1,965 million yen in comparison with the same accounting period the previous year, to 10,925 million yen. Furthermore, Yamato Korea Steel Corporation in South Korea received a transfer of business at the end of November 2002, so that its sales made a full contribution in the current accounting period, resulting in sales of 29,456 million yen for our steel operations (Results in the same accounting period the previous year: 8,960 million yen).

#### **Railway Track Accessories**

Regarding domestic sales of railway track accessories, sales to JR fell in comparison with the same accounting period the previous year, yielding sales of 1,530 million yen (Results in the same accounting period the previous year: 1,786 million yen). Export sales of 255 million yen (Results in the same accounting period the previous year: 42 million yen) covered the domestic losses, so sales for the current mid-term were 1,785 million yen (Results in the same accounting period the previous year: 1,829 million yen).

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

Although there has been an increase in the volume of new ships on a world-wide basis, stiff competition between overseas makers and Japanese shipbuilders has exerted downward pressure on the price of ships, and this has also affected the unit sales price of our Company's steel castings and stern frames. In response to this tough situation, we have made efforts to aggressively reduce costs and to increase price competitiveness,

so as to ensure sales volumes, but sales in our heavy-duty machining operations were 1,261 million yen (Results in the same accounting period the previous year: 1,508 million yen).

### **Real Estate Leases**

The tough situation for real estate rents continues in both the Kanto and Kansai areas. Occupancy rates in the Kanto area worsened for a while during the current mid-term, so sales in this business sector amounted to 132 million yen (Results in the same accounting period the previous year: 150 million yen).

### **Treatment of Medical Waste**

The Company's system for the treatment of medical waste (Messcud) features melt-treatment that utilizes high-temperature electric furnaces. This system is safe, reliable, and responsive to environmental protection needs. Sales in this sector amounted to 72 million yen (Results in the same accounting period the previous year: 73 million yen).

### **FRP Forming and Processing**

Starting this mid-term period, Hokuto Tsushin Co., Ltd. was included among our consolidated subsidiaries. Sales in FRP forming and processing amounted to 563 million yen.

As a result of the above, consolidated sales for the current mid-term accounting period were 33,272 million yen (Results in the same accounting period the previous year: 12,522 million yen).

Given this environment, we have been working in our domestic steel operations to raise product quality, and to reduce costs by conserving energy and increasing production yield. In our railway track accessories operations, we have made progress in increasing efficiency in the turnout production line, with a new management team.

With world-wide scrap steel prices remaining high, favorable production and prices are returning in both the Japanese and South Korean steel sectors, yielding improvement in revenues. Given the favorable economic conditions in Thailand, the Siam Yamato Steel Company Limited is showing solid results, but the U.S. joint venture has shown poorer performance, due to a drop in the price of finished products. These results are reflected in the consolidated results in terms of equity-method investment profit/loss.

Moreover, the amount 429 million yen corresponding to interest accompanying the conversion of preferred stock to common stock for the Siam Yamato Steel Company Limited was booked as a special profit.

As a result of the above, the ordinary profits were 5,863 million yen (Results in the same accounting period the previous year: 7,804 million yen), and the mid-term net profit was 4,101 million yen (Results in the same accounting period the previous year: 4,749 million yen).

Regarding the Company's financial situation: Cash distributions of 7,265 million yen primarily from the two U.S. subsidiaries (Nucor Yamato Steel Company and Arkansas Steel Associates LLC) have contributed to an increased cash flow of 8,748 million yen

due to sales activities. Cash flow resulting from investment activities decreased 4,792 million yen, due to payment during the current mid-term of 2,413 million yen remaining from the transfer of business of the South Korean steel maker in the previous accounting period, and loans of 2,400 million yen to affiliated companies. In the area of financial activities, there was self-financing of 4,064 million yen in the form of revenue from increased investment by minority shareholders in Yamato Korea Steel Corporation, and as a result of repayment of loans to financial institutions, there was a decrease of 2,221 million yen. Holdings in cash and cash equivalents in U.S. dollars by overseas subsidiaries have decreased by 2,890 million yen as a conversion differential due to the effects of the exchange rate, and at the same time, there was an increase in cash and cash equivalents of 476 million yen, due to the inclusion of Hokuto Tsushin Co., Ltd. as a consolidated subsidiary, for an increase in cash and cash equivalents of 1,444 million yen, giving a balance at the end of the mid-term of 30,596 million yen.

Regarding mid-term dividends: Dividends of 10 yen per share (a regular dividend of 5 yen, plus a special dividend of 5 yen) are planned, due to the relatively steady progress of the consolidated results (even though the performance of our U.S. joint venture operations fell, it was covered by our Japanese, Thai, and South Korean steel operations), and in response to the constant support received from the shareholders.

## **2) Outlook for the Next Accounting Period**

Although we have started to see a glimmer of hope in the rebounding of stock prices and stabilization of the financial system, we expect the difficult economic situation to continue to reflect the slow pace of structural reform, further deflation, and instability in the world scene. The United States is still bogged down by problems in post-war Iraq, and there are concerns about its economic recovery. In Asia, on the other hand, Thailand is expected to show steady economic growth, while in South Korea, the political situation is unstable, and uncertainty is expected to continue. Given such an environment, a recovery in revenues is forecast for the domestic steel business sector, due to the recovery in unit sales prices for steel shapes, even though trends in scrap prices are unpredictable. In the overseas arena, we believe that more time is needed for a recovery in performance of our U.S. subsidiary operations, but we expect continued favorable progress in our operations in Thailand and South Korea.

Moreover, although investment in Siam Yamato Steel Company Limited was increased in order to cover exchange rate losses on debt denominated in foreign currencies as a result of the 1997 baht crisis, performance has since then recovered, cash flow is steady, and funds on hand are stable. In December of last year, the Company implemented a capital rebate to its shareholders in the form of a paid-in capital decrease, and the Company has implemented a second paid-in capital decrease in December 2003 as well. While implementation of this paid-in capital decrease will greatly improve the Company's cash flow due to financial activities, it is expected that the differential vis-à-vis the investment book value will be reflected in the results as a currency exchange loss. Based on the above, the forecast for the entire fiscal year is as follows: Sales of 69,000 million yen, operating profit of 10,700 million yen, and net profit for the current accounting period of 6,600 million yen. Please note that currency conversions are based on an exchange rate of 105 yen per dollar, 1,150 won per dollar, and 2.75 yen per baht.

**YAMATO KOGYO CO., LTD**  
**AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(SEPTEMBER 30, 2003 and 2002)**

**In Japanese Yen**

		(In millions of Japanese Yen)	
		2003	2002
<b>Current assets</b>			
Cash and time deposits	¥ 30,996	¥ 41,425	
Trade notes and accounts receivable	13,376	8,065	
Marketable securities	-	-	
Inventories	6,216	4,564	
Others	595	582	
Allowance for doubtful accounts	(86)	(8)	
Total current assets	<u>51,098</u>	<u>54,629</u>	
<b>Property, plant and equipment, net</b>			
Buildings and structures	7,974	6,622	
Machinery, equipment and vehicles	8,331	7,784	
Land	16,806	6,501	
Others	196	142	
Total property, plant and equipment	<u>33,308</u>	<u>21,051</u>	
<b>Intangible fixed assets</b>		<u>421</u>	<u>150</u>
<b>Investments, etc.</b>			
Investments in securities	13,025	11,561	
Investments in capital	24,082	28,297	
Others	3,311	875	
Allowance for doubtful accounts	(162)	(149)	
Total investments	<u>40,256</u>	<u>40,584</u>	
Total assets	<u>¥ 125,085</u>	<u>¥ 116,416</u>	
<b>Current liabilities</b>			
Trade notes and accounts payable	¥ 4,387	¥ 2,707	
Short-term loans	8,910	16,040	
Others	3,669	1,436	
Total current liabilities	<u>16,967</u>	<u>20,184</u>	
<b>Long-term loans</b>		<u>3,300</u>	<u>1,005</u>
Accrued retirement benefits	1,796	2,644	
Deferred income tax liabilities	9,388	9,591	
Consolidation adjustment account	538	-	
others	208	593	
Total liabilities	<u>32,200</u>	<u>34,019</u>	
<b>Minority interest</b>		<u>4,341</u>	<u>(402)</u>
<b>Common stock</b>		<u>7,996</u>	<u>7,996</u>
Additional paid in capital	6,620	6,979	
Retained earnings	75,623	69,787	
Unrealized gain on revaluation of securities	1,152	1,029	
Translation adjustments	(1,785)	(1,925)	
Treasury stock	(1,064)	(1,068)	
Total stockholders' equity	<u>88,543</u>	<u>82,798</u>	
Total liabilities and stockholders' equity	<u>¥ 125,085</u>	<u>¥ 116,416</u>	

**In U.S. Dollars for Convenience Purposes**

(Note 1)

		(In thousands of U.S. Dollars)	
		2003	2002
<b>Current assets</b>			
Cash and time deposits	\$ 278,622	\$ 372,362	
Trade notes and accounts receivable	120,240	72,498	
Marketable securities	-	-	
Inventories	55,877	41,031	
Others	5,352	5,239	
Allowance for doubtful accounts	(778)	(77)	
Total current assets	<u>459,314</u>	<u>491,054</u>	
<b>Property, plant and equipment, net</b>			
Buildings and structures	71,679	59,530	
Machinery, equipment and vehicles	74,889	69,974	
Land	151,069	58,437	
Others	1,762	1,283	
Total property, plant and equipment	<u>299,400</u>	<u>189,225</u>	
<b>Intangible fixed assets</b>		<u>3,785</u>	<u>1,351</u>
<b>Investments, etc.</b>			
Investments in securities	117,082	103,926	
Investments in capital	216,471	254,357	
Others	29,769	7,868	
Allowance for doubtful accounts	(1,463)	(1,344)	
Total investments	<u>361,858</u>	<u>364,808</u>	
Total assets	<u>\$ 1,124,360</u>	<u>\$ 1,046,439</u>	
<b>Current liabilities</b>			
Trade notes and accounts Payable	\$ 39,435	\$ 24,340	
Short-term loans	80,096	144,182	
Others	32,984	12,909	
Total current liabilities	<u>152,516</u>	<u>181,432</u>	
<b>Long-term loans</b>		<u>29,671</u>	<u>9,041</u>
Accrued retirement benefits	16,152	23,771	
Deferred income tax liabilities	84,387	86,213	
Consolidation adjustment account	4,838	-	
others	1,874	5,336	
Total liabilities	<u>289,441</u>	<u>305,795</u>	
<b>Minority interest</b>		<u>39,026</u>	<u>(3,613)</u>
<b>Common stock</b>		<u>71,880</u>	<u>71,880</u>
Additional paid-in capital	59,509	62,734	
Retained earnings	679,758	627,301	
Unrealized gain on revaluation of securities	10,356	9,257	
Translation adjustments	(16,047)	(17,306)	
Treasury stock	(9,564)	(9,608)	
Total stockholders' equity	<u>795,892</u>	<u>744,258</u>	
Total liabilities and stockholders' equity	<u>\$ 1,124,360</u>	<u>\$ 1,046,439</u>	

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥111.25 = \$1 as of September 30, 2003.
2. All figures are prepared under accounting principles generally accepted in Japan.
3. All figures are rounded down to the nearest millions of Japanese yen or thousands of U.S. dollars.

**YAMATO KOGYO CO., LTD**  
**AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(For The Six Months Period Ended September 30, 2003 and 2002)**

**In Japanese Yen**

(In millions of Japanese Yen)

	<u>2003</u>	<u>2002</u>
Sales	¥ 33,272	¥ 12,522
Operating expenses	<u>30,230</u>	<u>12,870</u>
Operating income (loss)	3,041	(347)
Non operating revenues	3,036	8,266
Non operating expenses	<u>214</u>	<u>113</u>
Ordinary income	5,863	7,804
Special gains	456	148
Special losses	<u>47</u>	<u>524</u>
Income before income taxes	6,272	7,428
Current tax expense	1,391	2,831
Deferred tax expenses (benefit)	212	(203)
Minority interest	566	50
Net income (loss)	<u>¥ 4,101</u>	<u>¥ 4,749</u>

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

(In thousands of U.S. Dollars)

	<u>2003</u>	<u>2002</u>
Sales	\$ 299,077	\$ 112,563
Operating expenses	<u>271,735</u>	<u>115,689</u>
Operating income (loss)	27,342	(3,125)
Non operating revenues	27,294	74,305
Non operating expenses	<u>1,927</u>	<u>1,024</u>
Ordinary income	52,709	70,155
Special gains	4,103	1,332
Special losses	<u>427</u>	<u>4,714</u>
Income before income taxes	56,385	66,773
Current tax expense	12,510	25,450
Deferred tax expenses (benefit)	1,908	(1,827)
Minority interest	5,096	457
Net income (loss)	<u>\$ 36,869</u>	<u>\$ 42,692</u>

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of  
¥ 111.25 = \$ 1 as of September 30, 2003.
2. All figures are prepared under accounting principles generally accepted in Japan.
3. All figures are rounded down to the nearest millions of Japanese yen or thousands of U.S. dollars.

**YAMTO KOGYO CO., LTD.**  
**AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Six-Month Period Ended September 30, 2003**

	Millions of yen						Total
	Number of shares of common stock (thousands)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stocks	
Balance at March 31,2003	74,183	¥7,996	¥6,979	¥72,268	(¥916)	(¥1,193)	¥85,134
Other comprehensive income							
Unrealized holding gains							
on marketable securities		-	-	-	503	-	503
Foreign currency translation							
adjustment		-	-	-	(219)	-	(219)
Tresury stocks							
Purchase of treasury stocks	(403)	-	(358)	-	-	129	(229)
Cash dividends paid							
Bonus to directors		-	-	(741)	-	-	(741)
Net income		-	-	4,101	-	-	4,101
Balance at September 30,2003	73,780	¥7,996	¥6,620	¥75,623	(633)	(1,064)	¥88,543

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

	Thousands of U.S.Dollars						Total
	Number of shares of common stock (thousands)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stocks	
Balance at March 31,2003	74,183	\$71,880	\$62,734	\$649,602	(\$8,237)	(\$10,728)	\$765,251
Other comprehensive income							
Unrealized holding gains							
on marketable securities		-	-	-	4,521	-	4,521
Foreign currency translation							
adjustment		-	-	-	(1,975)	-	(1,975)
Tresury stocks							
Purchase of treasury stocks	(403)	-	(3,224)	-	-	1,163	(2,060)
Cash dividends paid							
Bonus to directors		-	-	(6,668)	-	-	(6,668)
Net income		-	-	36,869	-	-	36,869
Balance at September 30,2003	73,780	\$71,880	\$59,509	\$679,758	(\$5,691)	(\$9,564)	\$795,892

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of  
 ¥111.25 = \$ 1 as of September 30, 2003.

2. All figures are prepared under accounting principles generally accepted in Japan.

3. All figures are rounded down to the nearest millions of Japanese yen or thousands of U.S. dollars.

**YAMATO KOGYO CO., LTD**  
**AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For The Six Months Period Ended September 30, 2003**

**Cash flows from operating activities**

	Millions of Japanese Yen	Thousands of U.S.Dollars
Income before taxes	¥ 6,272	\$ 56,385
Depreciation and amortization	1,052	9,458
Interest and dividends	(323)	(2,905)
Interest expenses	209	1,887
Equity in earnings of affiliated companies	(2,308)	(20,748)
Increase in accounts receivable	(2,864)	(25,747)
Increase in inventories	(410)	(3,694)
Increase in accounts payable	951	8,554
Others	(328)	(2,949)
	<b>2,251</b>	<b>20,240</b>
Interest and dividends received	7,497	67,389
Interest paid	(91)	(825)
Income taxes paid	(908)	(8,165)
<b>Net cash provided by operating activities</b>	<b>8,748</b>	<b>78,640</b>

**Cash flows from investing activities**

Payment for time deposits	(309)	(2,783)
Proceeds from time deposits	408	3,672
Proceeds from sales of investment securities	69	621
Payment for purchases of fixed assets	(722)	(6,493)
Loan to affiliated companies	(2,400)	(21,573)
Payment for acquisition of the business	(2,425)	(21,806)
Others	587	5,282
<b>Net cash used in investing activities</b>	<b>(4,792)</b>	<b>(43,080)</b>

**Cash flows from financing activities**

Payment for purchase of treasury stocks	(229)	(2,060)
Proceeds of short-term loans	55	494
Repayment of short-term loans	(7,738)	(69,562)
Repayment of long-term loans	(85)	(765)
Dividends paid	(740)	(6,658)
<b>Net cash used by financing activities</b>	<b>(2,221)</b>	<b>(19,970)</b>

<b>Effect of exchange rate changes on cash and cash equivalenter</b>	<b>(289)</b>	<b>(2,605)</b>
--	--------------	----------------

<b>Net increase in cash and cash equivalents</b>	<b>1,444</b>	<b>12,983</b>
--	--------------	---------------

<b>Cash and cash equivalents at begining of year</b>	<b>28,675</b>	<b>257,755</b>
--	---------------	----------------

<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	<b>476</b>	<b>4,286</b>
---	------------	--------------

<b>Cash and cash equivalents at end of year</b>	<b>30,596</b>	<b>275,024</b>
---	---------------	----------------

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥111.25 = \$ 1 as of September 30, 2003.
2. All figures are prepared under accounting principles generally accepted in Japan.
3. All figures are rounded down to the nearest millions of Japanese yen or thousands of U.S. dollars.

## Situation of Issue of Shares

The situation of shares in this fiscal year is as outlined below.  
(As of September 30,2003)

(1) Total number of shares to be issued.....	174,757,770
Total number of shares issued .....	76,600,000
Total number of shares holders .....	3,413

(2) Distribution of shares(by holder)

Kind of holder	No.of persons	No.of stocks held	Ratio of stocks held
Banking facilities	60	25,262,840	32.98
Security companies	23	487,613	0.64
Other corporations	76	22,830,548	29.80
Foreign corporations	72	8,621,155	11.25
Individual persons and others	3,182	19,397,844	25.33
<b>Total</b>	3,413	76,600,000	100

(3) Dividends

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

1999	2000	2000	2001	2001	2002	2002	2003	2003
Sep.	Mar.	Sep.	Mar.	Sep.	Mar.	Sep.	Mar.	Sep.
2.5	2.5	2.5	5	5	10	10	10	10
0.02	0.02	0.02	0.04	0.04	0.09	0.09	0.09	0.09

(Unit : Japanese Yen

(Unit : U.S. Dollar)

Notes:

U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of  
¥ 111.25 = \$ 1 as of September 30, 2003.

## Board of Directors

As of October 1,2003

President	Executive Director	Director	Executive Advisor	Auditor
Hiroyuki Inoue	Yoshiro Inoue	Kazumi Kajihara	Hiroyuki Miki	Takeshi Kanamori
			Shigeo Kawata	Morimasa Yoshida
				Hisashi Sawada

# Non-consolidated financial statements of Yamato Kogyo Co., Ltd.

## Balance Sheet

As of September 30,2003

### ASSETS

	Millions of Japanese Yen	Thousands of U.S.Dollars
<b>CURRENT ASSETS:</b>		
Cash and time deposits	¥ 3,730	\$ 33,535
Trade notes and accounts receivable	7,879	70,829
Finished goods	894	8,040
Work in process	642	5,776
Raw materials	359	3,235
Supplies	2,256	20,282
Other current assets	305	2,748
Allowance for doubtful accounts	(8)	(78)
<b>Total Current Assets</b>	<b>16,061</b>	<b>144,370</b>
<b>FIXED ASSETS:</b>		
<b>Property,Plant and Equipment,net</b>		
Buildings	3,968	35,675
Structures	1,103	9,915
Machinery and equipment	6,916	62,168
Vehicles	12	112
Tools,furniture and fixtures	33	303
Land	6,120	55,016
Construction in progress	10	90
<b>Total Property,Plant and Equipment</b>	<b>18,165</b>	<b>163,282</b>
<b>Intangible Fixed Assets</b>	<b>122</b>	<b>1,105</b>
<b>Investments,etc.</b>		
Investments in securities	4,437	39,887
Investments in subsidiaries and affiliated company	26,428	237,564
Investments in capital	92	835
Other investments	3,474	31,234
Allowance for doubtful accounts	(146)	(1,317)
<b>Total Investments</b>	<b>34,287</b>	<b>308,204</b>
<b>Total Fixed Assets</b>	<b>52,575</b>	<b>472,592</b>
<b>TOTAL</b>	<b>68,637</b>	<b>616,962</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	Millions of Japanese Yen	Thousands of U.S.Dollars
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Trade notes and accounts payable	¥ 2,096	\$ 18,846
Short-term loans payable	22,016	197,899
Accounts payable	479	4,305
Accrued expenses	794	7,141
Accrued bonuses	196	1,764
Other current liabilities	437	3,931
<b>Total Current Liabilities</b>	<b>26,020</b>	<b>233,889</b>
<b>LONG-TERM LIABILITIES:</b>		
Accrued retirement benefits	1,266	11,385
Deferred income tax liabilities	738	6,639
Other fixed liabilities	126	1,136
<b>Total Long-Term Liabilities</b>	<b>2,131</b>	<b>19,162</b>
<b>TOTAL LIABILITIES</b>	<b>28,152</b>	<b>253,052</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>COMMON STOCK</b>	7,996	71,880
<b>ADDITIONAL PAID IN CAPITAL</b>	6,620	59,509
<b>RETAINED EARNINGS</b>	24,782	222,766
<b>UNREALIZED GAIN ON REVALUATION OF SECURITIES</b>	1,087	9,779
<b>TREASURY STOCKS</b>	(2)	(25)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>40,485</b>	<b>363,910</b>
<b>TOTAL</b>	<b>68,637</b>	<b>616,962</b>

**NOTES**

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥ 111.25 = \$ 1 as of September 30, 2003.
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.

# Statement of Income

(for the six-month period ended September 30,2003)

	Millions of Japanese Yen	Thousands of U.S.Dollars
<b>NET SALES</b>	¥ 12,286	\$ 110,441
<b>Operating Expenses</b>	11,699	105,161
Cost of goods sold	10,245	92,095
Selling, general and administrative expenses	1,453	13,065
<b>OPERATING INCOME (LOSS)</b>	587	5,280
<b>Non-Operating Revenues</b>	451	4,060
Interest and dividends	97	874
Others	354	3,186
<b>Non-Operating Expenses</b>	116	1,043
Interest expenses	115	1,034
Others	0	8
<b>ORDINARY INCOME (LOSS)</b>	923	8,297
<b>Special Gains</b>	445	4,008
<b>Special Losses</b>	41	374
<b>INCOME (LOSS) BEFORE TAXES</b>	1,327	11,931
<b>INCOME TAXES</b>	27	248
<b>INTERIM NET INCOME (LOSS)</b>	1,299	11,683
<b>RETAINED EARNINGS BROUGHT FORWARD</b>	2,231	20,061
<b>INTERIM UNAPPROPRIATED RETAINED EARNINGS</b>	3,531	31,744

## NOTES

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥ 111.25 = \$ 1 as of September 30, 2003.
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.**

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

Phone: Japan (81), Himeji (0792) 73-1061 Fax: Japan (81), Himeji (0792) 73-9337