

# **SEMI-ANNUAL REPORT 2006**

**SEPTEMBER 30, 2006**

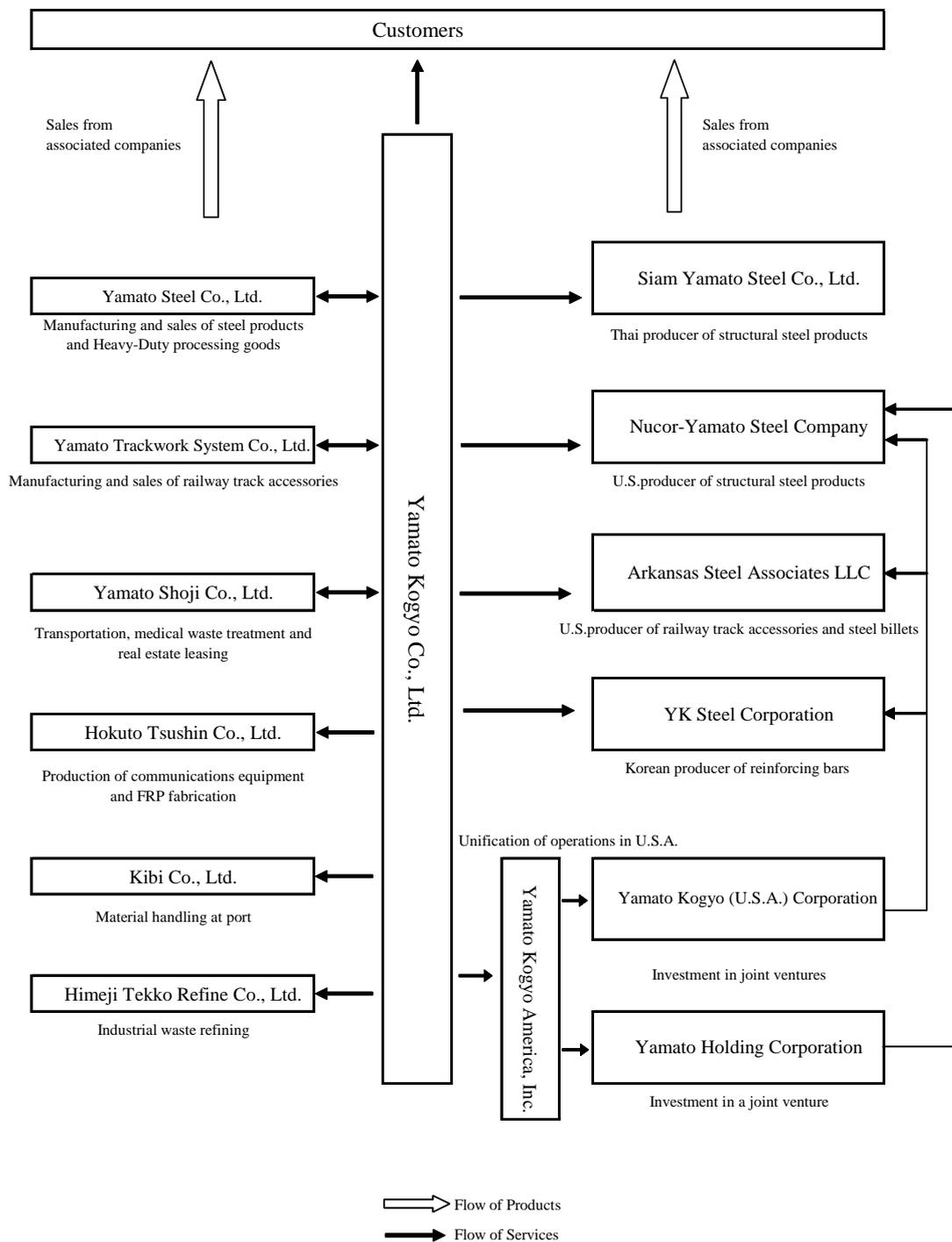
**YAMATO KOGYO CO., LTD.**

## Contents ---

Corporate Structure and Affiliates.....	2
Operating Results For The Six Months Period Ended September 30, 2006 .....	3
Consolidated Balance Sheets .....	9
Consolidated Statements of Income .....	10
Consolidated Statement of Changes in Net Assets.....	11
Consolidated Statement of Cash Flows .....	12
Situation of Issue Shares .....	13
Board of Directors .....	13

# Corporate Structure and Affiliates

As of September 30, 2006



Consolidated Subsidiary	8
Affiliate	3
Other Affiliate	2

Note: NDM Company, Ltd., an affiliated company with equity method non-applied, was sold as of May 18, 2006.

**YAMATO KOGYO CO., LTD.**  
**OPERATING RESULTS FOR THE SIX MONTHS PERIOD**  
**ENDED SEPTEMBER 30, 2006**

**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 22,340,000 of its own share.

**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. On the basis of this policy, the Articles of Incorporation were partially amended by a Resolution of the Board of Directors in November of 2005, and the “Number of Shares Per Unit” was amended from 1,000 shares to 100 shares, effective as of January 2006.

**4) Our Target Business Indicator**

We have been promoting the decentralization of domestic and overseas business investments 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. The revamping of our Company's organizational structure to enable it to rapidly respond to these changes resulted in our Company being positioned at the top of the group as the holding company. Our Company aims for a management structure that maximizes the unique qualities and functions of each of the subsidiaries under the overall management umbrella of the group as a whole. We consider ROE (Return on Equity) as an important business indicator.

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

In the business areas in which our Company's group deals, we anticipate increasingly vigorous competition with both foreign and domestic manufacturers in the future. In order to counter this competition, our Company's group aims to improve productivity and to cut costs by renewing and expanding manufacturing facilities at our operations in Japan and overseas, so as to achieve greater profitability as a group.

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

Our Company's group aims to constantly improve its value, and we recognize this as our greatest corporate responsibility and as a constant issue of importance from the standpoint of management. In order to earn the trust of all of our stakeholders, including our stockholders first and foremost, we are striving to raise the management efficiency of the group as a whole and to ensure sound management.

### **Business Performance and Financial Status**

#### **1) Business Performance**

##### **- Status During the Current Mid-Term Consolidated Accounting Period**

During the current mid-term consolidated accounting period, Japan's economy showed movement in a favorable direction for private-sector plant and equipment investment due to a recovery in corporate performance, and there was an underlying tone of continuing recovery due to a rally in personal consumption resulting from an improved employment situation. In addition, in the United States, Thailand, and South Korea, where our company has developed joint ventures, business moved for the most part in a favorable direction during the first half of the year (January-June 2006).

In view of this situation, the group has been working to raise product quality and to promote greater energy conservation and to raise productivity, so as to bring costs down. In addition, the Thai joint venture is progressing steadily, and business performance of the U.S. joint venture greatly exceeds that of the previous accounting period. This is reflected in the form of equity income for both the Thai and the U.S. joint ventures.

As a result of the above, performance during the current mid-term consolidated accounting period shows sales of 50,443 million yen, which is an increase of 1,815 million yen (+3.7%) over the same accounting period of the previous fiscal year. Although the operating profit was 5,050 million yen, which is a decrease of 2,768 million yen (-35.4%) in comparison with the same accounting period of the previous fiscal year, the ordinary profit was 18,970 million yen,

which is an increase of 3,354 million yen (+21.5%) over the same accounting period of the previous fiscal year. The mid-term net profit was 12,465 million yen, which is an increase of 3,123 million yen (+33.4%) over the same accounting period of the previous fiscal year.

We report in brief on the performance of each of our business operations as follows.

### **Steel**

Even though domestic sales have fallen, due to the effect of suspicions regarding earthquake-resistance and problems regarding price-fixing among general contractors for bridge construction in Japan, and given that the price of scrap steel, our primary raw material, is continuing to rise on a world-wide basis, sales in this business sector were 18,269 million yen, an increase of 203 million yen over the same accounting period of the previous fiscal year, due to increased export sales. In South Korea, price competition with other companies in the same industry and a greater influx of cheap products from China have resulted in a lack of progress in improved sales prices. Although there has been a drop in sales denominated in the South Korean won in comparison with the same accounting period of the previous year, sales denominated in Japanese yen rose to 26,805 million yen, which is an increase of 893 million yen over the same accounting period of the previous year, resulting from the effects of depreciation of the yen and appreciation of the won. Consequently, sales in this business sector were 45,074 million yen (Results in the same accounting period of the previous year: 43,977 million yen), and the operating profit was 5,270 million yen (Results in the same accounting period of the previous year: 7,937 million yen).

### **Railway Track Accessories**

Given the sluggish sales to the leading customer JR and the private railroads, we have made efforts to secure orders to satisfy private sector demand. Sales in this business sector were 1,686 million yen (Results in the same accounting period of the previous year: 1,731 million yen), and the operating profit was 65 million yen (Results in the same accounting period of the previous year: 20 million yen).

### **Heavy-Duty Machining**

Favorable demand for ships forms the back-drop for a sustained high volume of new ship-building for all ship builders, and there has been an increased volume of construction of steel casings and steel frames, which are our Company's products. Due to further improvement in sales prices, sales in this business sector increased by 724 million yen to 2,935 million yen (Results in the same accounting period of the previous year: 2,210 million yen), and the operating profit was 416 million yen (Results in the same accounting period of the previous year: 161 million yen).

### **FRP Forming**

Increased corporate investment in plant and equipment forms the back-drop for a rally in orders relating to FRP electrical equipment, as well as steady improvement NTT-related sales and in FRP processing for residential construction, so that sales in this business sector were 560 million yen (Results in the same accounting period of the previous year: 497 million yen), and the operating profit was 25 million yen (Results in the same accounting period of the previous year: 17 million yen).

### **Real Estate Leases**

Occupancy rates improved in buildings owned by our Company in the Kansai Area, and held steady in buildings owned by our Company in the Kanto Area. Since we sold some real estate in the previous fiscal year, sales in this business sector were 123 million yen (Results in the same accounting period of the previous year: 144 million yen), and the operating profit was 28 million yen (Results in the same accounting period of the previous year: 40 million yen).

### **Treatment of Medical Waste**

Our 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 63 million yen (Results in the same accounting period of the previous year: 65 million yen), and the operating profit was 3 million yen (Results in the same accounting period of the previous year: 6 million yen).

### **- Distribution of Profits**

Regarding the distribution of profits for the current mid-term accounting period: We would like to pay out dividends of 17 yen per share (the original plan was 16 yen per share), due to the favorable progress in business results, and in response to the constant support received from shareholders.

### **- Future Outlook**

It appears that the U.S. economy, which is the locomotive pulling the world economy behind it, will have lackluster growth through the year, as reflected in a slowdown due to a drop in housing construction investment, although crude oil prices, which had risen dramatically for a while, are now showing a tendency toward stagnation. In the countries where our Company's group does business, we anticipate over-all steady improvement. Given this state of affairs, it is predicted that performance in Japan and South Korea will show a decline in operating profit, with a world-wide rise in scrap prices in the background. However, record-breaking favorable performance is forecast for Nucor Yamato Steel Company in the United States, due to the vigorous demand for steel, as reflected in equity method investment profit. Moreover, our joint venture enterprise in Thailand, where there has been concern that political unrest could affect

business performance, is forecast to show steady improvement, as well as in the surrounding countries and in the Middle East area, due to vigorous demand.

Sales for the entire fiscal year are expected to be 106 billion yen, ordinary profit is expected to be 41 billion yen, and net profit for the current accounting period is expected to be 25 billion yen.

Please note that the currency conversions are based on an exchange rate (average for the accounting period) of 115.71 yen/dollar, 3.02 yen/baht, and 955.26 won/dollar (8.26 won/yen)/

Taking the above performance forecasts into consideration, the plan is for an end-of-term dividend of 17 yen per share, and for an annual dividend of 34 yen per share, which includes the mid-term dividend.

## **2) Financial Status**

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the current mid-term consolidated accounting period amount to 60,253 million yen, which is an increase of 12,697 million yen in comparison with the end of the previous consolidated accounting period. This is the result of a conversion differential (168 million yen) pertaining to cash and cash equivalents applied to fluctuations in cash flow due to business activity, investment activity, and financial activity.

### **- Cash Flow Due to Business Activity**

The increase in funds due to business activity was 13,239 million yen. This was because the net profits for this mid-term accounting period before adjustment for taxes was 19,458 million yen, and corporate tax payments were 8,641 million yen.

### **- Cash Flow Due to Investment Activity**

The increase in funds due to investment activity was 4,977 million yen. This was because even though there was a decrease in funds due to the acquisition of tangible fixed assets, there was an increase in funds due to repayment of time deposits over 3 months and recovery of short-term loans to affiliates.

### **- Cash Flow Due to Financial Activity**

The decrease in funds due to financial activity was 5,687 million yen. This was due to the payment of dividends and the acquisition of treasury stock, as well as the repayment of short-term loans by YK Steel Corporation.

### Cash Flow Index Trends

	Period Ending September 2004	Period Ending March 2005	Period Ending September 2005	Period Ending March 2006	Period Ending September 2006
Stockholders' Equity Ratio	72.1%	74.3%	73.3%	71.9%	74.6%
Stockholders' Equity Ratio on Market Price Basis	78.9%	64.5%	77.0%	96.4%	93.5%

Stockholders' Equity Ratio:  $\text{Stockholders' equity} / \text{Total assets}$

Stockholders' Equity Ratio on Market Price Basis:  $\text{Total value of stock at market price} / \text{Total assets}$

Note 1: Both of these indices are computed from financial figures on a consolidated basis.

Note 2: The total value of stock at market price is computed by multiplying the final market price at the end of the accounting period by the number of shares issued at the end of the accounting period (after deducting treasury stock).

### 3) Business Risks

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

#### **- Latent Risks in Doing Business Overseas**

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

#### **- Exchange Rate Fluctuations**

In our group, the performance of subsidiaries greatly affects consolidated business results. Since figures in the consolidated financial statements are converted to yen from the local currencies, the financial standing can be affected by the exchange rate. Also, foreign currency holdings make up a high percentage of the group's cash and savings. Generally, the yen is strong vis-à-vis other currencies, so a lower yen would be better for our Company.

#### **- Fluctuations in Sales Prices and Scrap Prices**

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

**YAMATO KOGYO CO., LTD.**  
**AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**September 30, 2006 and 2005**

**In Japanese Yen**

			(In millions of Japanese Yen)	
			2006	2005
<b>Current assets</b>	<b>2006</b>	<b>2005</b>		
Cash and deposits at banks	¥65,548	¥38,140	<b>Current liabilities</b>	
Trade notes and accounts receivable	28,856	29,068	Trade notes and accounts payable	¥11,131
Inventories	9,960	9,691	Short-term loans payable	5,262
Others	2,601	4,480	Income taxes payable	1,715
Allowance for doubtful accounts	(15)	(25)	Others	6,853
Total current assets	<u>106,951</u>	<u>81,355</u>	Total current liabilities	<u>24,962</u>
<b>Property, plant and equipment, net</b>			Long-term loans payable	2,952
Buildings and structures	8,354	8,338	Accrued retirement benefits	2,786
Machinery, equipment and vehicles	12,684	12,008	Deferred income tax liabilities	7,172
Land	18,494	17,349	Others	637
Others	1,185	803	Total liabilities	<u>38,511</u>
Total property, plant and equipment	<u>40,718</u>	<u>38,500</u>	<b>Net assets</b>	
<b>Intangible fixed assets</b>	<b>671</b>	<b>725</b>	Shareholders' equity	
<b>Investments, etc.</b>			Common stock	7,996
Investments in securities	15,005	15,694	Additional paid-in capital	3,438
Investments in capital	27,786	25,326	Retained earnings	126,644
Others	1,112	1,160	Treasury stocks	(1,367)
Allowance for doubtful accounts	(163)	(166)	Total shareholder's equity	<u>136,712</u>
Total investments	<u>43,740</u>	<u>42,014</u>	Valuation and translation adjustments	
<b>Total assets</b>	<b>¥192,081</b>	<b>¥162,596</b>	Unrealized gain on revaluation of securities	3,810
			Translation adjustments	2,855
			Total valuation and translation adjustments	<u>6,666</u>
			Minority shareholders' equity in consolidated subsidiaries	10,191
			Total net assets	<u>153,569</u>
			<b>Total liabilities and net assets</b>	<b>¥192,081</b>

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

			(In thousands of U.S. Dollars)	
			2006	2005
<b>Current assets</b>	<b>2006</b>	<b>2005</b>		
Cash and deposits at banks	\$556,016	\$323,528	<b>Current liabilities</b>	
Trade notes and accounts receivable	244,777	246,572	Trade notes and accounts payable	\$94,423
Inventories	84,485	82,210	Short-term loans payable	44,635
Others	22,063	38,003	Income taxes payable	14,550
Allowance for doubtful accounts	(132)	(214)	Others	58,136
Total current assets	<u>907,210</u>	<u>690,100</u>	Total current liabilities	<u>211,747</u>
<b>Property, plant and equipment, net</b>			Long-term loans payable	25,041
Buildings and structures	70,863	70,729	Accrued retirement benefits	23,634
Machinery, equipment and vehicles	107,595	101,863	Deferred income tax liabilities	60,842
Land	156,876	147,165	Others	5,410
Others	10,057	6,819	Total liabilities	<u>326,676</u>
Total property, plant and equipment	<u>345,392</u>	<u>326,577</u>	<b>Net assets</b>	
<b>Intangible fixed assets</b>	<b>5,696</b>	<b>6,157</b>	Shareholders' equity	
<b>Investments, etc.</b>			Common stock	67,831
Investments in securities	127,281	133,129	Additional paid-in capital	29,170
Investments in capital	235,695	214,831	Retained earnings	1,074,256
Others	9,438	9,841	Treasury stocks	(11,600)
Allowance for doubtful accounts	(1,385)	(1,413)	Total shareholder's equity	<u>1,159,658</u>
Total investments	<u>371,030</u>	<u>356,389</u>	Valuation and translation adjustments	
<b>Total assets</b>	<b>\$1,629,330</b>	<b>\$1,379,225</b>	Unrealized gain on revaluation of securities	32,325
			Translation adjustments	24,224
			Total valuation and translation adjustments	<u>56,550</u>
			Minority shareholders' equity in consolidated subsidiaries	86,445
			Total net assets	<u>1,302,654</u>
			<b>Total liabilities and net assets</b>	<b>\$1,629,330</b>

**Notes:**

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥117.89 = \$ 1 as of September 30, 2006.

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, 2006 and 2005**

**In Japanese Yen**

(In millions of Japanese Yen)

	<u>2006</u>	<u>2005</u>
Sales	¥ 50,443	¥ 48,628
Cost of goods sold	41,180	37,350
Operating expenses	4,213	3,458
Operating income	5,050	7,819
Non operating revenues	14,166	8,050
Non operating expenses	245	253
Ordinary income	18,970	15,616
Special gains	532	5
Special losses	45	43
Income before taxes	19,458	15,578
Income taxes		
Current	7,011	4,398
Deferred	(610)	840
Total income taxes	6,400	5,239
Minority stockholders' interest	591	997
Net income	¥ 12,465	¥ 9,341

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

(In thousands of U.S. Dollars)

	<u>2006</u>	<u>2005</u>
Sales	\$ 427,887	\$ 412,489
Cost of goods sold	349,309	316,823
Operating expenses	35,736	29,336
Operating income	42,841	66,329
Non operating revenues	120,163	68,284
Non operating expenses	2,086	2,148
Ordinary income	160,918	132,466
Special gains	4,518	47
Special losses	385	372
Income before taxes	165,052	132,141
Income taxes		
Current	59,471	37,310
Deferred	(5,177)	7,131
Total income taxes	54,293	44,442
Minority stockholders' interest	5,019	8,457
Net income	\$ 105,738	\$ 79,241

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥ 117.89 = \$ 1 as of September 30, 2006.
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 STATEMENT OF CHANGES IN NET ASSETS**  
**For the Six-Month Period Ended September 30, 2006**

(In millions of Japanese Yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stocks	
<b>Balance at March 31, 2006</b>	¥7,996	¥3,438	¥115,352	(¥885)	¥125,902
Cash dividends paid			(1,094)		(1,094)
Bonus to directors			(79)		(79)
Net income			12,465		12,465
Purchase of treasury stocks				(482)	(482)
Others					-
<b>Total</b>	-	-	11,291	(482)	10,809
<b>Balance at September 30, 2006</b>	¥7,996	¥3,438	¥126,644	(¥1,367)	¥136,712

	Valuation and translation adjustments			Minority shareholders' equity in consolidated subsidiaries	Total net assets
	Unrealized gain on revaluation of securities	Translation adjustments	Total valuation and translation adjustments		
<b>Balance at March 31, 2006</b>	¥3,925	¥2,603	¥6,529	¥9,306	¥141,738
Cash dividends paid			-		(1,094)
Bonus to directors			-		(79)
Net income			-		12,465
Purchase of treasury stocks			-		(482)
Others	(114)	252	137	884	1,022
<b>Total</b>	(114)	252	137	884	11,831
<b>Balance at September 30, 2006</b>	¥3,810	¥2,855	¥6,666	¥10,191	¥153,569

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

(In thousands of U.S. Dollars)

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stocks	
<b>Balance at March 31, 2006</b>	\$67,831	\$29,170	\$978,474	(\$7,510)	\$1,067,966
Cash dividends paid			(9,280)		(9,280)
Bonus to directors			(676)		(676)
Net income			105,738		105,738
Purchase of treasury stocks				(4,089)	(4,089)
Others					-
<b>Total</b>	-	-	95,782	(4,089)	91,692
<b>Balance at September 30, 2006</b>	\$67,831	\$29,170	\$1,074,256	(\$11,600)	\$1,159,658

	Valuation and translation adjustments			Minority shareholders' equity in consolidated subsidiaries	Total net assets
	Unrealized gain on revaluation of securities	Translation adjustments	Total valuation and translation adjustments		
<b>Balance at March 31, 2006</b>	\$33,300	\$22,082	\$55,382	\$78,943	\$1,202,292
Cash dividends paid			-		(9,280)
Bonus to directors			-		(676)
Net income			-		105,738
Purchase of treasury stocks			-		(4,089)
Others	(975)	2,142	1,167	7,502	8,669
<b>Total</b>	(975)	2,142	1,167	7,502	100,362
<b>Balance at September 30, 2006</b>	\$32,325	\$24,224	\$56,550	\$86,445	\$1,302,654

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥117.89 = \$ 1 as of September 30, 2006.
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 STATEMENT OF CASH FLOWS**  
**For The Six Months Period Ended September 30, 2006**

**Cash flows from operating activities**

	In millions of Japanese Yen	In thousands of U.S.Dollars
Income before taxes	¥19,458	\$165,052
Depreciation and amortization	1,775	15,062
Interest and dividends	(981)	(8,327)
Interest expenses	236	2,005
Equity in earnings of affiliated companies	(12,344)	(104,715)
Increase in receivable	(2,035)	(17,262)
Decrease in inventories	525	4,456
Increase in payable	1,132	9,603
Others	(213)	(1,809)
	<b>7,552</b>	<b>64,064</b>
Interest and dividends received	14,586	123,727
Interest paid	(258)	(2,191)
Income taxes paid	(8,641)	(73,298)
<b>Net cash provided by operating activities</b>	<b>13,239</b>	<b>112,301</b>
<b>Cash flows from investing activities</b>		
Payment for time deposits	(5,204)	(44,148)
Proceeds from time deposits	9,381	79,575
Proceeds from loans receivable	2,404	20,399
Purchase of fixed assets	(2,099)	(17,808)
Others	495	4,202
<b>Net cash provided by investing activities</b>	<b>4,977</b>	<b>42,220</b>
<b>Cash flows from financing activities</b>		
Purchase of treasury stocks	(482)	(4,089)
Repayment of short-term loans	(4,111)	(34,878)
Proceeds from long-term loans	2,897	24,581
Repayment of long-term loans	(2,897)	(24,581)
Dividends paid	(1,093)	(9,276)
<b>Net cash used in financing activities</b>	<b>(5,687)</b>	<b>(48,244)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>168</b>	<b>1,430</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,697</b>	<b>107,708</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>47,556</b>	<b>403,393</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥60,253</b>	<b>\$511,101</b>

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥117.89 = \$ 1 as of September 30, 2006.
2. All figures are prepared under accounting principles generally accepted in Japan.
3. All figures are rounded down to the nearest millions of Japanese Yen or thousands of U.S.Dollars.

## Situation of Issue Shares

The situation of shares in this fiscal year is as outlined below.  
(As of September 30, 2006)

(1) Total number of shares to be issued.....	171,257,770
Total number of shares issued .....	73,100,000
Total number of shares holders .....	6,188

(2) Distribution of shares (by holder)

Kind of holder	No. of persons	No. of stocks held	Ratio of stocks held
Banking facilities	55	18,115,940	24.78
Security companies	35	898,221	1.23
Other corporations	119	18,246,745	24.96
Foreign corporations	148	18,801,592	25.72
(Individual foreigners among the foreign corporations)	(2)	(4,000)	(0.01)
Individual persons and others	5,831	17,037,502	23.31
<b>Total</b>	<b>6,188</b>	<b>73,100,000</b>	<b>100.00</b>

(3) Dividends

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

2006	2006	2005	2005	2004
Sep.	Mar.	Sep.	Mar.	Sep.
17	16	15	15	10

(Unit : Japanese Yen)

## Board of Directors

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



**YAMATO KOGYO CO., LTD.**

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

Phone: Japan (81), Himeji (079) 273-1061 Fax: Japan (81), Himeji (079) 273-9337