Our Steel, Your Future

Yamato Kogyo Co., Ltd.

Semi-Annual Report 2021
September 30, 2021

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Group Vision

President

Mikio Kobayashi

Yamato Kogyo Group has expanded its business to the US, Thailand, Korea, the Middle East (Bahrain and Saudi Arabia) and Vietnam from our headquarters located in Himeji.

We put our convictions into our mission in an effort to fulfill the infrastructural needs of those countries and regions through locally produced products for local use, and to support the development of each country and region and the current and future lives of the people living there.

Steel has a great advantage over other materials in terms of its processing ease and cost competitiveness. It is a very important material for all kinds of infrastructure such as roads, bridges, buildings, ships and cars. We believe that the importance of steel will remain unchanged throughout the world in developed and developing countries.

In Japan, the markets are already mature for both the steel and railroad industries. Therefore, it is imperative that the Yamato Kogyo Group expands overseas for further development. We will develop our existing overseas businesses even further with our partners. At the same time, we will continue to actively seek opportunities for new overseas business.

Based on the traditions of the Yamato Kogyo Group, which were established by Mr. Inoue, the former President, we will continue supporting your future by developing and expanding our global steel business with our technology hub in Himeji.

CORPORATE PHILOSOPHY

Yamato Kogyo Group celebrated the 75th anniversary of its founding in November 2019.

To clarify our group's direction and principles, we established new Mission, Vision and Yamato SPIRIT.

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.

Along with our Mission, Vision and Yamato SPIRIT, we also renewed our company logo.

The design of the "Y" includes an arrow which symbolizes "creation of new quality" and "cutting-edge technology".

The remaining characters jump out from the arrow, representing "progress toward the future".

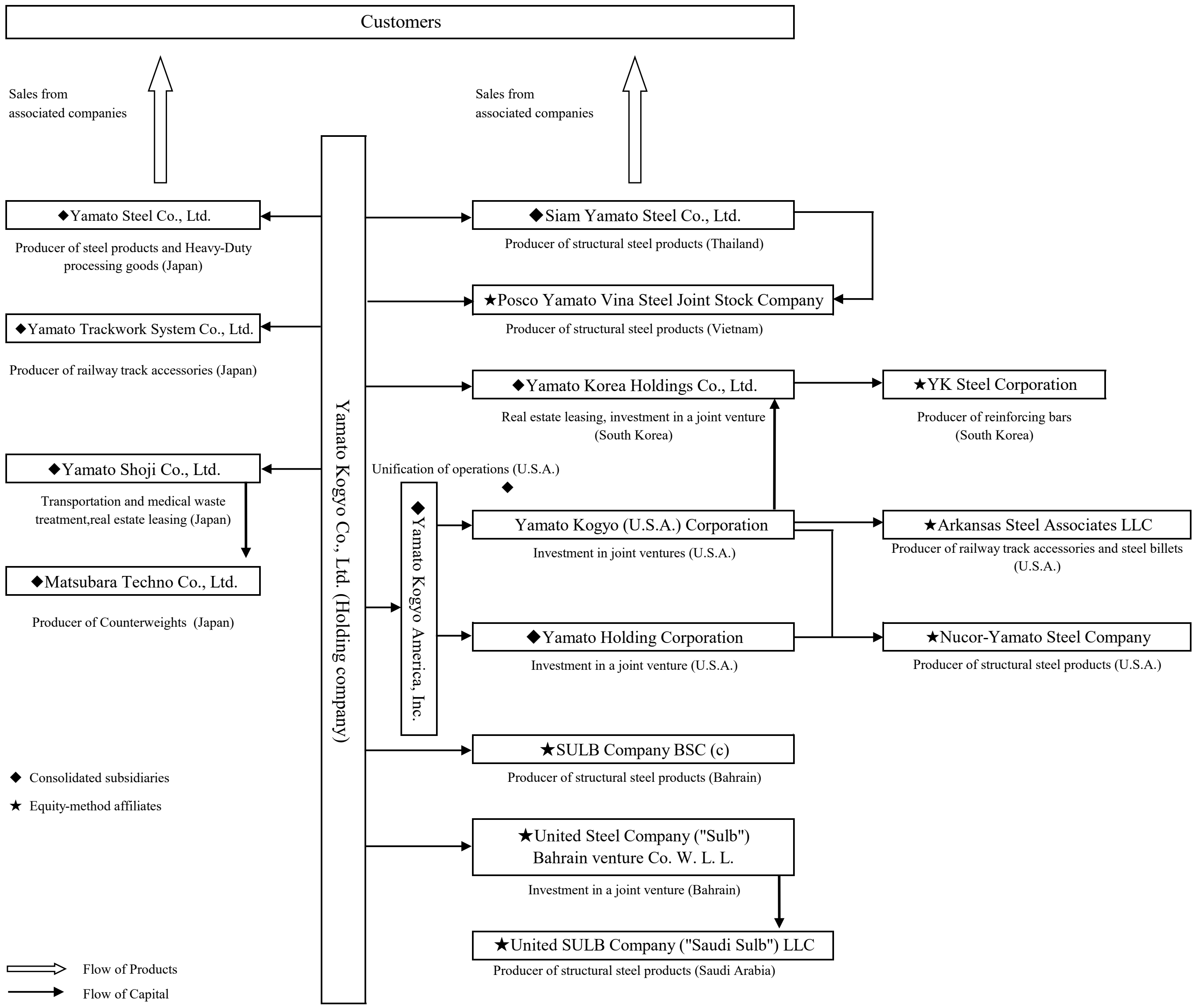
We used lowercase letters and connected them together. This represents our flexible attitude and intra-group relationships.

The shape of the letters also implies a group attitude carving out a new future.

The bluish green color stands for our will to co-exist with the world, and the black color stands for our unwavering Yamato SPIRIT.

Corporate Structure and Affiliates

As of September 30, 2021



YAMATO KOGYO CO., LTD.
OPERATING RESULTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2021

1. Management Policy

(1) Basic Business Policy

Under a holding company structure, Yamato Kogyo Group will examine possibilities of social contribution from all perspectives, utilize the respective features and functions of the Group companies, promote group management that builds up energy and harmony, and develop businesses targeting the global market.

The Group celebrated the 75th anniversary of its founding in 2019. To clarify our group's direction and principles, we established new Mission, Vision and Yamato SPIRIT.

Since the Japanese markets for both the steel business and the trackwork business are matured, the Group will have business sites in emerging economies or other places where demand is steady or growth in infrastructure investments is expected, and thereby contribute to growth of relevant countries and along with share in the fruits of such growth so that the Group can continue to grow further. Under these new Mission, Vision and Yamato SPIRIT, we reconfirm that the source of our Group's growth lies in our overseas businesses and we will continue to stabilize, develop and expand overseas businesses. To achieve this aim, we position Himeji factory in Japan as the group's mother factory, which is the base of technology and management, to support our overseas business and strengthen the foundation of our business. And, we shall make tireless efforts to sharpen cost competitiveness, stabilize and improve the quality, and improve customer service including delivery. We also put greater emphasis on human resource education and training to expand our business.

(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. The Group's business performance is greatly affected by fluctuations in product sales prices and raw material prices, and each market price is significantly affected by the external environment, including domestic and overseas economic conditions. Therefore, we have not created a medium to long-term profit plan.

(3) Business and Financial Issues

In the recent business environment of the Group, COVID-19 vaccinations are gradually expanding, but because of the spread of variant viruses and other factors, it will take time for the pandemic to end. Due to strains in iron source supply-demand conditions, scrap and iron ore prices are expected to remain high, while the pace of steel demand recovery varies depending on countries and regions where the Group companies engage in business.

Under such circumstances, we anticipate competition with both domestic and foreign manufacturers will continue to intensify in the future in the business areas in which the Group do business. In order to respond to it, we will aim to improve productivity and reduce costs by renewing and improving manufacturing facilities at our operations in Japan and overseas to achieve greater profitability as the group.

Regarding the steel business in Japan, after the full-scale operation of a single stage preheater (SSP) for scraps which was renewed in the melt shop department in 2019, we seek to achieve further energy saving and safe operation through the introduction of sealing equipment and exhaust gas analyzer. In continuous casting process, we work to enhance the quality of semi-finished products through the introduction of some equipment such as an auto powder feeder and mold cooling water automatic controller. In the rolling mill department, a profile gauge is installed to automatically measure product dimensions on-line which enables to achieve better quality and greater productivity. In addition, we are planning to renew rolling mill. By introducing state-of-the-art mill, we will endeavor to improve productivity, enhance product quality and otherwise strengthen our competitiveness. Also, as the mother plant that supports global business development, we will inject energy into providing information on technologies to overseas businesses.

In the Group, we regularly hold technical conferences among steel product manufacturing companies to exchange information and enhance technology. In order to educate engineers and generate more opportunities for technology exchange, we aim to share technology information in the Group and raise the level of engineers to strengthen our competitiveness by further activating the exchange of engineers between overseas affiliate companies and Yamato Steel Co., Ltd. in Himeji.

Furthermore, in the sales sector, an EC site for customers is established to streamline administrative work and provide higher quality services, and we will endeavor to capture customer orders that require a short delivery lead time. Through these and other activities, our production and sales functions unite as one to step up measures for offering a short delivery lead time which constitutes our strength. In the administrative department, we consolidate back-office functions such as finance and accounting, human resources, and general affairs in Yamato Steel Co., Ltd. and Yamato Trackwork System Co. Ltd. within Yamato Kogyo Co., Ltd., and seek to develop personnel who can respond from a viewpoint of Yamato Kogyo Group.

Regarding overseas steel business, utilizing the distribution center which started to operate in Siam Yamato Steel Co., Ltd. engaging in steel business (Thailand), we will aim to differentiate our products from imported steel products by leveraging our strength that it can respond to small lots with a short delivery lead time. In addition, by the start of in-house steel fabrication, we will strengthen solution business deployed in Thailand and focus on marketing to local fabricators and general constructors to acquire projects. Additionally, since long before, we have regarded H-beam market in South East Asia as one of the most important markets for the Group that can be expected to grow in the future. In Vietnam where particular growth can be expected, we have acquired 49% of shares in Posco Yamato Vina Steel Joint Stock Co., Ltd. (hereinafter referred to as "PY VINA"), the only H-beam manufacture in the country, and made the company to equity-method affiliate. We will work to improve the quality of PY VINA's business operations through measures to improve product quality, operations, etc., while making efforts to strengthen coordination between SYS and PY VINA, thereby enhancing our presence in H-beam market of South East Asia.

In addition, Nucor-Yamato Steel Co., Ltd. (hereinafter referred to as "NYS") in the U.S. has renewed a rolling mill for a large-size production line, thereby working to ensure stable production and sales expansion of large-size products, which constitute one of the strengths of NYS.

Environmental Initiatives

The Group produces steel by recycling scraps, thereby contributing to the realization of a recycling-based society. In addition, we work to reduce resources and energy used for our production processes and actively take measures such as introducing facilities that has a low environmental impact. Yamato Steel Co., Ltd. in Japan introduced a single stage preheater (SSP) for scraps that enables the company to use high temperature gas emitted from an electric furnace to pre-heat scraps, thereby reducing energy consumption significantly. As a result, CO2 emissions have been reduced to one-sixth compared with blast furnace processes. Also, SYS actively takes environmental measures such as promoting solar power generation and use of waste heat.

Additionally, in August 2020, Yamato Steel Co., Ltd. in Japan obtained certification for two types of environmental declaration including the “Eco-Leaf Environmental Label” and “Carbon Footprint” from the Sustainable Management Promotion Organization with regard to six products including H-beam. Information disclosed as a result of the certification includes the results of quantitative and objective evaluation of environmental burdens of each product and is useful when deciding whether to purchase eco-friendly products. In addition, Yamato Steel Co., Ltd. is the first to obtain those two types of certifications in the steel industry of Japan. Also, in 2018, SYS became the first steel manufacturer in Thailand that received the “Eco-Factory” certificate from the Federation of Thai Industries. We will continue to conduct business in Japan and overseas with the environmental prospects in mind.

Regarding CO2 emission reduction targets of the Group, we have recently set the goal of reducing the CO2 emissions from domestic businesses for FY2025 by 38% from the FY2013 level. We will continue to make efforts to reduce energy consumption by renewing production facilities and streamlining operations.

(Example of solar power panels installed at SYS)

2. 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) Risk of our Middle East Business

We are engaged in global business operations targeting the world market. In 2007 we decided to move into the Middle East. 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 BSC (c), we built a DRI-based integrated mill for production and sales principally of H-beam. 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 a tough business environment because of sluggish public investment in the Middle East, inflows of low-priced steel products from other countries, and increased production costs due to hikes in power, gas and water bills caused by government subsidy cuts in the Gulf countries, among others. All these factors had not been considered in our initially designed project. Saudi Sulb also faces 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) Risk Related to COVID-19 and Future Pandemic

In response to the spread of COVID-19, the Group refrains from nonessential and nonurgent outings, business trips, and meetings. In addition, we practice working from home and shift work, and avoid the use of public transportation at the time of staggered work shift and commuting. We will continue to strive to prevent infection and spread of infection and work to continue our business at full power by prioritizing the safety of our employees and related people.

Currently, COVID-19 vaccinations are gradually expanding, but because of the spread of variant viruses and other factors, it will take time for the pandemic to end. If COVID-19 infections spread again in the future and the business environment of our respective sites worsens, this may greatly affect the Group’s business performance.

If a pandemic with an unknown virus, etc., occurs and causes restrictions, etc., in the political and economic environment in the future, the Group’s business performance may be significantly impacted by stagnant economic activities.

(3) Latent Risks in New 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, Vietnam, 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.

(4) 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. Also, SLUB is the only company using iron ore pellets as the primary raw material in our group. These market prices can be greatly affected by the external environment, and first and foremost, the domestic and foreign economic situation.

(5) Exchange Rate Fluctuations

The Group is developing global operations targeting world markets; thus, the performance of subsidiaries greatly affects consolidated business performance. 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.

(6) 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.

3. Business Performance and Financial Status

(1) Business Performance

① Status During the Current Fiscal Year

In the current mid-term accounting period, the business environment surrounding Yamatgo Kogyo Group has shown signs of recovery towards the normalization of economic activities, although the pace of economic recovery varies by country and region. This is owing to economic policies taken and measures to curb the spread of COVID-19, including the vaccine promotion in countries around the world.

Demand for steel has been recovering at different levels in each country and region in which the group operate, due to the re-expansion of COVID-19, etc. However, steel product prices have been generally bullish with tightened supply and demand conditions. This reflects the abolition of VAT refunds on steel product exports and the reduction of crude steel production in China.

As for raw materials, both scrap and iron ore prices first demonstrated the upward trend, reflecting the strains in iron-source supply-demand conditions. This was followed by a temporary downtrend due to the reduction of crude steel production in China and stagnation of economic activities caused by the re-expansion of COVID-19, while the prices have recently started to rise again.

In Japan, although large-scale construction projects are progressing as planned, the overall recovery in construction demand has remained moderate. This is caused by delays and revisions in construction periods of small and medium-sized projects resulting from difficulties in procurement of building materials, such as columns and bolts. Under such circumstances, factors including blast furnace manufacturers focusing on products represented by steel sheets/plates and advanced order arrangments by customers have led to the increase in inquiries for our products, contributing to the growth in sales volume compared to the previous year. On the other hand, despite our efforts in pushing up steel sales prices to deal with surging raw material prices, the operating profit has declined from the previous year due to the continuing upswing in the scrap prices.

In Thailand, where we have consolidated subsidiary, and in the United States, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Vietnam and South Korea , where we have affiliated companies with equity method applied, the business performance between January and June of 2021 was reflected in the current mid-term accounting period.

As for Siam Yamato Steel Company Limited (hereinafter referred to as "SYS"), although a large-scale public investment in Thailand is the driving force behind steel demand, Thailand has been affected by the stagnation in construction activity caused by the re-expansion of COVID-19. In the export market, although the steel demand became sluggish due to the resurgence of the pandemic, some improvements have been observed in the market environment. This was brought by the lowering export pressure from Chinese mills due to their focus on the domestic market and the abolition of VAT refunds in the country. Sales volume has increased compared to the previous year, mainly due to its efforts to increase share in the export market in response to the easing competition. Although the surge of scrap price has advanced forward, the increase in sales volume has contributed to its operating profit, resulting in an increase compared to the previous year.

In equity method affiliates in the United States, the sales volume has increased from the previous year, driven by a strong demand for non-residential construction. Furthermore, the supply-demand conditions for steel products remain tight, as both distributor and manufacturer inventories are at low levels. Regarding the business results, the company has increased its profit due to a growth in sales volume and a rise in steel prices that exceeded the rise in iron scrap prices.

Taking a look at SULB Company BSC (c) (hereinafter referred to as "SULB"), an equity-method affiliate in Bahrain, the market environment has been improving to a certain degree, as pressure of imports from outside GCC countries has been decreasing due to the tightened global steel supply and demand conditions. While the full-scale recovery of construction activities in the GCC countries is expected to take some time, there are some trends in which customers accumulating inventories in response to the growing selling price that reflects the surging raw material market. In addition, sales has been on an upturn with steady inquiries for semi-finished products, and its performance has improved compared to the previous year.

Regading Posco Yamato Vina Steel Joint Stock Company, an equity method affiliate in Vietnam (hereinafter referred to as "PY VINA"), the steel demand has been fluctuating affected by improvement from ecomonic recovery and deterioration from the resurgence in COVID-19 cases. On the other hand, the company has strengthened its efforts to reduce costs by improving operations to deal with high raw material prices. It has also focused on raising sales prices in response to the rise in the global steel market conditions and the lowering pressure from imported materials. As a result, its performance continues to be on an improving trend.

In the Korean equity method affiliate, YK Steel Corporation (YKS), there was a phase of the scrap prices pushing ahead. However, thanks to the increase in housing construction and other factors, the supply and demand for rebar has been tight, and the unit sales price has improved, leading to its steady performance.

As a result of the above, net sales for the current mid-term consolidated accounting period were 67,692 million yen (a decrease of 16,543 million yen in comparison with the same period in the previous year), operating profit was 3,754 million yen (a decrease of 3,078 million yen in comparison with the same period in the previous year), ordinary profit was 21,117 million yen(an increase of 8,155 million yen in comparison with the same period in the previous year), and profit attributable to owners of parent was 14,842 million yen (an increase of 12,902 million yen in comparison with the same period in the previous year).

The results of PY VINA in Vietnam, which became an equity-method affiliate at the end of March 2020, in the previous mid-term consolidated accounting period, PY VINA's April-June results are reflected in the consolidated results as equity-method earnings. In South Korea, Yamato Korea Holdings Co., Ltd(hereinafter, “YKH”) split and transitioned its rebar business into a new company (currently YK Steel Co., Ltd.; hereinafter, “YKS ”), and has transferred 51.00% of the newly established company's shares to Daehan Steel Co., Ltd. Consequently, the results of the rebar business from 2020 January to August are reflected in the previous mid-term consolidated financial statements as a subsidiary YKH's performance.

Please note that the average exchange rates, used in preparation of consolidated financial statements from financial statements of overseas subsidiaries and affiliates, are set forth below.

(Each company's mid-term accounting period is from January to June 2021)
108.47 yen/U.S. dollar, 3.50 yen/baht, and 10.30 won/yen

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

(Each company's mid-term accounting period is from January to June 2020)
108.25 yen/U.S. dollar, 3.41 yen/baht, and 11.12 won/yen

We report the business results of the segment as follows:

● **Steel (Japan)**

Although large-scale construction projects are progressing as planned, the overall recovery in construction demand has remained moderate. This is caused by delays and revisions in construction periods of small and medium-sized projects resulting from difficulties in procurement of building materials, such as columns and bolts.. Under such circumstances, factors including blast furnace manufacturers focusing on products represented by steel sheets/plates and advanced arrangments by customers have led to the increase in inquiries for our products, contributing to the growth in sales volume compared to the previous year. On the other hand, despite our efforts in pushing up steel sales prices to deal with surging raw material prices, the operating profit has declined from the previous year due to the continuing upswing in the scrap prices. As a result, net sales were 24,924 million yen (an increase of 5,437 million yen in comparison with the same period in the previous year), and the operating profit was 505 million yen (a decrease of 1,472 million yen in comparison with the same period in the previous year).

● **Steel (Thailand)**

Although a large-scale public investment in Thailand is the driving force behind steel demand, Thailand has been affected by the stagnation in construction activity caused by the re-expansion of COVID-19. In the export market, although the steel demand became sluggish due to the resurgence of the pandemic, some improvements have been observed in the market environment. This was brought by the lowering export pressure from Chinese mills due to their focus on the domestic market and the abolition of VAT refunds in the country. Sales volume has increased compared to the previous year, mainly due to its efforts to increase share in the export market in response to the easing competition. Although the surge of scrap price has advanced forward, the increase in sales volume has contributed to its operating profit, resulting in an increase compared to the previous year. As a result, net sales were 37,479 million yen (an increase of 11,365 million yen in comparison with the same period in the previous year). The operating profit was 3,910 million yen (an increase of 888 million yen in comparison with the same period in the previous year).

● **Railway Track-Accessories**

Net sales were 3,686 million yen (a decrease of 292 million yen in comparison with the same period in the previous year), and the operating profit was 391 million yen (a decrease of 28 million yen in comparison with the same period in the previous year).

● **Other Business Sectors**

Net sales were 1,601 million yen, (an increase of 701 million yen in comparison with the same period in the previous year) and the operating profit was 113 million yen (the operating loss was 4 million yen in the same period in the previous year).

② Future Outlook (as of October 29, 2021)

COVID-19 vaccinations are gradually expanding, but because of the spread of variant viruses and other factors, it will take time for the pandemic to end. Therefore, the Group will continue to make efforts to prevent infections and their spread by giving top priority to safety of employees and other stakeholders.

We foresee that the performance of business in Japan among the consolidated subsidiaries in the steel business will not change significantly from the previous forecast. However, we expect that the Thai business will see an increase in sales and profits because the competition in the Southeast Asian market is becoming more accommodative due to measures to curb exports in China and other factors.

In addition, the performance of equity method affiliates in the United States is expected to exceed the previous forecast, given that the U.S. steel market is driven by strong demand for non-residential construction and the tightening of the steel supply and demand. Other equity method affiliates are also expected to have higher performance than the previous forecast.

As a result of the above, the forecast for the entire fiscal year is set out as follows: Net sales of 150,000 million yen (up by 6,000 million yen from the previous projection), operating profit of 12,500 million yen (up by 4,000 million yen from the previous projection), ordinary profit of 55,000 million yen (up by 12,000 million yen from the previous projection), and profit attributable to owners of parent of 38,000 million yen (up by 8,500 million yen from the previous projection).

Please note that for the January-December 2021 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, 3.43 yen/baht, and 10.45 won/yen.

We applied the following exchange rates for translating the year-end (meaning the end of December 2021 for overseas subsidiaries and affiliates and the end of March 2022 for domestic subsidiaries and affiliates) assets and liabilities of each subsidiary and affiliate:

(End of period rates for overseas subsidiaries and affiliates)

113.00 yen/U.S. dollar, 3.38 yen/baht, and 10.60 won/yen.

(End of period rates for domestic subsidiaries and affiliates)

113.00 yen/U.S. dollar, 3.38 yen/baht, and 10.60 won/yen.

(2) Analysis of Financial Status

① Changes in Financial Position

Total assets at the end of the current mid-term consolidated accounting period were 382,196 million yen, an increase of 22,408 million yen in comparison with the end of the previous consolidated fiscal year.

Liabilities were 34,831 million yen, an increase of 840 million yen in comparison with the end of the previous consolidated fiscal year.

Also, net assets were 347,364 million yen, an increase of 21,567 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 and decrease by the payment of dividends.

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 mid-term consolidated accounting period.

(The end of fiscal half for each overseas company is end of June 2021)

110.61 yen/U.S. dollar, 3.45 yen/baht, and 10.22 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 2020)

103.52 yen/U.S. dollar, 3.44 yen/baht, and 10.51 won/yen

② Situation of Cash Flows

(Cash Flows from Operating Activities)

The increase in funds from operating activities was 4,248 million yen, mainly due to the income before income taxes, and cash distribution from affiliated companies in U.S. with equity method applied.

(Cash Flows from Investing Activities)

The increase in funds from investing activities was 24,271 million yen, primarily due to factors such as proceeds from withdrawal of time deposits.

(Cash Flows from Financing Activities)

The decrease in funds from financing activities was 7,654 million yen, primarily due to payment of dividend.

With the addition of 802 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 40,831 million yen, which is an increase of 21,668 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 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 performance. 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 dividend for the fiscal year, we expect to pay an interim and year-end dividend of 60 yen per share respectively. (120 yen per share as the annual dividends).

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of September 30,2021
Assets		
Current assets		
Cash and deposits	101,572	98,717
Notes and accounts receivable - trade	17,616	23,574
Securities	-	3
Merchandise and finished goods	10,627	14,159
Work in process	492	456
Raw materials and supplies	16,931	20,785
Other	2,775	3,326
Allowance for doubtful accounts	(15)	(18)
Total current assets	150,000	161,004
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,502	11,619
Machinery, equipment and vehicles, net	28,864	27,763
Land	17,630	17,905
Construction in progress	1,609	1,637
Other, net	2,534	2,346
Total property, plant and equipment	62,142	61,272
Intangible assets		
Goodwill	912	861
Other	574	720
Total intangible assets	1,486	1,581
Investments and other assets		
Investment securities	45,660	49,831
Investments in capital	54,489	60,762
Long-term loans receivable from subsidiaries and associates	20,886	21,116
Long-term time deposits	21,253	22,732
Retirement benefit asset	995	994
Other	3,144	3,173
Allowance for doubtful accounts	(272)	(272)
Total investments and other assets	146,158	158,337
Total non-current assets	209,787	221,192
Total assets	359,788	382,196

(Million yen)

	As of March 31,2021	As of September 30,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,528	9,506
Income taxes payable	570	1,354
Provision for bonuses	552	853
Other	7,180	4,604
Total current liabilities	15,831	16,318
Non-current liabilities		
Deferred tax liabilities	12,011	12,608
Retirement benefit liability	2,068	1,933
Other	4,080	3,972
Total non-current liabilities	18,159	18,513
Total liabilities	33,990	34,831
Net assets		
Shareholders' equity		
Share capital	7,996	7,996
Capital surplus	-	9
Retained earnings	295,740	307,964
Treasury shares	(2,966)	(6,560)
Total shareholders' equity	300,770	309,410
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,566	3,434
Foreign currency translation adjustment	(2,213)	10,722
Remeasurements of defined benefit plans	(77)	(80)
Total accumulated other comprehensive income	1,275	14,075
Non-controlling interests	23,750	23,879
Total net assets	325,797	347,364
Total liabilities and net assets	359,788	382,196

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Net sales	84,236	67,692
Cost of sales	70,308	57,903
Gross profit	13,927	9,789
Selling, general and administrative expenses		
Packing and transportation costs	3,068	2,593
Salaries and allowances	1,158	812
Provision for bonuses	218	254
Retirement benefit expenses	108	5
Provision for retirement benefits for directors (and other officers)	9	-
Other	2,532	2,368
Total selling, general and administrative expenses	7,095	6,034
Operating profit	6,832	3,754
Non-operating income		
Interest income	1,009	227
Dividend income	161	146
Equity in earnings of affiliates	4,953	16,343
Foreign exchange gains	-	383
Other	405	409
Total non-operating income	6,529	17,510
Non-operating expenses		
Interest expenses	5	43
Loss on investments in investment partnerships	-	29
Foreign exchange losses	362	-
Loss on valuation of derivatives	5	56
Other	27	17
Total non-operating expenses	400	147
Ordinary profit	12,961	21,117
Extraordinary income		
Gain on sale of non-current assets	2	1
Gain on change in equity	-	2
Gain on sale of shares of subsidiaries and associates	-	2
Other	-	0
Total extraordinary income	2	6
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	7,427	-
Loss on retirement of non-current assets	140	24
Other	12	1
Total extraordinary losses	7,579	26
Profit before income taxes	5,384	21,097
Income taxes - current	3,357	4,620
Income taxes - deferred	(730)	420
Total income taxes	2,626	5,040
Profit	2,757	16,057
Profit attributable to non-controlling interests	817	1,215
Profit attributable to owners of parent	1,940	14,842

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Profit	2,757	16,057
Other comprehensive income		
Valuation difference on available-for-sale securities	(235)	(131)
Foreign currency translation adjustment	(5,667)	7,044
Remeasurements of defined benefit plans, net of tax	15	(3)
Share of other comprehensive income of entities accounted for using equity method	(1,473)	6,044
Total other comprehensive income	(7,360)	12,953
Comprehensive income	(4,603)	29,011
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,366)	27,642
Comprehensive income attributable to non-controlling interests	(236)	1,368

Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Cash flows from operating activities		
Profit before income taxes	5,384	21,097
Depreciation	3,645	2,825
Interest and dividend income	(1,171)	(373)
Interest expenses	5	43
Equity in (earnings) losses of affiliates	(4,953)	(16,343)
Decrease (increase) in trade receivables	1,513	(5,979)
Decrease (increase) in inventories	2,597	(7,378)
Increase (decrease) in trade payables	565	1,986
Loss (gain) on sale of shares of subsidiaries and associates	7,427	(2)
Other, net	(1,136)	(652)
Subtotal	13,879	(4,776)
Interest and dividends received	8,292	11,175
Interest paid	(5)	(0)
Income taxes paid	(3,276)	(2,149)
Net cash provided by (used in) operating activities	18,889	4,248
Cash flows from investing activities		
Payments into time deposits	(8,497)	(5,300)
Proceeds from withdrawal of time deposits	997	34,457
Purchase of property, plant and equipment	(3,638)	(2,204)
Purchase of shares of subsidiaries and associates	(15)	-
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(47)	(2,153)
Loan advances to subsidiaries and associates	(2,347)	-
Other, net	46	(526)
Net cash provided by (used in) investing activities	(13,502)	24,271
Cash flows from financing activities		
Purchase of treasury shares	(1,567)	(3,634)
Dividends paid	(3,320)	(2,616)
Dividends paid to non-controlling interests	(597)	(1,240)
Other, net	(41)	(163)
Net cash provided by (used in) financing activities	(5,527)	(7,654)
Effect of exchange rate change on cash and cash equivalents	(879)	802
Net increase (decrease) in cash and cash equivalents	(1,020)	21,668
Cash and cash equivalents at beginning of period	26,487	19,163
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	670	-
Cash and cash equivalents at end of period	26,137	40,831

Situation of Issue Shares

The situation of shares in this fiscal year is as outlined below.
(As of September 30, 2021)

(1) Total number of shares authorized to be issued ………………… 171,257,770
Number of shares outstanding …………………………………… 67,670,000
Total number of shareholders …………………………………… 3,447

(2) Distribution of shares (by holder)

	Kind of holder	Number of shareholders	Number of shares held (unit)	Ratio of shares held (%)
Share (Number of one unit of shares :100)	Financial institutions	26	227,571	33.65
	Financial instrument dealers	33	5,224	0.77
	Other corporations	54	172,510	25.50
	Foreign corporations, etc. (Individuals)	245 (12)	120,650 (30)	17.84 (0.00)
	Japanese individuals and other	3,089	150,440	22.24
	Total	**3,447**	**676,395**	100.00
Shares less than one unit		—	305	—

(2) Dividends
The following table shows the dividends per share paid by Company.

2021	2021	2020	2020	2019
Sep.	Mar.	Sep.	Mar.	Sep.
60	40	40	50	50

(Unit : Japanese Yen)

Board of Directors

(As of September 30, 2021)

Chairman	President	Vice President	Director, Managing Executive Officer	Directors	Auditors
Hiroyuki Inoue	Mikio Kobayashi	Katsumasa Kohata	Kazuhiro Tsukamoto	Damri Tunshevavong	Kengo Nakaya
				Takenosuke Yasufuku	
				Kiyoshige Akamatsu	Shigeaki Katayama
			Kazumi Yonezawa	Kunitoshi Takeda	
				Motomu Takahashi	Mikio Nakajo

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