

# **SEMI-ANNUAL REPORT 2018**

**SEPTEMBER 30, 2018**

**YAMATO KOGYO CO., LTD.**

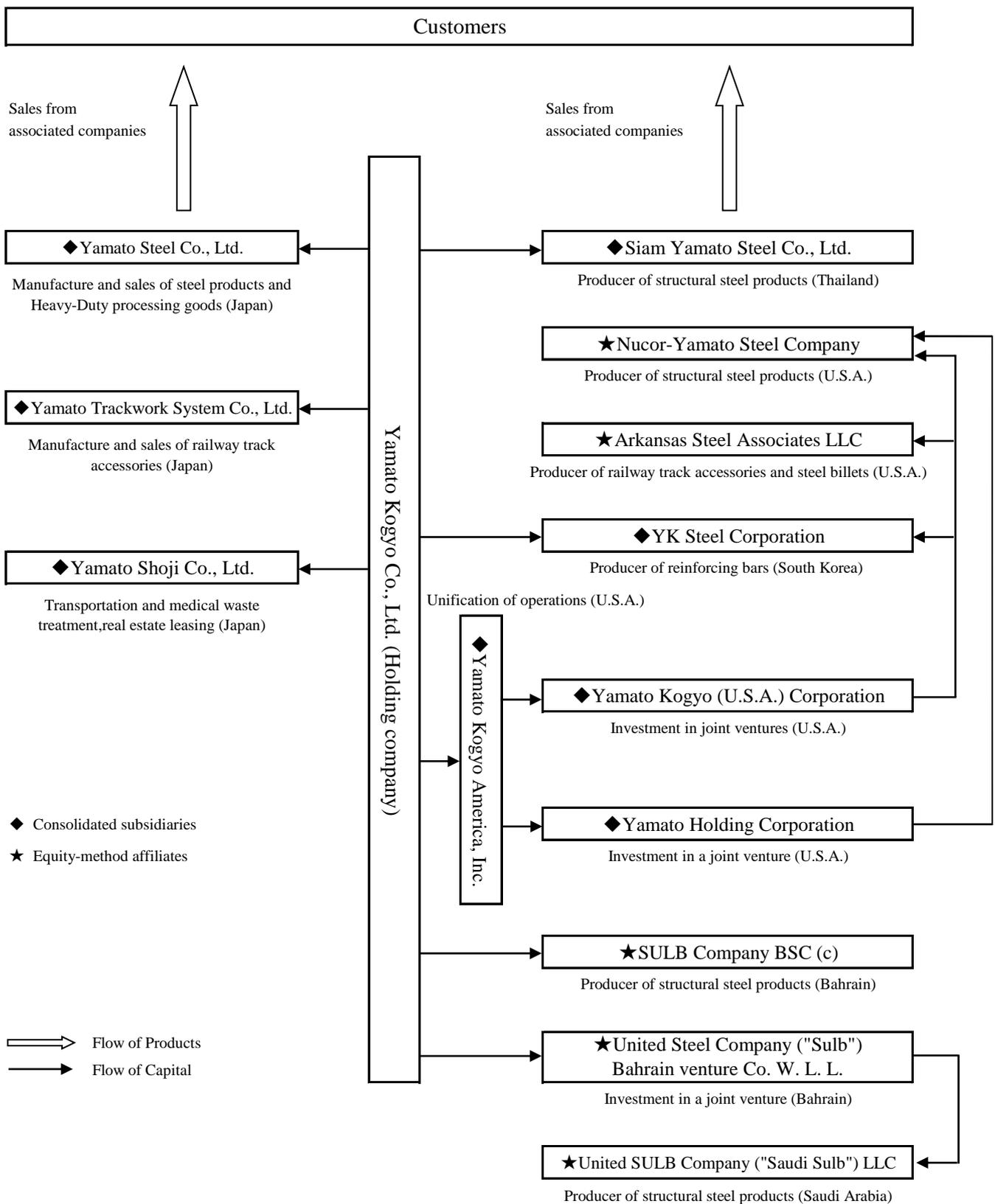
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# Corporate Structure and Affiliates

As of September 30, 2018



**YAMATO KOGYO CO., LTD.**  
**OPERATING RESULTS FOR THE SIX-MONTH PERIOD**  
**ENDED SEPTEMBER 30, 2018**

**1. Business Performance and Financial Status**

**(1) Business Performance**

**① Status During the Current Mid-Term Consolidated Accounting Period**

In the current mid-term consolidated accounting period, Yamato Kogyo Group experienced a business environment in which price of steel scrap (main raw material) were rising gradually. While we tried to raise our steel selling price to make up for the increasing costs, prices of sub-materials such as electrodes have also increased in the same period.

China's exports of low-price finished and semi-finished steel products are slowing down. However, the countries subject to restrictions on steel exports to the United States have begun exporting their low-price finished and semi-finished steel products. Our group companies in the Asian and Middle East regions began to see negative impacts of this movement.

In Japan, demand for steel materials used for construction of warehouse and hotels has been strong, which made up for the sluggishness in the sales of products for ship builders such as stern frames. As a result, we reported increases in both sales and profit compared with the same period in the previous year.

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 2018 was reflected in the current mid-term accounting period.

YK Steel Corporation in South Korea reported a significant decrease in profit compared with the same period in the previous year due to the volumes of received construction work order, apartment building construction, and the residential house sales peaking out in South Korea.

Siam Yamato Steel Co., Ltd. in Thailand, while construction demand in the private sector lacked strength, continues to be supported by pump-priming public investment. In the steel export market, the company began to see negative effects of other countries exporting low-price finished and semi-finished steel products. Despite this situation, the company reported the same level of profit compared with the same period in the previous year.

Concerning our U.S. affiliates that are accounted for by the equity method additional duty was imposed on imports of steel products to the United States under Section 232 of the Trade Expansion Act. As a result, our group companies in the United States began to see positive impacts of this movement. On the other hand, not subject to Section 232 of the Trade Expansion Act, fabricated steel products continue to be imported. We will continue to watch this situation closely.

Concerning SULB Company BSC (c), an equity-method affiliate, in Bahrain, while crude oil prices are becoming stable, demand for structural steel in the Middle Eastern market has yet to gain steam. So, the company is selling intermediate materials such as DRI (direct reduced iron) and semi-finished products to compensate for sluggishness of structural steel. In addition, the company is seeing negative impacts of imports of finished and semi-finished products and their selling price have peaked out in the market.

As a result of the above, sales for the current mid-term consolidated accounting period were 97,813 million yen (an increase of 13,497 million yen in comparison with the same period in the previous year), operating income was 4,524 million yen (an increase of 17 million yen in comparison with the same period in the previous year), ordinary income was 16,332 million yen (an increase of 5,708 million yen in comparison with the same period in the previous year), and profit attributable to owners of parent was 12,396 million yen (an increase of 5,920 million yen in comparison with the same period in the previous year).

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, 2018)

108.52 yen/U.S. dollar, 3.41 yen/baht, and 9.91 won/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, 2017)

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

We report the business results of the segment as follows:

### ● **Steel (Japan)**

In Japan, demand for steel materials used for construction of warehouse and hotels has been strong, which made up for the poor demand from shipbuilders for stern frames and other products. As a result, we posted increases in both sales and profit compared with the same period in the previous year. As a result, sales were 26,504 million yen (an increase of 4,307 million yen in comparison with the same period in the previous year), the operating income was 2,779 million yen (an increase of 864 million yen in comparison with the same period in the previous year).

### ● **Steel (South Korea)**

It reported a significant decrease in income compared with the same period in the previous year, with the amount of received construction work order, the number of apartment building construction, and the number of residential houses for sale showing clear sign of leveling off. As a result, sales were 30,352 million yen (an increase of 1,962 million yen in comparison with the same period in the previous year), the operating income was 138 million yen (a decrease of 1,253 million yen in comparison with the same period in the previous year).

### ● **Steel (Thailand)**

While construction demand in the private sector lacked strength, it continues to be supported by pump-priming public investment. In the steel export market, the company begun to see negative effects of other countries exporting low-price finished and semi-finished steel products. Despite this situation, the company reported the same level of income compared with the same period in the previous year. As a result, sales were 37,180 million yen (an increase of 5,300 million yen in comparison with the same period in the previous year), the operating income was 2,043 million yen (a decrease of 60 million yen in comparison with the same period in the previous year).

### ● **Railway Track Accessories**

Sales were 3,630 million yen (an increase of 1,941 million yen in comparison with the same period in the previous year), and the operating income was 487 million yen (the operating loss of 55 million yen was posted during the same period in the previous year).

### ● **Other Business Sectors**

Other sales were 145 million yen, (a decrease of 14 million yen in comparison with the same period in the previous year) and operating income was 23 million yen (an increase of 21 million yen in comparison with the same period in the previous year).

## ② Future Outlook (as of October 30, 2018)

China is maintaining a high level of steel production, and the country's domestic demand for steel is strong at present. For this reason, the country's excess steel capacity is absorbed by the strong domestic demand and steel exports is decreasing compared with the previous year. However, China is entering a new phase amid some situations, including the intensifying U.S.-China trade friction and the sluggish economic growth rates. Yamato Kogyo Group, which is committed to developing business globally, will continue to keep close watch on China's movement.

Concerning our business in the Middle East, we cannot keep our eye off the recent political issues in the region such as the U.S. economic sanctions against Iran. As such we cannot be optimistic on Middle East business environment.

With respect to consolidated earning forecast for the full fiscal year ending March 2019, we revised our previously announced forecast numbers (announced on July 31, 2018) to 195,000 million yen of sales (up by 5,000 million yen from the previous projection), to 8,000 million yen of operating income (unchanged from the previous projection), to 27,000 million yen of ordinary income (up by 2,000 million yen from the previous projection), and to 19,000 million yen of profit attributable to owners of parent (up by 2,000 million yen from the previous projection) mainly because we expect improvement in the performance of affiliated companies accounted for by the equity method.

Please note that for the January-December 2018 period we applied the exchange rates for translating into Japanese yen revenues generated and costs incurred by our overseas subsidiaries and affiliates on the basis of the following:

(Average rates for the period)

108.48 yen/U.S. dollar, 3.36 yen/baht, and 10.17 won/yen.

We applied the following exchange rates for translating the year-end (meaning the end of December 2018 for overseas subsidiaries and affiliates and the end of March 2019 for domestic subsidiaries and affiliates) assets and liabilities of each subsidiary and affiliate:

(End of period rates)

105.00 yen/U.S. dollar, 3.20 yen/baht, and 10.79 won/yen.

## (2) Analysis of Financial Status

Total assets at the end of the current mid-term consolidated accounting period were 370,098 yen, an increase of 3,014 million yen in comparison with the end of the previous consolidated fiscal year.

Liabilities were 45,906 million yen, a decrease of 1,103 million yen in comparison with the end of the previous consolidated fiscal year. This was due to decrease in notes and accounts payable – trade.

Also, net assets were 324,191 million yen, an increase of 4,118 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 6,919 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 2018)

110.54 yen/U.S. dollar, 3.33 yen/baht, and 10.15 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 2017)

113.05 yen/U.S. dollar, 3.46 yen/baht, and 9.48 won/yen

### **(Cash Flows from Operating Activities)**

The increase in funds from operating activities was 11,387 million yen, primarily due to factors such as the income before income tax, 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 6,643 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 2,284 million yen, due to payment of dividend.

With the addition of  $\Delta 726$  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 24,457 million yen, which is an increase of 1,733 million yen in comparison with the end of the previous year.

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

We believe that 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 Sulb") LLC (hereinafter referred to as "Saudi Sulb"). Thus, we have pushed ahead with business in the Middle East.

SULB entered into commercial production at the end of July 2013, and is now ready for production at full capacity. However, SULB faces quite a tough business environment because of sluggish public investment in the Middle East, inflows of low-priced steel products from China and other countries, increased production costs due to hikes in power, gas and water bills caused by government subsidy cuts in the Gulf countries, 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 Sulb 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.

We intend to stabilize, develop and expand our overseas business furtherly, which is the source of our growth. To achieve this aim, as a manufacturing enterprise, we shall make tireless efforts to strengthen the foundation of our domestic business that is the base of technology and management, sharpen cost competitiveness, stabilize and improve the quality, and improve customer service including delivery. We will also put greater emphasis on human resource education and training to expand overseas business.

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, 2018 and March 31, 2018**

In Japanese Yen

(In millions of Japanese Yen)

	Mar-18	Sep-18		Mar-18	Sep-18
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and deposits	¥117,112	¥99,560	Notes and accounts payable-trade	¥17,575	¥16,394
Notes and accounts receivable-trade	32,678	34,116	Income taxes payable	596	1,382
Short-term investment securities	-	8,395	Provision for bonuses	488	716
Merchandise and finished goods	15,212	15,005	Other	10,728	10,153
Work in process	379	428	<b>Total current liabilities</b>	<b>29,390</b>	<b>28,645</b>
Raw materials and supplies	22,202	19,603			
Other	2,965	2,389	<b>Noncurrent liabilities</b>		
Allowance for doubtful accounts	(19)	(21)	Deferred tax liabilities	11,179	11,472
<b>Total current assets</b>	<b>190,532</b>	<b>179,478</b>	Provision for directors' retirement benefits	25	27
<b>Noncurrent assets</b>			Net defined benefit liability	3,055	2,963
<b>Property, plant and equipment</b>			Other	3,360	2,797
Buildings and structures, net	13,516	13,137	<b>Total noncurrent liabilities</b>	<b>17,620</b>	<b>17,260</b>
Machinery, equipment and vehicles, net	29,438	29,017			
Land	18,280	17,449	<b>Total liabilities</b>	<b>47,010</b>	<b>45,906</b>
Construction in progress	4,455	3,817			
Other, net	329	382	<b>Net assets</b>		
<b>Total property, plant and equipment</b>	<b>66,022</b>	<b>63,805</b>	Shareholders' equity		
<b>Intangible assets</b>			Capital stock	7,996	7,996
Goodwill	539	359	Retained earnings	268,824	279,558
Other	365	424	Treasury stock	(308)	(309)
<b>Total intangible assets</b>	<b>905</b>	<b>784</b>	<b>Total shareholders' equity</b>	<b>276,512</b>	<b>287,246</b>
<b>Investments and other assets</b>			Accumulated other comprehensive income		
Investments securities	42,730	44,974	Valuation difference on available-for-sale securities	4,807	5,926
Investments in capital	47,274	48,466	Foreign currency translation adjustment	16,799	9,879
Long-term loans receivable from subsidiaries and associates	16,931	18,080	Remeasurements of defined benefit plans	(77)	(56)
Long-term time deposits	-	11,298	<b>Total accumulated other comprehensive income</b>	<b>21,528</b>	<b>15,749</b>
Net defined benefit asset	1,096	1,097			
Other	1,833	2,355	<b>Non-controlling interests</b>	22,031	21,195
Allowance for doubtful accounts	(243)	(243)			
<b>Total investments and other assets</b>	<b>109,624</b>	<b>126,030</b>	<b>Total net assets</b>	<b>320,073</b>	<b>324,191</b>
<b>Total noncurrent assets</b>	<b>176,551</b>	<b>190,619</b>			
<b>Total assets</b>	<b>¥367,083</b>	<b>¥370,098</b>	<b>Total liabilities and net assets</b>	<b>¥367,083</b>	<b>¥370,098</b>

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

(In thousands of U.S. Dollars)

	Mar-18	Sep-18		Mar-18	Sep-18
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and deposits	\$1,031,105	\$876,567	Notes and accounts payable-trade	\$154,743	\$144,339
Notes and accounts receivable-trade	287,714	300,375	Income taxes payable	5,255	12,171
Short-term investment securities	-	73,914	Provision for bonuses	4,301	6,306
Merchandise and finished goods	133,937	132,111	Other	94,460	89,392
Work in process	3,339	3,776	<b>Total current liabilities</b>	<b>258,761</b>	<b>252,209</b>
Raw materials and supplies	195,477	172,598			
Other	26,110	21,039	<b>Noncurrent liabilities</b>		
Allowance for doubtful accounts	(170)	(187)	Deferred tax liabilities	98,426	101,009
<b>Total current assets</b>	<b>1,677,514</b>	<b>1,580,196</b>	Provision for directors' retirement benefits	224	240
<b>Noncurrent assets</b>			Net defined benefit liability	26,897	26,087
<b>Property, plant and equipment</b>			Other	29,584	24,630
Buildings and structures, net	119,007	115,670	<b>Total noncurrent liabilities</b>	<b>155,133</b>	<b>151,968</b>
Machinery, equipment and vehicles, net	259,191	255,477			
Land	160,950	153,631	<b>Total liabilities</b>	<b>413,895</b>	<b>404,177</b>
Construction in progress	39,228	33,614			
Other, net	2,904	3,368	<b>Net assets</b>		
<b>Total property, plant and equipment</b>	<b>581,282</b>	<b>561,762</b>	Shareholders' equity		
<b>Intangible assets</b>			Capital stock	70,405	70,405
Goodwill	4,749	3,166	Retained earnings	2,366,828	2,461,338
Other	3,220	3,738	Treasury stock	(2,712)	(2,721)
<b>Total intangible assets</b>	<b>7,970</b>	<b>6,904</b>	<b>Total shareholders' equity</b>	<b>2,434,521</b>	<b>2,529,022</b>
<b>Investments and other assets</b>			Accumulated other comprehensive income		
Investments securities	376,214	395,974	Valuation difference on available-for-sale securities	42,323	52,179
Investments in capital	416,223	426,714	Foreign currency translation adjustment	147,905	86,987
Long-term loans receivable from subsidiaries and associates	149,074	159,191	Remeasurements of defined benefit plans	(681)	(500)
Long-term time deposits	-	99,479	<b>Total accumulated other comprehensive income</b>	<b>189,547</b>	<b>138,665</b>
Net defined benefit asset	9,655	9,658			
Other	16,144	20,738	<b>Non-controlling interests</b>	193,973	186,612
Allowance for doubtful accounts	(2,141)	(2,141)			
<b>Total investments and other assets</b>	<b>965,170</b>	<b>1,109,614</b>	<b>Total net assets</b>	<b>2,818,042</b>	<b>2,854,301</b>
<b>Total noncurrent assets</b>	<b>1,554,422</b>	<b>1,678,282</b>			
<b>Total assets</b>	<b>\$3,231,937</b>	<b>\$3,258,478</b>	<b>Total liabilities and net assets</b>	<b>\$3,231,937</b>	<b>\$3,258,478</b>

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥113.58 = \$1 as of September 30, 2018.
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, 2018 and 2017**

**In Japanese Yen**

(In millions of Japanese Yen)

	Sep-17	Sep-18
Net sales	¥84,315	¥97,813
Cost of sales	72,780	85,722
Selling, general and administrative expenses	7,028	7,566
Operating income	4,506	4,524
Non-operating income	6,156	11,998
Non-operating expenses	38	190
Ordinary income	10,624	16,332
Extraordinary income	22	124
Extraordinary loss	28	10
Income before income taxes	10,618	16,447
Income taxes		
Income taxes-current	3,710	3,492
Refund of income taxes	(528)	-
Income taxes-deferred	364	(47)
Total income taxes	3,545	3,444
Profit	7,072	13,002
Profit attributable to non-controlling interests	596	606
Profit attributable to owners of parent	¥6,475	¥12,396

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

(In thousands of U.S. Dollars)

	Sep-17	Sep-18
Net sales	\$742,347	\$861,184
Cost of sales	640,786	754,728
Selling, general and administrative expenses	61,880	66,622
Operating income	39,680	39,834
Non-operating income	54,201	105,641
Non-operating expenses	340	1,675
Ordinary income	93,541	143,801
Extraordinary income	193	1,097
Extraordinary loss	248	88
Income before income taxes	93,487	144,809
Income taxes		
Income taxes-current	32,669	30,744
Refund of income taxes	(4,656)	-
Income taxes-deferred	3,205	(413)
Total income taxes	31,219	30,330
Profit	62,267	114,478
Profit attributable to non-controlling interests	5,250	5,339
Profit attributable to owners of parent	\$57,016	\$109,139

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥113.58 = \$1 as of September 30, 2018.
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 COMPREHENSIVE INCOME**  
**For the Six-Month Period Ended September 30, 2018 and 2017**

**In Japanese Yen**

	(In millions of Japanese Yen)	
	Sep-17	Sep-18
Profit	¥7,072	¥13,002
Other comprehensive income		
Valuation difference on available-for-sale securities	418	1,119
Foreign currency translation adjustment	(2,282)	(6,098)
Remeasurements of defined benefit plans	(8)	20
Share of other comprehensive income of entities accounted for using equity method	(3,277)	(1,644)
Total other comprehensive income	(5,150)	(6,604)
Comprehensive income	¥1,921	¥6,398
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,028	6,616
Comprehensive income attributable to non-controlling interests	893	(218)

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

	(In thousands of U.S. Dollars)	
	Sep-17	Sep-18
Profit	\$62,267	\$114,478
Other comprehensive income		
Valuation difference on available-for-sale securities	3,686	9,853
Foreign currency translation adjustment	(20,095)	(53,696)
Remeasurements of defined benefit plans	(79)	181
Share of other comprehensive income of entities accounted for using equity method	(28,858)	(14,481)
Total other comprehensive income	(45,346)	(58,144)
Comprehensive income	\$16,921	\$56,334
(Breakdown)		
Comprehensive income attributable to owners of the parent	9,054	58,258
Comprehensive income attributable to non-controlling interests	7,867	(1,923)

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥113.58 = \$1 as of September 30, 2018.
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 CHANGES IN NET ASSETS**  
**For the Six-Month Period Ended September 30, 2018**

**In Japanese Yen**

(In millions of Japanese Yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	¥7,996	¥268,824	(¥308)	¥276,512
Changes of items during the period				
Dividends from surplus		(1,661)		(1,661)
Profit attributable to owners of parent		12,396		12,396
Purchase of treasury stock			(1)	(1)
Net changes of items other than shareholders' equity				
Total changes of items during the period	-	10,734	(1)	10,733
Balance at September 30, 2018	7,996	279,558	(309)	287,246

	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, 2018	¥4,807	¥16,799	(¥77)	¥21,528	¥22,031	¥320,073
Changes of items during the period						
Dividends from surplus						(1,661)
Profit attributable to owners of parent						12,396
Purchase of treasury stock						(1)
Net changes of items other than shareholders' equity	1,119	(6,919)	20	(5,779)	(835)	(6,615)
Total changes of items during the period	1,119	(6,919)	20	(5,779)	(835)	4,118
Balance at September 30, 2018	¥5,926	¥9,879	(¥56)	¥15,749	¥21,195	¥324,191

**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, 2018	\$70,405	\$2,366,828	(\$2,712)	\$2,434,521
Changes of items during the period				
Dividends from surplus		(14,629)		(14,629)
Profit attributable to owners of parent		109,139		109,139
Purchase of treasury stock			(9)	(9)
Net changes of items other than shareholders' equity				
Total changes of items during the period	-	94,509	(9)	94,500
Balance at September 30, 2018	70,405	2,461,338	(2,721)	2,529,022

	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, 2018	\$42,323	\$147,905	(\$681)	\$189,547	\$193,973	\$2,818,042
Changes of items during the period						
Dividends from surplus						(14,629)
Profit attributable to owners of parent						109,139
Purchase of treasury stock						(9)
Net changes of items other than shareholders' equity	9,856	(60,918)	180	(50,881)	(7,360)	(58,241)
Total changes of items during the period	9,856	(60,918)	180	(50,881)	(7,360)	36,259
Balance at September 30, 2018	\$52,179	\$86,987	(\$500)	\$138,665	\$186,612	\$2,854,301

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥113.58 = \$1 as of September 30, 2018.
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, 2018**

	In millions of Japanese Yen	In thousands of U.S. Dollars (Note1)
<b>I . Cash flows from operating activities</b>		
Income before income taxes	¥16,447	\$144,809
Depreciation and amortization	3,138	27,628
Interest and dividends income	(1,522)	(13,407)
Equity in (earnings) losses of affiliates	(8,466)	(74,546)
Decrease (increase) in notes and accounts receivable-trade	(2,220)	(19,551)
Decrease (increase) in inventories	1,558	13,721
Increase (decrease) in notes and accounts payable-trade	(555)	(4,891)
Other, net	(764)	(6,727)
Subtotal	7,613	67,033
Interest and dividends income received	6,114	53,833
Income taxes paid	(2,340)	(20,604)
Net cash provided by (used in ) operating activities	11,387	100,262
<b>II . Cash flows from investment activities</b>		
Payments into time deposits	(6,015)	(52,966)
Proceeds from withdrawal of time deposits	3,837	33,786
Purchase of property, plant and equipment	(4,084)	(35,962)
Other, net	(380)	(3,352)
Net cash provided by (used in ) investment activities	(6,643)	(58,494)
<b>III . Cash flows from financing activities</b>		
Purchase of treasury stock	(1)	(9)
Cash dividends paid	(1,660)	(14,620)
Dividends paid to non-controlling shareholders	(617)	(5,436)
Other, net	(5)	(44)
Net cash provided by (used in ) financing activities	(2,284)	(20,111)
IV . Effect of exchange rate change on cash and cash equivalents	(726)	(6,393)
V . Net increase(decrease) in cash and cash equivalents	1,733	15,263
VI . Cash and cash equivalents at beginning of year	22,723	200,068
VII . Cash and cash equivalents at end of year	¥24,457	\$215,331

Notes:

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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, 2018)

(1) Total number of shares authorized to be issued .....	171,257,770
Number of shares outstanding .....	67,670,000
Total number of shareholders .....	2,852

(2) Dividends

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

2018	2018	2017	2017	2016	
Sep.	Mar.	Sep.	Mar.	Sep.	
25	25	25	25	25	(Unit : Japanese Yen)
0.22	0.22	0.22	0.22	0.22	(Unit : U.S. Dollar)

Note: U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of  
¥113.58 = \$1 as of September 30, 2018.

## Board of Directors

(As of September 30, 2018)

Chairman	President	Senior Managing Director	Managing Directors	Directors	Auditors
Hiroyuki Inoue	Mikio Kobayashi	Kazumi Kajihara	Takafumi Yoshida	Kengo Nakaya	Hisakazu Fukuhara
				Katsumasa Kohata	
				Motoyoshi Maruyama	Kazumi Yonezawa
			Damri Tunshavong		
			Kazuhiro Tsukamoto	Takenosuke Yasufuku	
				Kiyoshige Akamatsu	

# 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.



YAMATO KOGYO CO., LTD.

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