

SEMI-ANNUAL REPORT 2019

SEPTEMBER 30, 2019

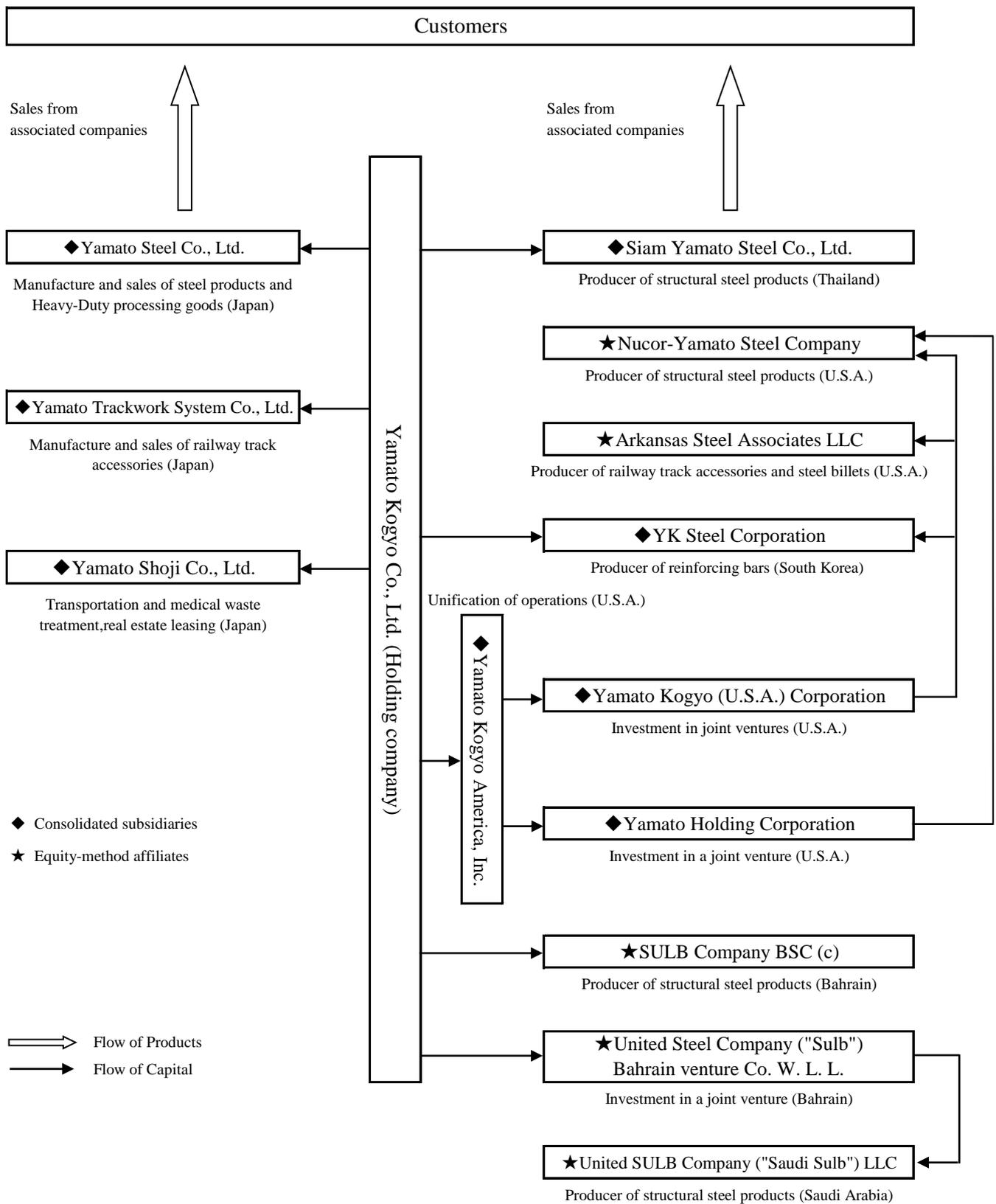
YAMATO KOGYO CO., LTD.

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Corporate Structure and Affiliates

As of September 30, 2019



YAMATO KOGYO CO., LTD.
OPERATING RESULTS FOR THE SIX-MONTH PERIOD
ENDED SEPTEMBER 30, 2019

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 continued to fall and iron ore prices saw a milder decline compared to steel scrap price while demand for steel products lack strength in terms of the volume and price. Declining steel scrap prices are beneficial to electric furnace steel producers, which use steel scrap as the main raw material, but also invite conservative purchase by those who expect the prices of steel products to go down. In some regions where our Group does business, conservative purchase was observed. As well, SULB Company BSC(c), the Group's only company which uses iron ore pellets as the main raw material, was hugely affected by declining selling prices caused by the fall in the steel scrap prices which was greater than the decline in iron ore prices.

In Japan, delay in construction due to a shortage of high-tension bolts, revision of investment plans from concerns over the economic outlook and other factors had impacts on demand for steel products, and the conservative purchase led to enter an inventory adjustment phase. Under such circumstances, we strove to bring production and sales into line with demand. As a result, we sold steel products less in volume terms and therefore earned less than the same period in the previous year, but profit increased compared with the same period in the previous year due to a decline in the prices of our main raw material, steel scrap. Stern frames and other products for shipbuilders have struggled because shipbuilders had to build ships which were previously ordered at lower prices.

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 2019 was reflected in the current mid-term accounting period.

Concerning YK Steel Corporation in South Korea, new apartment building starts turned downward because South Korea government kept some regulations and restrictions on real estate transactions, including the introduction of caps on households' outstanding debts. However, shipment of rebar for apartment buildings under construction still continued up to June. In addition, the prices of steel scrap declined. As a result, YK Steel Corporation in South Korea reported stronger sales and profit compared with the same period in the previous year.

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. Under such circumstances, the company had decrease in sales but had increase in profit from the same period in the previous year thanks to a decline in the price of steel scrap. However, it is expected to be affected by emerging manufacturers which have begun operations in Malaysia and started export to Thailand, in addition to continued imports, even though by small volume, from Chinese manufacturers.

Concerning our U.S. affiliates that are accounted for by the equity method, the company secured a constant flow of revenue partly due to imposition of import duties pursuant to Section 232 of the Trade Expansion Act and the application of Section 301 of the Trade Act to Chinese products. On the other hand, they were affected by unusual weather and inventory adjustment by customers and conservative purchase by those who expected a decline in product prices from the drop in steel scrap prices.

Concerning SULB Company BSC (c), an equity-method affiliate, in Bahrain, while crude oil prices were stable, demand for structural steel in the Middle Eastern market was stagnant in the midst of sluggish spending by the government due to the uncertainty about the future and concerns over the Middle East situation. Under such circumstance, the company's sales were affected by a decline in the prices of finished products, DRI (intermediate materials) and semi-finished products, which occurred in tandem with a decline in steel scrap prices, and an influx of cheap steel product. Also, in terms of cost, the company was affected by the fact that shift of the iron ore price had remained higher than the scrap price.

As a result of the above, sales for the current mid-term consolidated accounting period were 98,602 million yen (an increase of 789 million yen in comparison with the same period in the previous year), operating income was 6,967 million yen (an increase of 2,442 million yen in comparison with the same period in the previous year), ordinary income was 14,830 million yen (a decrease of 1,502 million yen in comparison with the same period in the previous year), and profit attributable to owners of parent was 10,096 million yen (a decrease of 2,299 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, 2019)

109.98 yen/U.S. dollar, 3.49 yen/baht, and 10.42 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, 2018)

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

We report the business results of the segment as follows:

● Steel (Japan)

In Japan, delay in construction due to a shortage of high-tension bolts, revision of investment plans from concerns over the economic outlook and other factors had impacts on demand for steel products, and the conservative purchase led to a decline in inventory in the market. Under such circumstances, we strove to bring production and sales into line with demand. As a result, we sold steel products less in volume terms and therefore earned less than the same period in the previous year, but profit increased compared with the same period in the previous year due to a decline in the prices of our main raw material, steel scrap. Stern frames and other products for shipbuilders have struggled because shipbuilders had to build ships which were previously ordered at lower prices.

As a result, sales were 25,351 million yen (a decrease of 1,153 million yen in comparison with the same period in the previous year), the operating income was 3,080 million yen (an increase of 300 million yen in comparison with the same period in the previous year).

● Steel (South Korea)

Concerning YK Steel Corporation in South Korea, new apartment building starts turned downward because South Korea government kept some regulations and restrictions on real estate transactions, including the introduction of caps on households' outstanding debts. But shipment of reinforcing iron bars for apartment buildings under construction still continued. In addition, the prices of steel scrap declined. YK Steel Corporation in South Korea reported stronger revenues and earnings compared with the same period in the previous year.

As a result, sales were 32,374 million yen (an increase of 2,022 million yen in comparison with the same period in the previous year), the operating income was 1,691 million yen (an increase of 1,553 million yen in comparison with the same period in the previous year).

● **Steel (Thailand)**

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. Under such circumstances, the company had decrease in sales and increase in profit from the same period in the previous year due to a decline in the price of steel scrap. However, it is expected to be affected by emerging manufacturers which have begun operations in Malaysia and started export to Thailand, in addition to continued imports, even though by small volume, from Chinese manufacturers which saw termination of the anti-dumping regulations on their products.

As a result, sales were 36,987 million yen (a decrease of 193 million yen in comparison with the same period in the previous year), the operating income was 2,969 million yen (an increase of 926 million yen in comparison with the same period in the previous year).

● **Railway Track Accessories**

Sales were 3,736 million yen (an increase of 105 million yen in comparison with the same period in the previous year), and the operating income was 285 million yen (a decrease of 201 million yen in comparison with the same period in the previous year).

● **Other Business Sectors**

Other sales were 153 million yen, (an increase of 7 million yen in comparison with the same period in the previous year) and operating income was 6 million yen (a decrease of 16 million yen in comparison with the same period in the previous year).

② **Future Outlook (as of November 1, 2019)**

China's steel production marked a record high in 2018 and still has been maintained at a high level. As China's domestic demand backed by economic stimulus measure has been strong so far, China's steel production has been consumed within the country and the volume of steel exports has decreased. However, as we concern that the trade dispute between the U.S. and China will not soon be resolved and the outcome thereof remains uncertain, the Group, which is engaging in business globally, will continue to closely watch how the economic conflict between the two countries will turn out, its impact on their domestic economies and trends in export by China's steel industry. Concerning our business in the Middle East, crude oil price is steady but the geopolitical risks in the region is growing ever higher, so we cannot be optimistic on Middle East business environment.

Concerning our consolidated earning forecast, among consolidated subsidiaries conducting steel business, the Japan business is expected to see that the current situation continues for the time being. However, the South Korea business has risk of falling demand and the Thailand business has some risks such as increasing imports from Chinese manufactures and emerging manufacture in Malaysia

Concerning our affiliates that are accounted for by the equity method, the U.S. and the Middle East businesses are both expected to fall much below the forecast released last time. The U.S. business is subject to the impact from conservative purchase by customers as a result of declining steel scrap prices, and in the Middle East, iron ore prices remain at high levels while prices of finished products, DRI (intermediate materials) and semi-finished products have fallen significantly in tandem with decline in steel scrap prices. Accordingly, we are expected to see tough business environments in those regions.

With respect to consolidated earnings forecast for the full fiscal year ending March 2020, we revised our previously announced forecast numbers (announced on August 1, 2019) to 180,000 million yen of sales (down by 10,000 million yen from the previous projection), to 11,500 million yen of operating income (unchanged from the previous projection), to 21,500 million yen of ordinary income (down by 7,000 million yen from the previous projection), and to 14,000 million yen of profit attributable to owners of parent (down by 6,000 million yen from the previous projection).

Please note that for the January-December 2019 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)

108.16 yen/U.S. dollar, 3.48 yen/baht, and 10.83 won/yen.

We applied the following exchange rates for translating the year-end (meaning the end of December 2019 for overseas subsidiaries and affiliates and the end of March 2020 for domestic subsidiaries and affiliates) assets and liabilities of each subsidiary and affiliate:

(End of period rates)

105.00 yen/U.S. dollar, 3.45 yen/baht, and 11.40 won/yen.

(2) Analysis of Financial Status

Total assets at the end of the current mid-term consolidated accounting period were 380,598 million yen, a decrease of 3,470 million yen in comparison with the end of the previous consolidated fiscal year.

Liabilities were 44,020 million yen, a decrease of 6,355 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 336,578 million yen, an increase of 2,885 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 5,617 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 2019)

107.75 yen/U.S. dollar, 3.51 yen/baht, and 10.74 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 2018)

110.91 yen/U.S. dollar, 3.41 yen/baht, and 10.08 won/yen

(Cash Flows from Operating Activities)

The increase in funds from operating activities was 15,971 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 13,672 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 3,331 million yen, due to payment of dividend.

With the addition of -569 million yen, in effect of exchange rate changes on cash and cash equivalents, the balance of cash and cash equivalents at the current mid-term consolidated accounting period was 27,959 million yen, which is a decrease of 1,602 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 investment for growth, contribution to stakeholders, and return to shareholders are important management issues, and we aim to achieve sustainable growth and increase corporate value in medium- to long-term.

Regarding dividends, our basic policy is to distribute profit according to the results and the dividend for each fiscal year will be determined considering a benchmark of consolidated payout ratio of 30%.

In addition, we will endeavor to maintain a continuous and stable dividend, and we set the minimum dividend per share at 50 yen per year.

Regarding the dividend for the current fiscal year, we expect to pay an interim and a year-end dividend of 50 yen (Ordinary dividend 40 yen and 75th anniversary commemorative dividend 10 yen) per share respectively, for an annual dividend of 100 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, 2019 and March 31, 2019

In Japanese Yen

(In millions of Japanese Yen)

| | Mar-19 | Sep-19 | | Mar-19 | Sep-19 |
|---|----------|----------|---|----------|----------|
| Assets | | | Liabilities | | |
| Current assets | | | Current liabilities | | |
| Cash and deposits | ¥106,835 | ¥95,891 | Notes and accounts payable-trade | ¥18,741 | ¥14,879 |
| Notes and accounts receivable-trade | 33,588 | 30,377 | Income taxes payable | 2,081 | 1,040 |
| Short-term investment securities | 697 | 10,848 | Provision for bonuses | 575 | 840 |
| Merchandise and finished goods | 12,555 | 12,583 | Other | 12,276 | 10,247 |
| Work in process | 448 | 421 | Total current liabilities | 33,675 | 27,009 |
| Raw materials and supplies | 22,123 | 21,229 | | | |
| Other | 2,992 | 3,274 | Noncurrent liabilities | | |
| Allowance for doubtful accounts | (22) | (17) | Deferred tax liabilities | 11,297 | 11,605 |
| Total current assets | 179,219 | 174,608 | Provision for directors' retirement benefits | 23 | 22 |
| Noncurrent assets | | | Net defined benefit liability | 2,674 | 2,678 |
| Property, plant and equipment | | | Other | 2,705 | 2,703 |
| Buildings and structures, net | 13,425 | 13,590 | Total noncurrent liabilities | 16,700 | 17,011 |
| Machinery, equipment and vehicles, net | 32,462 | 32,081 | | | |
| Land | 17,582 | 17,157 | Total liabilities | 50,375 | 44,020 |
| Construction in progress | 4,179 | 6,037 | | | |
| Other, net | 425 | 809 | Net assets | | |
| Total property, plant and equipment | 68,076 | 69,676 | Shareholders' equity | | |
| Intangible assets | | | Capital stock | 7,996 | 7,996 |
| Goodwill | 179 | - | Retained earnings | 288,294 | 295,732 |
| Other | 434 | 487 | Treasury stock | (309) | (309) |
| Total intangible assets | 614 | 487 | Total shareholders' equity | 295,981 | 303,419 |
| Investments and other assets | | | Accumulated other comprehensive income | | |
| Investments securities | 43,074 | 41,401 | Valuation difference on available-for-sale securities | 3,988 | 4,027 |
| Investments in capital | 53,965 | 51,659 | Foreign currency translation adjustment | 11,441 | 5,824 |
| Long-term loans receivable from subsidiaries and associates | 17,676 | 17,197 | Remeasurements of defined benefit plans | (118) | (94) |
| Long-term time deposits | 18,038 | 21,931 | Total accumulated other comprehensive income | 15,311 | 9,757 |
| Net defined benefit asset | 997 | 996 | | | |
| Other | 2,662 | 2,896 | Non-controlling interests | 22,399 | 23,400 |
| Allowance for doubtful accounts | (257) | (257) | | | |
| Total investments and other assets | 136,157 | 135,825 | Total net assets | 333,692 | 336,578 |
| Total noncurrent assets | 204,848 | 205,989 | | | |
| Total assets | ¥384,068 | ¥380,598 | Total liabilities and net assets | ¥384,068 | ¥380,598 |

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

(In thousands of U.S. Dollars)

| | Mar-19 | Sep-19 | | Mar-19 | Sep-19 |
|---|-------------|-------------|---|-------------|-------------|
| Assets | | | Liabilities | | |
| Current assets | | | Current liabilities | | |
| Cash and deposits | \$989,582 | \$888,213 | Notes and accounts payable-trade | \$173,598 | \$137,827 |
| Notes and accounts receivable-trade | 311,121 | 281,381 | Income taxes payable | 19,280 | 9,637 |
| Short-term investment securities | 6,459 | 100,485 | Provision for bonuses | 5,328 | 7,789 |
| Merchandise and finished goods | 116,300 | 116,559 | Other | 113,714 | 94,923 |
| Work in process | 4,158 | 3,900 | Total current liabilities | 311,922 | 250,177 |
| Raw materials and supplies | 204,924 | 196,645 | | | |
| Other | 27,715 | 30,327 | Noncurrent liabilities | | |
| Allowance for doubtful accounts | (205) | (166) | Deferred tax liabilities | 104,644 | 107,501 |
| Total current assets | 1,660,057 | 1,617,347 | Provision for directors' retirement benefits | 216 | 210 |
| Noncurrent assets | | | Net defined benefit liability | 24,769 | 24,811 |
| Property, plant and equipment | | | Other | 25,058 | 25,044 |
| Buildings and structures, net | 124,358 | 125,881 | Total noncurrent liabilities | 154,690 | 157,568 |
| Machinery, equipment and vehicles, net | 300,694 | 297,162 | | | |
| Land | 162,863 | 158,923 | Total liabilities | 466,612 | 407,745 |
| Construction in progress | 38,711 | 55,927 | | | |
| Other, net | 3,942 | 7,499 | Net assets | | |
| Total property, plant and equipment | 630,569 | 645,395 | Shareholders' equity | | |
| Intangible assets | | | Capital stock | 74,070 | 74,070 |
| Goodwill | 1,665 | - | Retained earnings | 2,670,384 | 2,739,276 |
| Other | 4,026 | 4,511 | Treasury stock | (2,866) | (2,866) |
| Total intangible assets | 5,692 | 4,511 | Total shareholders' equity | 2,741,589 | 2,810,480 |
| Investments and other assets | | | Accumulated other comprehensive income | | |
| Investments securities | 398,987 | 383,487 | Valuation difference on available-for-sale securities | 36,940 | 37,306 |
| Investments in capital | 499,866 | 478,504 | Foreign currency translation adjustment | 105,981 | 53,947 |
| Long-term loans receivable from subsidiaries and associates | 163,735 | 159,295 | Remeasurements of defined benefit plans | (1,099) | (872) |
| Long-term time deposits | 167,088 | 203,142 | Total accumulated other comprehensive income | 141,821 | 90,381 |
| Net defined benefit asset | 9,236 | 9,234 | | | |
| Other | 24,658 | 26,832 | Non-controlling interests | 207,482 | 216,755 |
| Allowance for doubtful accounts | (2,388) | (2,388) | | | |
| Total investments and other assets | 1,261,186 | 1,258,108 | Total net assets | 3,090,893 | 3,117,617 |
| Total noncurrent assets | 1,897,448 | 1,908,015 | | | |
| Total assets | \$3,557,505 | \$3,525,363 | Total liabilities and net assets | \$3,557,505 | \$3,525,363 |

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥107.96 = \$1 as of September 30, 2019.
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, 2019 and 2018

In Japanese Yen

(In millions of Japanese Yen)

| | Sep-18 | Sep-19 |
|--|---------|---------|
| Net sales | ¥97,813 | ¥98,602 |
| Cost of sales | 85,722 | 84,023 |
| Selling, general and administrative expenses | 7,566 | 7,612 |
| Operating income | 4,524 | 6,967 |
| Non-operating income | 11,998 | 8,411 |
| Non-operating expenses | 190 | 548 |
| Ordinary income | 16,332 | 14,830 |
| Extraordinary income | 124 | 3 |
| Extraordinary loss | 10 | 33 |
| Income before income taxes | 16,447 | 14,800 |
| Income taxes | | |
| Income taxes-current | 3,492 | 3,379 |
| Income taxes-deferred | (47) | 356 |
| Total income taxes | 3,444 | 3,736 |
| Profit | 13,002 | 11,063 |
| Profit attributable to non-controlling interests | 606 | 967 |
| Profit attributable to owners of parent | ¥12,396 | ¥10,096 |

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

(In thousands of U.S. Dollars)

| | Sep-18 | Sep-19 |
|--|-----------|-----------|
| Net sales | \$906,014 | \$913,328 |
| Cost of sales | 794,016 | 778,279 |
| Selling, general and administrative expenses | 70,090 | 70,511 |
| Operating income | 41,908 | 64,537 |
| Non-operating income | 111,141 | 77,910 |
| Non-operating expenses | 1,762 | 5,081 |
| Ordinary income | 151,286 | 137,366 |
| Extraordinary income | 1,154 | 33 |
| Extraordinary loss | 93 | 310 |
| Income before income taxes | 152,348 | 137,089 |
| Income taxes | | |
| Income taxes-current | 32,345 | 31,305 |
| Income taxes-deferred | (435) | 3,305 |
| Total income taxes | 31,909 | 34,611 |
| Profit | 120,438 | 102,477 |
| Profit attributable to non-controlling interests | 5,617 | 8,959 |
| Profit attributable to owners of parent | \$114,820 | \$93,517 |

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥107.96 = \$1 as of September 30, 2019.
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, 2019 and 2018

In Japanese Yen

| | (In millions of Japanese Yen) | |
|--|-------------------------------|---------|
| | Sep-18 | Sep-19 |
| Profit | ¥13,002 | ¥11,063 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,119 | 39 |
| Foreign currency translation adjustment | (6,098) | (2,574) |
| Remeasurements of defined benefit plans | 20 | 24 |
| Share of other comprehensive income of entities accounted for using equity method | (1,644) | (2,375) |
| Total other comprehensive income | (6,604) | (4,886) |
| Comprehensive income | ¥6,398 | ¥6,177 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | 6,616 | 4,542 |
| Comprehensive income attributable to non-controlling interests | (218) | 1,634 |

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

| | (In thousands of U.S. Dollars) | |
|--|--------------------------------|-----------|
| | Sep-18 | Sep-19 |
| Profit | \$120,438 | \$102,477 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 10,365 | 362 |
| Foreign currency translation adjustment | (56,492) | (23,843) |
| Remeasurements of defined benefit plans | 190 | 229 |
| Share of other comprehensive income of entities accounted for using equity method | (15,235) | (22,006) |
| Total other comprehensive income | (61,171) | (45,257) |
| Comprehensive income | \$59,267 | \$57,220 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | 61,291 | 42,077 |
| Comprehensive income attributable to non-controlling interests | (2,023) | 15,142 |

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥107.96 = \$1 as of September 30, 2019.
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, 2019

In Japanese Yen

(In millions of Japanese Yen)

| | Shareholders' equity | | | |
|--|----------------------|-------------------|----------------|----------------------------|
| | Capital stock | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at April 1, 2019 | ¥7,996 | ¥288,294 | (¥309) | ¥295,981 |
| Changes of items during the period | | | | |
| Dividends from surplus | | (2,658) | | (2,658) |
| Profit attributable to owners of parent | | 10,096 | | 10,096 |
| Purchase of treasury stock | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | |
| Total changes of items during the period | - | 7,437 | (0) | 7,437 |
| Balance at September 30, 2019 | 7,996 | 295,732 | (309) | 303,419 |

| | 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, 2019 | ¥3,988 | ¥11,441 | (¥118) | ¥15,311 | ¥22,399 | ¥333,692 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | | | | (2,658) |
| Profit attributable to owners of parent | | | | | | 10,096 |
| Purchase of treasury stock | | | | | | (0) |
| Net changes of items other than shareholders' equity | 39 | (5,617) | 24 | (5,553) | 1,001 | (4,552) |
| Total changes of items during the period | 39 | (5,617) | 24 | (5,553) | 1,001 | 2,885 |
| Balance at September 30, 2019 | ¥4,027 | ¥5,824 | (¥94) | ¥9,757 | ¥23,400 | ¥336,578 |

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, 2019 | \$74,070 | \$2,670,384 | (\$2,866) | \$2,741,589 |
| Changes of items during the period | | | | |
| Dividends from surplus | | (24,625) | | (24,625) |
| Profit attributable to owners of parent | | 93,517 | | 93,517 |
| Purchase of treasury stock | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | |
| Total changes of items during the period | - | 68,892 | (0) | 68,891 |
| Balance at September 30, 2019 | 74,070 | 2,739,276 | (2,866) | 2,810,480 |

| | 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, 2019 | \$36,940 | \$105,981 | (\$1,099) | \$141,821 | \$207,482 | \$3,090,893 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | | | | (24,625) |
| Profit attributable to owners of parent | | | | | | 93,517 |
| Purchase of treasury stock | | | | | | (0) |
| Net changes of items other than shareholders' equity | 366 | (52,033) | 226 | (51,440) | 9,273 | (42,166) |
| Total changes of items during the period | 366 | (52,033) | 226 | (51,440) | 9,273 | 26,724 |
| Balance at September 30, 2019 | \$37,306 | \$53,947 | (\$872) | \$90,381 | \$216,755 | \$3,117,617 |

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥107.96 = \$1 as of September 30, 2019.
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, 2019

| | In millions of Japanese Yen | In thousands of U.S. Dollars (Note1) |
|---|-----------------------------|---|
| I. Cash flows from operating activities | | |
| Income before income taxes | ¥14,800 | \$137,089 |
| Depreciation and amortization | 3,441 | 31,877 |
| Interest and dividends income | (2,046) | (18,957) |
| Interest expenses | 5 | 54 |
| Equity in (earnings) losses of affiliates | (5,941) | (55,032) |
| Decrease (increase) in notes and accounts receivable-trade | 3,013 | 27,908 |
| Decrease (increase) in inventories | 1,069 | 9,908 |
| Increase (decrease) in notes and accounts payable-trade | (3,591) | (33,262) |
| Other, net | 1,012 | 9,377 |
| Subtotal | 11,763 | 108,963 |
| Interest and dividends income received | 9,499 | 87,994 |
| Interest expenses paid | (5) | (54) |
| Income taxes paid | (5,286) | (48,966) |
| Net cash provided by (used in) operating activities | 15,971 | 147,937 |
| II. Cash flows from investment activities | | |
| Payments into time deposits | (8,331) | (77,170) |
| Proceeds from withdrawal of time deposits | 1,016 | 9,415 |
| Purchase of property, plant and equipment | (6,136) | (56,840) |
| Payments of loans receivable from subsidiaries and associates | (5) | (46) |
| Other, net | (216) | (2,006) |
| Net cash provided by (used in) investment activities | (13,672) | (126,647) |
| III. Cash flows from financing activities | | |
| Purchase of treasury stock | (0) | (0) |
| Cash dividends paid | (2,656) | (24,606) |
| Dividends paid to non-controlling shareholders | (633) | (5,869) |
| Other, net | (40) | (379) |
| Net cash provided by (used in) financing activities | (3,331) | (30,855) |
| IV. Effect of exchange rate change on cash and cash equivalents | (569) | (5,275) |
| V. Net increase(decrease) in cash and cash equivalents | (1,602) | (14,841) |
| VI. Cash and cash equivalents at beginning of year | 29,561 | 273,818 |
| VII. Cash and cash equivalents at end of year | ¥27,959 | \$258,977 |

Notes:

1. U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥107.96 = \$1 as of September 30, 2019.
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, 2019)

| | |
|--|-------------|
| (1) Total number of shares authorized to be issued | 171,257,770 |
| Number of shares outstanding | 67,670,000 |
| Total number of shareholders | 3,162 |

(2) Dividends

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

| 2019 | 2019 | 2018 | 2018 | 2017 | |
|------|------|------|------|------|-----------------------|
| Sep. | Mar. | Sep. | Mar. | Sep. | |
| 50 | 40 | 25 | 25 | 25 | (Unit : Japanese Yen) |
| 0.46 | 0.37 | 0.23 | 0.23 | 0.23 | (Unit : U.S. Dollar) |

Note: U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of
¥107.96 = \$1 as of September 30, 2019.

Board of Directors

(As of September 30, 2019)

| 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 | |
| | | | Kazuhiro Tsukamoto | Kazumi Yonezawa | Shigeaki Katayama |
| | | | | Damri Tunshevavong | |
| | | | | Takenosuke Yasufuku | Mikio Nakajo |
| | | | | Kiyoshige Akamatsu | |
| Kunitoshi Takeda | | | | | |

At the 75th anniversary of the founding of the company, Yamato Kogyo Group have newly established our mission, vision, Yamato SPIRIT and logo to clarify our policies and philosophies for the future while upholding our traditions.



MISSION

Our Steel, Your Future

- Creating more value for an even richer society -

VISION

**To be a global leading company
with cutting-edge technology supporting world's infrastructure.**

Yamato SPIRIT - We are

- | | |
|----------------------|--|
| Pride | committed to be professionals of Steel and Trackwork business. |
| Manufacturing | committed to deliver world class products with the highest safety standards in mind. |
| Global | committed to be successful anywhere in the world. |
| Harmony | committed to be "One Team" beyond nationality, race, age or gender. |
| Fairness | committed to be honest and maintain the highest level of ethical standards. |
| Challenge | committed to challenge the future with no fear of failure. |



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