

SEMI-ANNUAL REPORT 2017

SEPTEMBER 30, 2017

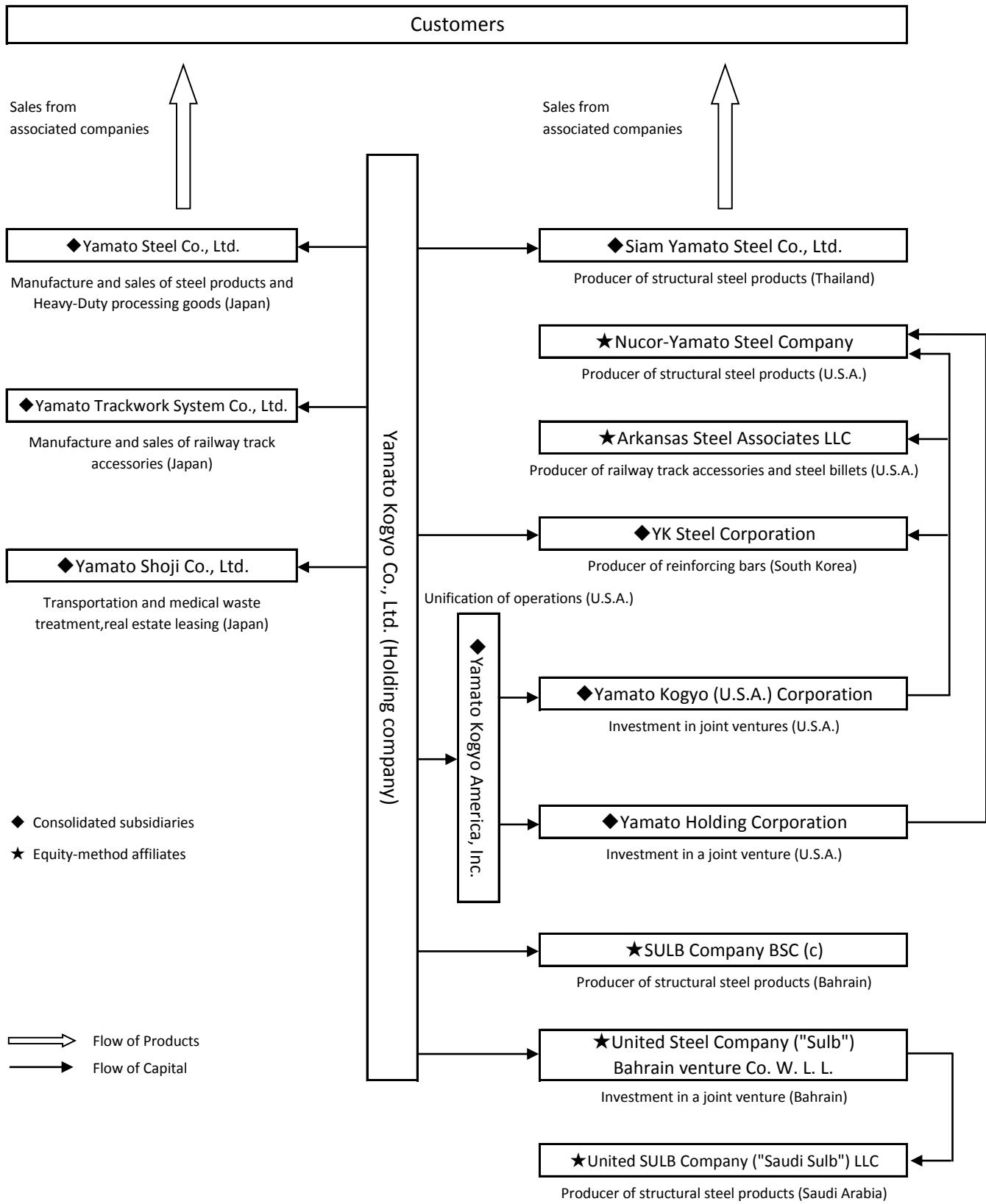
YAMATO KOGYO CO., LTD.

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Corporate Structure and Affiliates

As of September 30, 2017



* We have stakes in 1 non-consolidated subsidiary not accounted for by the equity method and 3 affiliates not accounted for by the equity method, however these have been omitted as they are immaterial.

YAMATO KOGYO CO., LTD.
OPERATING RESULTS FOR THE SIX-MONTH PERIOD
ENDED SEPTEMBER 30, 2017

1. Business Performance and Financial Status

(1) Business Performance

① Status During the Current Mid-Term Consolidated Accounting Period

The business environment for Yamato Kogyo Group (the Group) during the current mid-term consolidated accounting period saw that amid generally sluggish steel demand metal scrap prices turned upward after having been in a calm down, followed by subsidiary materials including electrodes that began to be affected by rising prices. In addition, exports of low-price finished and semi-finished steel products from China, although there was a slight decrease in exports from China and increase in prices of finished and semi-finished steel products, have a substantial impact on the performance of our group, which relies heavily on overseas market.

In the domestic market, we are beginning to see some signs of improvement in future demand and in such circumstances we have continued our efforts to produce and sell according to actual demand. In addition, sales of stern frames and other products for shipbuilders continued to be sluggish in terms of both quantity and price as shipbuilders are seeing a drop in new orders because of a downturn in the international shipping market.

In South Korea and Thailand, where we have consolidated subsidiaries, and in the United States, the Kingdom of Bahrain and the Kingdom of Saudi Arabia, where we have affiliated companies with equity method applied, the business performance between January and June of 2017 was reflected in the current mid-term accounting period.

YK Steel Corporation in South Korea saw reinforcing bar demand, which expanded from June 2015 in the construction of apartments in the country, has been continued with some fluctuation in the current first half. However, it remains uncertain whether the existing demand will continue in the future as the South Korean government implemented some regulations and restrictions on real estate transactions, including the introduction of caps on households' outstanding debts, since the government worries about increasing household liabilities.

Siam Yamato Steel Co., Ltd. in Thailand posted significantly decreased profit as compared with the same period in the previous year because of unprofitable selling prices amid slack construction demand in the private sector, in the circumstance which some signs of demand picking up for public investments as a result of the economic stimulus measure implemented by the government.

Our U.S. affiliates that are accounted for by the equity method have successfully earned a certain level of profit although they have not enjoyed strong demand and have been negatively affected by low-price import products.

SULB Company BSC (c), a company in Bahrain, which is accounted for by the equity method, has not seen any recovery in demand for structural steel because of dropping oil prices and sluggish public investments in the Middle East resulting from OPEC's production cuts. At the same time SULB has seen its operating cost increase because of virtually increased cost of gas, electricity and other public utilities in Gulf countries as the result of a cut made in government subsidies forced by a revenue decrease resulting from oil price drops. The continuing inflow of low-price finished steel products from China and some other countries has been causing SULB to go through very difficult situations.

As a result of the above, sales for the current mid-term consolidated accounting period were 84,315 million yen(an increase of 12,361 million yen in comparison with the same period in the previous year), operating income was 4,506 million yen(a decrease of 2,394 million yen in comparison with the same period in the previous year), ordinary income was 10,624 million yen(a decrease of 2,147 million yen in comparison with the same period in the previous year), and profit attributable to owners of parent was 6,475 million yen(a decrease of 662 million yen in comparison with the same period in the previous year),which includes our U.S. subsidiary recording in the second quarter 528 million yen worth of refund of income taxes (tax benefit)

Please note that the exchange rates, used to convert profits and losses in financial statements of overseas subsidiaries and affiliates, are as follows:

(Each company's accounting period is from January to June, 2017)

Average rate: 112.12 yen/U.S. dollar, 3.25yen/baht, and 10.19won/yen

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

(Each company's accounting period is from January to June, 2016)

Average rate: 111.81 yen/U.S. dollar, 3.15 yen/baht, and 10.57 won/yen

We report the business results of the segment as follows:

● Steel (Japan)

In the domestic market, we are beginning to see some signs of improvement in future demand and in such circumstances we have continued our efforts to produce and sell according to actual demand. In addition, sales of stern frames and other products for shipbuilders continued to be sluggish in terms of both quantity and price as shipbuilders are seeing a drop in new orders because of a downturn in the international shipping market. As a result, sales were 22,197 million yen (an increase of 3,290 million yen in comparison with the same period in the previous year), the operating income was 1,914 million yen (a decrease of 275 million yen in comparison with the same period in the previous year).

● Steel (South Korea)

It saw reinforcing bar demand, which expanded from June 2015 in the construction of apartments in the country, has been continued with some fluctuation in the current first half. However, it remains uncertain whether the existing demand will continue in the future as the South Korean government implemented some regulations and restrictions on real estate transactions, including the introduction of caps on households' outstanding debts, since the government worries about increasing household liabilities.

As a result, sales were 28,390 million yen (an increase of 7,810 million yen in comparison with the same period in the previous year), the operating income was 1,391 million yen (an increase of 239 million yen in comparison with the same period in the previous year).

● Steel (Thailand)

It posted significantly decreased profit as compared with the year-ago period because of unprofitable selling prices amid slack construction demand in the private sector, in the circumstance which some signs of demand picking up for public investments as a result of the economic stimulus measure implemented by the government.

As a result, sales were 31,880 million yen (an increase of 1,979 million yen in comparison with the same period in the previous year), the operating income was 2,103 million yen (a decrease of 1,973 million yen in comparison with the same period in the previous year).

● Railway Track Accessories

Sales were 1,688 million yen (a decrease of 739 million yen in comparison with the same period in the previous year), and the operating loss was 55 million yen (the operating income of 222 million yen was posted during the same period in the previous year).

● Other Business Sectors

Other sales were 159 million yen, (an increase of 20 million yen in comparison with the same period in the previous year) and operating income was 1 million yen (the operating loss of 5 million yen was posted during the same period in the previous year).

② Future Outlook

China's steel exports appear to have calmed down in the latest months but its steel production continues to be at a high level. In our view, there has essentially been no change in the situation where China's excessive steel production capacity remains a factor that exerts pressure on the world's steel industry. Some regions of the world are significantly affected by China's exports of steel products, a situation that continues to greatly affect our group that is engaged in global business operations. If in addition to the above situation oil prices continue to be in a slump it will remain a substantial negative factor for steel demand in the Middle East.

With respect to consolidated earnings forecast for the full fiscal year ending March 2018, in light of our earnings to the 2nd quarter, forecasts made by each of our subsidiaries and affiliates, and product prices modified because of soaring metal scrap prices, we revised our previously announced forecast numbers (announced on July 31, 2017) to ¥170,000 million of sales (up by ¥10,000 million from the previous projection), to ¥8,000 million of operating income (unchanged from the previous projection), to ¥17,000 million of ordinary income (unchanged from the previous projection), and to net income of ¥9,000 million attributable to the parent company (up by ¥500 million).

Please note that for the January-December 2017 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)

110.10 yen/U.S. dollar, 3.25 yen/baht, and 10.27 won/yen.

We applied the following exchange rates for translating the year-end (meaning the end of December 2017 for overseas subsidiaries and affiliates and the end of March 2018 for domestic subsidiaries and affiliates) assets and liabilities of each subsidiary and affiliate:

(End of period rates)

¥105.00 yen/U.S. dollar, ¥3.16 yen/baht, and 10.67 won/yen.

(2) Analysis of Financial Status

Total assets at the end of the current mid-term consolidated accounting period were 351,087 million yen, an increase of 2,136 million yen in comparison with the end of the previous consolidated fiscal year.

Liabilities were 42,200 million yen, an increase of 2,447 million yen in comparison with the end of the previous consolidated fiscal year. This was primarily due to increase of notes and accounts payable-trade.

Also, net assets were 308,886 million yen, a decrease of 311 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, decrease by the payment of dividends and a decrease of 5,857 million yen in foreign currency translation adjustment.

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 accounting period.

(The end of first fiscal half for each overseas company is end of June 2017)

112.00 yen/U.S. dollar, 3.30 yen/baht, and 10.18 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 2016)

116.53 yen/U.S. dollar, 3.25 yen/baht, and 10.37 won/yen

(Cash Flows from Operating Activities)

The increase in funds from operating activities was 10,970 million yen, primarily due to factors such as the income before income taxes, and cash dividend from affiliated companies in U.S. with equity method applied.

(Cash Flows from Investing Activities)

The decrease in funds from investing activities was 10,802 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 2,237 million yen, primarily due to payment of dividend.

With the addition of △26 million yen, in effect of exchange rate changes on cash and cash equivalents, the balance of cash and cash equivalents at the end of the current consolidated accounting period was 28,602 million yen, which is a decrease of 2,095 million yen in comparison with the end of the previous year.

(3) Basic Policy Regarding Profit Allocation and Dividends for the Current Fiscal Year

We believe that the dividend shall be determined in view of the Group's consolidated performance, financial situation, and development of future policies based on internal reserves.

Regarding the dividend for the current fiscal year, the plan is for an annual dividend of 50 yen per share, with interim dividend of 25 yen per share, and the end-of-term dividend of 25 yen per share.

(4) 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 Latent Risks in Doing Business Overseas

The Group's manufacturing and sales activities are not only in Japan, but also in the U.S., Thailand, South Korea, Kingdom of Bahrain, Kingdom of Saudi Arabia, 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.

② Exchange Rate Fluctuations

The Group is developing global operations which target world markets, thus 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, 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.

③ 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. These market prices can be greatly affected by the external environment, and first and foremost, the domestic and foreign economic situation.

China's high-level exports of finished and semi-finished steel products are causing a slump in the global steel product market, substantially affecting our group's business across the world. We will carefully keep watching how China will continue to supply steel products in the months to come.

④ 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.

⑤ Risk of our Middle East Business

We are engaged in global business operations targeting the world market. After establishing business bases in the United States, Thailand and South Korea, in 2007 we decided to move into the Middle East in expectation of increasing demand for structural steel. 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 B.S.C. At SULB, we built a DRI-based integrated mill for production and sales principally of H-shaped steel. In 2011, we acquired the assets of a Saudi Arabian steelmaker via a special purpose company and established United SULB Company ("Saudi Sulp") LLC (hereinafter referred to as "Saudi Sulp"). Thus, we have pushed ahead with business in the Middle East.

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

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

2. Management Policy

(1) Basic Business Policy

We have served as a responsible member of the business community and strive to manufacture high quality and high 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) 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.

(3) Medium- and Long-term Corporate Business Strategy, and Challenges Facing the Company

In the business areas in which the Group deals, we anticipate increasingly vigorous competition with both foreign and domestic manufacturers in the future. Under such a tough business environment, we will aim to improve productivity and reduce costs by renewing and expanding manufacturing facilities at our operations in Japan and overseas, so as to achieve greater profitability as a manufacturing group. Furthermore, we are holding technical conferences among the steel manufacturing companies in our group, exchanging information and striving to raise the level of our technology.

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

YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2017 and March 31, 2017

In Japanese Yen

(In millions of Japanese Yen)

| | Mar-17 | Sep-17 | | Mar-17 | Sep-17 |
|---|-----------------|-----------------|---|-----------------|-----------------|
| Assets | | | Liabilities | | |
| Current assets | | | Current liabilities | | |
| Cash and deposits | ¥110,620 | ¥110,097 | Notes and accounts payable-trade | ¥11,823 | ¥13,135 |
| Notes and accounts receivable-trade | 23,234 | 28,413 | Income taxes payable | 652 | 632 |
| Short-term investment securities | 4,500 | 12,000 | Provision for bonuses | 501 | 698 |
| Merchandise and finished goods | 11,143 | 11,916 | Other | 9,364 | 9,639 |
| Work in process | 379 | 375 | Total current liabilities | 22,341 | 24,105 |
| Raw materials and supplies | 16,853 | 17,999 | | | |
| Other | 2,728 | 2,979 | | | |
| Allowance for doubtful accounts | (15) | (17) | Noncurrent liabilities | | |
| Total current assets | 169,444 | 183,764 | Deferred tax liabilities | 12,907 | 13,438 |
| Noncurrent assets | | | Provision for directors' retirement benefits | 1,536 | 24 |
| Property, plant and equipment | | | Net defined benefit liability | 2,899 | 3,096 |
| Buildings and structures, net | 12,793 | 12,651 | Other | 69 | 1,535 |
| Machinery, equipment and vehicles, net | 27,408 | 27,529 | Total noncurrent liabilities | 17,411 | 18,094 |
| Land | 16,302 | 16,517 | | | |
| Construction in progress | 3,092 | 3,761 | | | |
| Other, net | 271 | 281 | Total liabilities | 39,752 | 42,200 |
| Total property, plant and equipment | 59,868 | 60,741 | | | |
| Intangible assets | | | Net assets | | |
| Goodwill | 899 | 719 | Shareholders' equity | | |
| Other | 363 | 374 | Capital stock | 7,996 | 7,996 |
| Total intangible assets | 1,262 | 1,094 | Retained earnings | 259,909 | 264,723 |
| Investments and other assets | | | Treasury stock | (307) | (307) |
| Investments securities | 40,848 | 38,630 | Total shareholders' equity | 267,598 | 272,412 |
| Investments in capital | 51,915 | 45,792 | | | |
| Long-term loans receivable from subsidiaries and associates | 10,499 | 17,392 | Accumulated other comprehensive income | | |
| Long-term time deposits | 11,746 | - | Valuation difference on available-for-sale securities | 4,019 | 4,437 |
| Net defined benefit asset | 2,327 | 2,329 | Foreign currency translation adjustment | 17,501 | 11,644 |
| Other | 1,266 | 1,568 | Remeasurements of defined benefit plans | 21 | 12 |
| Allowance for doubtful accounts | (226) | (226) | Total accumulated other comprehensive income | 21,542 | 16,095 |
| Total investments and other assets | 118,376 | 105,487 | Non-controlling interests | 20,056 | 20,379 |
| Total noncurrent assets | 179,506 | 167,322 | Total net assets | 309,198 | 308,886 |
| Total assets | ¥348,951 | ¥351,087 | Total liabilities and net assets | ¥348,951 | ¥351,087 |

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

(In thousands of U.S. Dollars)

| | Mar-17 | Sep-17 | | Mar-17 | Sep-17 |
|---|--------------------|--------------------|---|--------------------|--------------------|
| Assets | | | Liabilities | | |
| Current assets | | | Current liabilities | | |
| Cash and deposits | \$981,200 | \$976,558 | Notes and accounts payable-trade | \$104,873 | \$116,510 |
| Notes and accounts receivable-trade | 206,091 | 252,029 | Income taxes payable | 5,786 | 5,606 |
| Short-term investment securities | 39,914 | 106,439 | Provision for bonuses | 4,446 | 6,191 |
| Merchandise and finished goods | 98,839 | 105,699 | Other | 83,058 | 85,505 |
| Work in process | 3,363 | 3,328 | Total current liabilities | 198,164 | 213,814 |
| Raw materials and supplies | 149,492 | 159,655 | | | |
| Other | 24,200 | 26,431 | Noncurrent liabilities | | |
| Allowance for doubtful accounts | (137) | (156) | Deferred tax liabilities | 114,486 | 119,203 |
| Total current assets | 1,502,966 | 1,629,986 | Provision for directors' retirement benefits | 13,626 | 215 |
| Noncurrent assets | | | Net defined benefit liability | 25,717 | 27,465 |
| Property, plant and equipment | | | Other | 612 | 13,617 |
| Buildings and structures, net | 113,481 | 112,219 | Total noncurrent liabilities | 154,442 | 160,501 |
| Machinery, equipment and vehicles, net | 243,108 | 244,188 | | | |
| Land | 144,603 | 146,507 | Total liabilities | 352,607 | 374,315 |
| Construction in progress | 27,427 | 33,360 | | | |
| Other, net | 2,408 | 2,498 | Net assets | | |
| Total property, plant and equipment | 531,028 | 538,775 | Shareholders' equity | | |
| Intangible assets | | | Capital stock | 70,930 | 70,930 |
| Goodwill | 7,975 | 6,380 | Retained earnings | 2,305,386 | 2,348,089 |
| Other | 3,220 | 3,323 | Treasury stock | (2,726) | (2,731) |
| Total intangible assets | 11,195 | 9,703 | Total shareholders' equity | 2,373,589 | 2,416,288 |
| Investments and other assets | | | Accumulated other comprehensive income | | |
| Investments securities | 362,322 | 342,649 | Valuation difference on available-for-sale securities | 35,655 | 39,364 |
| Investments in capital | 460,490 | 406,181 | Foreign currency translation adjustment | 155,241 | 103,287 |
| Long-term loans receivable from subsidiaries and associates | 93,128 | 154,267 | Remeasurements of defined benefit plans | 186 | 110 |
| Long-term time deposits | 104,188 | - | Total accumulated other comprehensive income | 191,083 | 142,763 |
| Net defined benefit asset | 20,644 | 20,666 | | | |
| Other | 11,230 | 13,912 | Non-controlling interests | 177,903 | 180,765 |
| Allowance for doubtful accounts | (2,011) | (2,011) | Total net assets | 2,742,577 | 2,739,816 |
| Total investments and other assets | 1,049,993 | 935,666 | Total liabilities and net assets | \$3,095,184 | \$3,114,132 |
| Total noncurrent assets | 1,592,218 | 1,484,146 | | | |
| Total assets | \$3,095,184 | \$3,114,132 | | | |

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of

¥112.74 = \$1 as of September 30, 2017.

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-Month Period Ended September 30, 2017 and 2016

In Japanese Yen

(In millions of Japanese Yen)

| | Sep-16 | Sep-17 |
|--|---------|---------|
| Net sales | ¥71,954 | ¥84,315 |
| Cost of sales | 58,427 | 72,780 |
| Selling, general and administrative expenses | 6,625 | 7,028 |
| Operating income | 6,901 | 4,506 |
| Non-operating income | 6,650 | 6,156 |
| Non-operating expenses | 780 | 38 |
| Ordinary income | 12,772 | 10,624 |
| Extraordinary income | 8 | 22 |
| Extraordinary loss | 22 | 28 |
| Income before income taxes | 12,758 | 10,618 |
| Income taxes | | |
| Income taxes-current | 4,458 | 3,710 |
| Refund of income taxes | - | (528) |
| Income taxes-deferred | (117) | 364 |
| Total income taxes | 4,341 | 3,545 |
| Profit | 8,417 | 7,072 |
| Profit attributable to non-controlling interests | 1,278 | 596 |
| Profit attributable to owners of parent | ¥7,138 | ¥6,475 |

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

(In thousands of U.S. Dollars)

| | Sep-16 | Sep-17 |
|--|-----------|-----------|
| Net sales | \$638,235 | \$747,878 |
| Cost of sales | 518,245 | 645,560 |
| Selling, general and administrative expenses | 58,770 | 62,341 |
| Operating income | 61,219 | 39,975 |
| Non-operating income | 58,987 | 54,605 |
| Non-operating expenses | 6,919 | 342 |
| Ordinary income | 113,287 | 94,238 |
| Extraordinary income | 78 | 195 |
| Extraordinary loss | 196 | 249 |
| Income before income taxes | 113,169 | 94,183 |
| Income taxes | | |
| Income taxes-current | 39,547 | 32,913 |
| Refund of income taxes | - | (4,690) |
| Income taxes-deferred | (1,037) | 3,229 |
| Total income taxes | 38,509 | 31,452 |
| Profit | 74,659 | 62,731 |
| Profit attributable to non-controlling interests | 11,338 | 5,290 |
| Profit attributable to owners of parent | \$63,321 | \$57,441 |

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥ 112.74 = \$1 as of September 30, 2017.
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.
4. In Sep-16, one of affiliates changed its accounting method for valuing certain inventories. All periods presented in the above table reflect this change in accounting principle.

YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Six-Month Period Ended September 30, 2017 and 2016

In Japanese Yen

| | (In millions of Japanese Yen) | |
|---|-------------------------------|---------|
| | Sep-16 | Sep-17 |
| Profit | ¥8,417 | ¥7,072 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (315) | 418 |
| Foreign currency translation adjustment | (23,444) | (2,282) |
| Remeasurements of defined benefit plans | (2) | (8) |
| Share of other comprehensive income of entities accounted for using equity method | (13,110) | (3,277) |
| Total other comprehensive income | (36,872) | (5,150) |
| Comprehensive income | (¥28,455) | ¥1,921 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | (27,218) | 1,028 |
| Comprehensive income attributable to non-controlling interests | (1,236) | 893 |

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

| | (In thousands of U.S. Dollars) | |
|---|--------------------------------|----------|
| | Sep-16 | Sep-17 |
| Profit | \$74,659 | \$62,731 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (2,795) | 3,713 |
| Foreign currency translation adjustment | (207,948) | (20,244) |
| Remeasurements of defined benefit plans | (26) | (79) |
| Share of other comprehensive income of entities accounted for using equity method | (116,286) | (29,073) |
| Total other comprehensive income | (327,057) | (45,684) |
| Comprehensive income | (\$252,397) | \$17,047 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | (241,429) | 9,121 |
| Comprehensive income attributable to non-controlling interests | (10,967) | 7,925 |

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥112.74 = \$1 as of September 30, 2017.
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.
4. In Sep-16, one of affiliates changed its accounting method for valuing certain inventories.
All periods presented in the above table reflect this change in accounting principle.

YAMATO KOGYO CO., LTD.
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the Six-Month Period Ended September 30, 2017

In Japanese Yen

(In millions of Japanese Yen)

| | Shareholders' equity | | | |
|--|----------------------|-------------------|----------------|----------------------------|
| | Capital stock | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at April 1, 2017 | ¥7,996 | ¥259,909 | (¥307) | ¥267,598 |
| Changes of items during the period | | | | |
| Dividends from surplus | | (1,661) | | (1,661) |
| Profit attributable to owners of parent | | 6,475 | | 6,475 |
| Purchase of treasury stock | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | |
| Total changes of items during the period | - | 4,814 | (0) | 4,813 |
| Balance at September 30, 2017 | 7,996 | 264,723 | (307) | 272,412 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at April 1, 2017 | ¥4,019 | ¥17,501 | ¥21 | ¥21,542 | ¥20,056 | ¥309,198 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | | | | (1,661) |
| Profit attributable to owners of parent | | | | | | 6,475 |
| Purchase of treasury stock | | | | | | (0) |
| Net changes of items other than shareholders' equity | 418 | (5,857) | (8) | (5,447) | 322 | (5,125) |
| Total changes of items during the period | 418 | (5,857) | (8) | (5,447) | 322 | (311) |
| Balance at September 30, 2017 | ¥4,437 | ¥11,644 | ¥12 | ¥16,095 | ¥20,379 | ¥308,886 |

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

(In thousands of U.S. Dollars)

| | Shareholders' equity | | | |
|--|----------------------|-------------------|----------------|----------------------------|
| | Capital stock | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at April 1, 2017 | \$70,930 | \$2,305,386 | (\$2,726) | \$2,373,589 |
| Changes of items during the period | | | | |
| Dividends from surplus | | (14,738) | | (14,738) |
| Profit attributable to owners of parent | | 57,441 | | 57,441 |
| Purchase of treasury stock | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | |
| Total changes of items during the period | - | 42,703 | (0) | 42,698 |
| Balance at September 30, 2017 | 70,930 | 2,348,089 | (2,731) | 2,416,288 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at April 1, 2017 | \$35,655 | \$155,241 | \$186 | \$191,083 | \$177,903 | \$2,742,577 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | | | | (14,738) |
| Profit attributable to owners of parent | | | | | | 57,441 |
| Purchase of treasury stock | | | | | | (0) |
| Net changes of items other than shareholders' equity | 3,709 | (51,953) | (75) | (48,320) | 2,861 | (45,458) |
| Total changes of items during the period | 3,709 | (51,953) | (75) | (48,320) | 2,861 | (2,760) |
| Balance at September 30, 2017 | \$39,364 | \$103,287 | \$110 | \$142,763 | \$180,765 | \$2,739,816 |

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥ 112.74 = \$1 as of September 30, 2017.
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-Month Period Ended September 30, 2017

| | In millions of Japanese Yen | In thousands of U.S. Dollars |
|--|-----------------------------|------------------------------|
| | (Note1) | |
| I . Cash flows from operating activities | | |
| Income before income taxes | ¥10,618 | \$94,183 |
| Depreciation and amortization | 2,885 | 25,593 |
| Interest and dividends income | (1,130) | (10,031) |
| Equity in (earnings) losses of affiliates | (4,143) | (36,756) |
| Decrease (increase) in notes and accounts receivable-trade | (4,987) | (44,235) |
| Decrease (increase) in inventories | (1,591) | (14,113) |
| Increase (decrease) in notes and accounts payable-trade | 1,176 | 10,437 |
| Other, net | 727 | 6,452 |
| Subtotal | 3,554 | 31,528 |
| Interest and dividends income received | 10,622 | 94,224 |
| Income taxes paid | (3,206) | (28,442) |
| Net cash provided by (used in) operating activities | 10,970 | 97,310 |
| II . Cash flows from investment activities | | |
| Payments into time deposits | (10,051) | (89,152) |
| Proceeds from withdrawal of time deposits | 9,456 | 83,881 |
| Purchase of property, plant and equipment | (3,514) | (31,174) |
| Payments of loans receivable from subsidiaries and associates | (6,649) | (58,979) |
| Other, net | (44) | (396) |
| Net cash provided by (used in) investment activities | (10,802) | (95,820) |
| III. Cash flows from financing activities | | |
| Purchase of treasury stock | (0) | (0) |
| Cash dividends paid | (1,660) | (14,726) |
| Dividends paid to non-controlling shareholders | (570) | (5,064) |
| Other, net | (5) | (46) |
| Net cash provided by (used in) financing activities | (2,237) | (19,842) |
| IV. Effect of exchange rate change on cash and cash equivalents | (26) | (236) |
| V . Net decrease(increase) in cash and cash equivalents | (2,095) | (18,588) |
| VI. Cash and cash equivalents at beginning of year | 30,697 | 272,287 |
| VII. Cash and cash equivalents at end of year | ¥28,602 | \$253,698 |

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥ 112.74 = \$1 as of September 30, 2017.
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, 2017)

| | |
|--|-------------|
| (1) Total number of shares authorized to be issued | 171,257,770 |
| Number of shares outstanding | 67,670,000 |
| Total number of shareholders | 2,793 |

(2) Dividends

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

| 2017 | 2017 | 2016 | 2016 | 2015 |
|------|------|------|------|------|
| Sep. | Mar. | Sep. | Mar. | Sep. |
| 25 | 25 | 25 | 25 | 20 |
| 0.22 | 0.22 | 0.22 | 0.22 | 0.18 |

(Unit : Japanese Yen)

(Unit : U.S. Dollar)

Note: U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of
¥ 112.74 = \$1 as of September 30, 2017.

Board of Directors

| (As of September 30, 2017) | | | | | | |
|----------------------------|-----------------|--------------------------|--|--------------------------------|---|--|
| Chairman | President | Senior Managing Director | Managing Directors | Director and Executive Advisor | Directors | Auditors |
| Hiroyuki Inoue | Mikio Kobayashi | Kazumi Kajihara | Takafumi Yoshida Kazuhiro Tsukamoto | Shigeo Kawata | Kengo Nakaya Katsumasa Kohata Motoyoshi Maruyama Damri Tunshevavong Takenosuke Yasufuku Kiyoshige Akamatsu | Hisakazu Fukuhara Kazumi Yonezawa Hisashi Sawada |

Yamato Kogyo Group MISSION



「ものづくり」企業としての誇りとフェアな経営姿勢をベースに、
鉄事業をとおじて、和の精神をもって、
グローバルな事業展開により、新たな価値を創造し、
豊かな社会の実現に貢献します。

Generate unique value and contribute to society
through our global steel business,
based on pride in our manufacturing skill,
fair management, and a spirit of Harmony.



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