

SEMI-ANNUAL REPORT 2004

SEPTEMBER 30, 2004

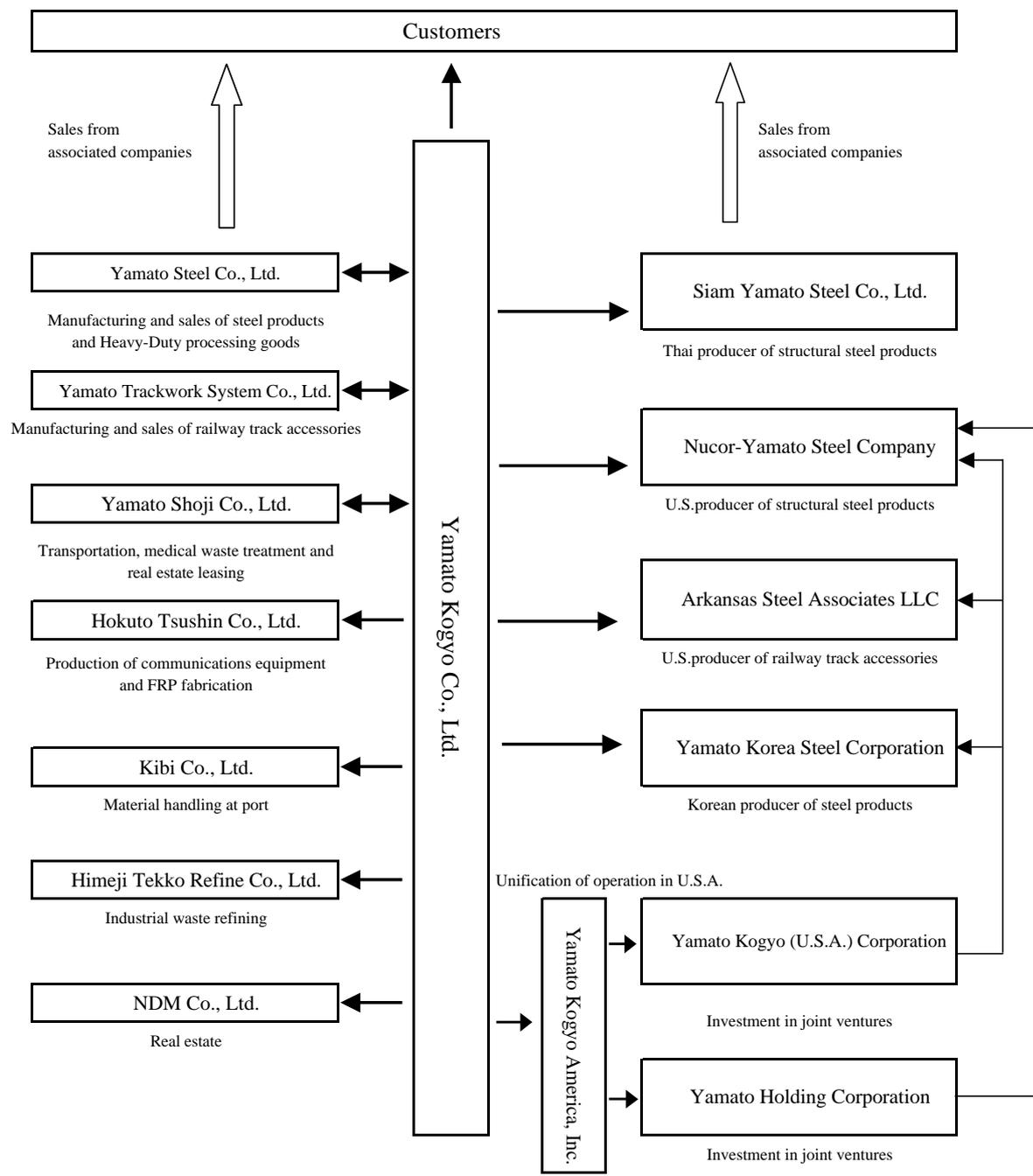
YAMATO KOGYO CO., LTD.

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Corporate Structure and Affiliates

As of September 30, 2004



Consolidated Subsidiary 8
 Affiliate 3
 Other Affiliate 3

Flow of Products
 Flow of Services

YAMATO KOGYO CO., LTD.
OPERATING RESULTS FOR THE FIRST SIX MONTHS
ENDED SEPTEMBER 30, 2004

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 21,220,000 of its own shares, and this will continue in the future.

3) Concepts and Policies Regarding the Reduction in Investment Units

Our Company believes that adequate share liquidity is needed in order to achieve reasonable share prices in the stock market. Accordingly, a greater number of investor participants is required. Our Company aims to take into consideration future share price trends, capital markets, and other conditions, and will take careful action.

4) 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.

5) 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. At this time, it is also working to establish thorough check functions from the standpoint of transparency in management, including a new internal auditing system for subsidiaries.

Business Performance

1) Overview of the Current Mid-Term

During the current mid-term, Japan's economy is still troubled by lackluster personal consumption, but increased exports to Asia have raised the level of corporate plant and equipment investment, so there are some signs of economic recovery. In addition, in the United States, Thailand, and South Korea, where our company has developed joint ventures, business moved in a generally favorable direction during the first half of the year (January-June 2004).

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

Steel

Vigorous economic activity in China and the United States is straining the world-wide demand for steel. Although domestic prices for scrap, which rose sharply at the beginning of the year, dropped to a lower level for a while, they showed a tendency to rise again near the end of the mid-term, exhibiting unstable fluctuation. However, higher sales prices for finished products gradually spread through the market, with sales by Yamato Steel Co., Ltd. reaching 19,791 million yen, an increase of 8,866 million yen over the same period of the previous year. In addition, since Yamato Korea Steel Corporation's sales also increased, sales for our steel operations were 44,098 million yen (Results in the same accounting period of the previous year were 29,456 million yen).

Railway Track Accessories

Domestic sales of railway track accessories grew, primarily to the JR companies and to private railroads, to 1,789 million yen, an increase of 258 million yen over the same accounting period of the previous year. Exports, primarily for the bullet train in Taiwan, grew to 615 million yen, an increase of 360 million yen over the same period of the previous year. Sales in this business sector were 2,404 million yen (Results in the same accounting period of the previous year were 1,785 million yen.)

Heavy-Duty Machining

Favorable shipping demand has supported a high level of volume of new ship-building, and there has also been an increase in the volume of construction of our Company's products, steel casings and stern frames. Sales prices are still facing a tough situation, but sales in this business sector increased by 590 million yen to 1,852 million yen (Results in the same accounting period of the previous year were 1,261 million yen).

FRP Forming

Regarding FRP processing operations for the residential housing market: In August, we started operating a 2,000 ton press at the Chiba plant in response to the greater sales resulting from an increased demand for home improvement and enlargement.

Sales in this business sector were 557 million yen, on the same level as in the same accounting period of the previous year (Results in the same accounting period of the previous year were 563 million yen).

Real Estate Leases

Although occupancy rates in buildings owned by the Company in the Kanto and Kansai areas have shown signs of improvement, the situation for real estate still continues to be tough. Sales in this business sector amounted to 139 million yen (Results in the same accounting period of the previous year were 132 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. Stiff price competition continues, and sales in this sector amounted to 67 million yen (Results in the same accounting period of the previous year: 72 million yen).

As a result of the above, consolidated sales for the current mid-term accounting period were 49,120 million yen (Results in the same accounting period of the previous year: 33,272 million yen).

Given this environment, we have been working within our group to raise product quality and to increase production efficiency.

Given the world-wide steel shortage, we have been making progress in improving revenues from our steel operations in Japan, South Korea, and Thailand. Moreover, at our U.S. joint venture as well, prices of finished products are rebounding from levels seen at the beginning of the year, and business results have greatly improved over those of the same accounting period of the previous year.

Accordingly, the ordinary profits were 14,529 million yen (Results in the same accounting period of the previous year: 5,863 million yen). Net profit for the current mid-term were 9,424 million yen (Results in the same accounting period of the previous year: 4,101 million yen).

Regarding the Company's financial situation: Increased cash flow of 8,533 million yen from sales activities resulted primarily from the booking of profits from our various operations, as well as cash distributions of 6,305 million yen from our two U.S. subsidiaries (Nucor Yamato Steel Company and Arkansas Steel Associates LLC). Cash flow resulting from investment activities decreased 2,814 million yen, primarily due to the acquisition of new facilities for Yamato Korea Steel Corporation. In the area of financial activities, there was an increase of 368 million yen, due to the procurement of a bank loan to finance the acquisition of the facilities. Holdings in cash and cash equivalents by overseas subsidiaries decreased 329 million yen as a result of the conversion differential due to the effects of the exchange rate. Consequently, there was an increase in cash and cash equivalents of 5,757 million yen, giving a balance at the end of the accounting period of 36,564 million yen.

Regarding mid-term dividends: Dividends of 10 yen per share will be paid out, due to the favorable progress in business results, and in response to the constant support received from the shareholders.

2) Future Outlook

There is concern that high crude oil prices could bring about a slowdown in the U.S. and Chinese economies, which are the locomotives pulling the world economy behind them. It is also predicted that, for the time being, the demand for steel will be tight. In our steel operations, we are aiming to make further reductions in costs and to increase productivity by renovating the old facilities and operating the latest state-of-the-art facilities at Yamato Korea Steel Corporation in South Korea. Although there will be a temporary drop in performance due to the suspension of those operations during installation of the new facilities, we expect other operations to perform normally. In our railway track accessories business as well, we are reviewing our production line, and plan to operate a new MC in the latter part of the year.

Based on the above, the forecast for the entire fiscal year is as follows: Sales of 92 billion yen, ordinary profit of 25,500 million yen, and net profit for the current accounting period of 17 billion yen. Please note that currency conversions are based on an exchange rate of 105 yen per dollar, and 2.65 yen per baht, and 1,150 won per dollar (10.95 won per yen).

**YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2004 and 2003**

In Japanese Yen

	2004	2003
Current assets		
Cash and deposits at banks	¥36,888	¥30,996
Trade notes and accounts receivable	23,051	13,376
Inventories	8,052	6,216
Others	2,955	595
Allowance for doubtful accounts	(21)	(86)
Total current assets	<u>70,924</u>	<u>51,098</u>
Property, plant and equipment, net		
Buildings and structures	7,584	7,974
Machinery, equipment and vehicles	7,052	8,331
Land	16,016	16,806
Others	3,102	196
Total property, plant and equipment	<u>33,756</u>	<u>33,308</u>
Intangible fixed assets	<u>365</u>	<u>421</u>
Investments, etc.		
Investments in securities	11,724	13,025
Investments in capital	19,652	24,082
Others	714	3,311
Allowance for doubtful accounts	(168)	(162)
Total investments	<u>31,922</u>	<u>40,256</u>
Total assets	<u>¥136,969</u>	<u>¥125,085</u>

(In millions of Japanese Yen)

	2004	2003
Current liabilities		
Trade notes and accounts payable	¥7,402	¥4,387
Short-term loans payable	9,342	8,910
Others	5,598	3,669
Total current liabilities	<u>22,342</u>	<u>16,967</u>
Long-term loans payable	2,443	3,300
Accrued retirement benefits	2,646	1,796
Deferred income tax liabilities	4,201	9,388
Consolidation adjustment account	418	538
Others	228	208
Total liabilities	<u>32,281</u>	<u>32,200</u>
Minority stockholders' equity in consolidated subsidiaries	5,925	4,341
Common stock	7,996	7,996
Additional paid in capital	5,099	6,620
Retained earnings	92,198	75,623
Unrealized gain on revaluation of securities	1,834	1,152
Translation adjustments	(7,483)	(1,785)
Treasury stocks	(882)	(1,064)
Total stockholders' equity	<u>98,762</u>	<u>88,543</u>
Total liabilities and stockholders' equity	<u>¥136,969</u>	<u>¥125,085</u>

In U.S. Dollars for Convenience Purposes

(Note 1)

	2004	2003
Current assets		
Cash and deposits at banks	\$332,176	\$279,124
Trade notes and accounts receivable	207,576	120,456
Inventories	72,508	55,977
Others	26,610	5,362
Allowance for doubtful accounts	(196)	(779)
Total current assets	<u>638,675</u>	<u>460,142</u>
Property, plant and equipment, net		
Buildings and structures	68,299	71,808
Machinery, equipment and vehicles	63,506	75,024
Land	144,230	151,341
Others	27,939	1,765
Total property, plant and equipment	<u>303,976</u>	<u>299,940</u>
Intangible fixed assets	<u>3,294</u>	<u>3,792</u>
Investments, etc.		
Investments in securities	105,577	117,293
Investments in capital	176,968	216,861
Others	6,432	29,822
Allowance for doubtful accounts	(1,518)	(1,466)
Total investments	<u>287,460</u>	<u>362,510</u>
Total assets	<u>\$1,233,407</u>	<u>\$1,126,385</u>

(In thousands of U.S. Dollars)

	2004	2003
Current liabilities		
Trade notes and accounts payable	\$66,655	\$39,506
Short-term loans payable	84,124	80,241
Others	50,415	33,043
Total current liabilities	<u>201,195</u>	<u>152,791</u>
Long-term loans payable	22,007	29,724
Accrued retirement benefits	23,828	16,181
Deferred income tax liabilities	37,836	84,539
Officer retirement reserve fund	3,770	4,847
Others	2,054	1,878
Total liabilities	<u>290,693</u>	<u>289,962</u>
Minority stockholders' equity in consolidated subsidiaries	53,358	39,096
Common stock	72,009	72,009
Additional paid in capital	45,916	59,616
Retained earnings	830,245	680,983
Unrealized gain on revaluation of securities	16,523	10,375
Translation adjustments	(67,390)	(16,076)
Treasury stocks	(7,949)	(9,582)
Total stockholders' equity	<u>889,355</u>	<u>797,326</u>
Total liabilities and stockholders' equity	<u>\$1,233,407</u>	<u>\$1,126,385</u>

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥111.05 = \$1 as of September 30, 2004.
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 30,2004 and 2003

In Japanese Yen

(In millions of Japanese Yen)

	2004	2003
Sales	¥ 49,120	¥ 33,272
Cost of goods sold	36,865	27,384
Operating expenses	3,111	2,845
Operating income (loss)	9,144	3,041
Non operating revenues	5,470	3,036
Non operating expenses	85	214
Ordinary income	14,529	5,863
Special gains	102	456
Special losses	854	47
Income before taxes	13,777	6,272
Income taxes		
Current	2,880	1,391
Deferred	366	212
Total income taxes	3,246	1,603
Minority stockholders' interest	1,105	566
Net income	¥ 9,424	¥ 4,101

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

(In thousands of U.S. Dollars)

	2004	2003
Sales	\$ 442,332	\$ 299,616
Cost of goods sold	331,971	246,599
Operating expenses	28,017	25,624
Operating income (loss)	82,342	27,391
Non operating revenues	49,263	27,343
Non operating expenses	773	1,931
Ordinary income	130,833	52,804
Special gains	926	4,110
Special losses	7,695	428
Income before taxes	124,064	56,486
Income taxes		
Current	25,940	12,533
Deferred	3,298	1,911
Total income taxes	29,238	14,444
Minority stockholders' interest	9,956	5,105
Net income	\$ 84,869	\$ 36,935

Notes:

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YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
ADDITIONAL PAID-IN CAPITAL AND RETAINED EARNINGS
For The Six Months Period Ended September 30,2004 and 2003

In Japanese Yen

(In millions of Japanese Yen)

	2004	2003
Additional paid-in capital		
Balance at the beginning of period	5,099	6,979
Retirement of treasury stocks	0	(358)
Balance at the end of period	¥ 5,099	¥ 6,620
Retained earnings		
Balance at the beginning of period	83,555	72,268
Current net income	9,424	4,101
Cash dividends paid	(719)	(741)
Bonus to directors	(61)	(5)
Balance at the end of period	¥ 92,198	¥ 75,623

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

(In thousands of U.S. Dollars)

	2004	2003
Additional paid-in capital		
Balance at the beginning of period	45,916	62,847
Retirement of treasury stocks	0	(3,230)
Balance at the end of period	\$ 45,916	\$ 59,616
Retained earnings		
Balance at the beginning of period	752,414	650,772
Current net income	84,869	36,935
Cash dividends paid	(6,479)	(6,680)
Bonus to directors	(558)	(45)
Balance at the end of period	\$ 830,245	\$ 680,983

Notes:

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YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Six Months Period Ended September 30,2004

Cash flows from operating activities

	Millions of Japanese Yen	Thousands of U.S.Dollars
Income before taxes	¥13,777	\$124,064
Depreciation and amortization	920	8,290
Interest and dividends	(305)	(2,751)
Interest expenses	60	545
Equity in earnings of affiliated companies	(4,705)	(42,376)
Increase in receivable	(5,804)	(52,267)
Increase in inventories	(1,029)	(9,271)
Decrease in advance payment	581	5,232
Decrease in payable	(195)	(1,759)
Others	865	7,796
	4,164	37,503
Interest and dividends received	6,631	59,719
Interest paid	(91)	(822)
Income taxes paid	(2,171)	(19,555)
Net cash provided by operating activities	8,533	76,844
Cash flows from investing activities		
Payment for time deposits	(283)	(2,556)
Proceeds from time deposits	280	2,529
Sale of securities	2,000	18,009
Purchase of securities	(1,989)	(17,915)
Purchase of investment securities	(600)	(5,409)
Proceeds from sale of investment securities	52	468
Purchase of fixed assets	(2,292)	(20,644)
Others	19	176
Net cash used in investing activities	(2,814)	(25,341)
Cash flows from financing activities		
Purchase of treasury stocks	(2)	(20)
Proceeds from short-term loans	1,265	11,392
Repayment of long-term loans	(173)	(1,565)
Dividends paid	(720)	(6,488)
Net cash used in financing activities	368	3,317
Effect of exchange rate changes on cash and cash equivalents	(329)	(2,971)
Net increase in cash and cash equivalents	5,757	51,849
Cash and cash equivalents at beginning of year	30,806	277,409
Cash and cash equivalents at end of year	36,564	329,258

Notes:

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Situation of Issue Shares

The situation of shares in this fiscal year is as outlined below.
(As of September 30, 2004)

(1) Total number of shares to be issued.....	172,377,770
Total number of shares issued	74,220,000
Total number of shares holders	3,358

(2) Distribution of shares (by holder)

Kind of holder	No. of persons	No. of stocks held	Ratio of stocks held
Banking facilities	61	25,464,840	34.31%
Security companies	31	1,101,312	1.48%
Other corporations	75	19,240,456	25.92%
Foreign corporations	93	10,283,155	13.85%
(Individual foreigners among the foreign corporations)	(1)	(2,000)	(0.00%)
Individual persons and others	3,098	18,130,237	24.43%
Total	3,358	74,220,000	100%

(3) Dividends

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

2000	2001	2001	2002	2002	2003	2003	2004	2004
Sep.	Mar	Sep.	Mar	Sep.	Mar	Sep	Mar.	Sep.
2.5	5	5	10	10	10	10	10	10
0.02	0.05	0.05	0.09	0.09	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
¥ 111.05 = \$ 1 as of September 30, 2004.

Board of Directors

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



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