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Fiscal 2013 Quarterly Results Briefing

November 19, 2013

 **YAMAZEN CORPORATION**

AGENDA

- I . Quarterly Results Overview
for the 2nd quarter of fiscal 2013
- II . Progress towards “A.A.15” targets
- III . Fiscal 2013 (Term 68) Earnings Forecasts
- IV . Shareholder Returns

Consolidated Income Statement

(¥ millions)	FY 2012(2Q)	FY 2013(2Q)	YOY (%)	Published targets (adjusted)	Ratio to target
Sales	187,361	187,259	- 0.1	190,000	98.6
Gross margin (Gross margin ratio)	23,560 (12.57%)	23,902 (12.76%)	0.1 (0.2)	—	—
SGA expenses	18,179	19,891	9.4	—	—
Operating income	5,380	4,011	- 25.4	4,500	89.1
Ordinary income	5,641	4,238	- 24.9	4,600	92.1
Extraordinary profit	3	19	633.3	—	—
Extraordinary loss	239	16	- 93.3	—	—
Net profit (quarterly)	3,364	2,648	- 21.3	2,750	96.3

- Weaker sales and earnings due to delayed recovery in demand for capital equipment in Japan and abroad, combined with rising oil and logistics costs caused by the yen's slide.

■ Quarterly Fluctuations (for the past 12 months)

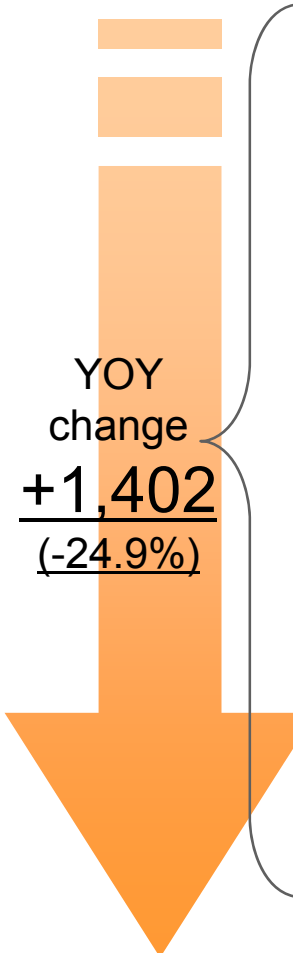
(Unit: ¥ millions)		3Q	4Q	1Q	2Q	Quarterly average
Net sales	Most recent 1-year period	92,120	90,856	90,712	96,546	92,559
	YOY Change	94,970	96,846	89,880	97,481	94,794
SGA expenses	Most recent 1-year period	9,958	9,136	10,018	9,873	9,747
	YOY Change	9,286	9,643	9,174	9,005	9,277
Operating income	Most recent 1-year period	1,915	2,460	1,437	2,573	2,096
	YOY Change	2,881	2,270	2,357	3,022	2,633
Ordinary income	Most recent 1-year period	2,094	2,615	1,664	2,573	2,237
	YOY Change	3,085	2,494	2,540	3,100	2,805
Net profit/loss (quarterly)	Most recent 1-year period	1,226	1,658	1,067	1,580	1,383
	YOY Change	1,747	- 123	1,564	1,799	1,703

5,641

Ordinary Income (Sept. 2012)

(¥ millions)

<Breakdown>

 <p>YOY change +1,402 (-24.9%)</p>	<p>Gross Margin Up (Positive factors) + 342</p>	<p>▲ 150 Lower profits by the Domestic Producer Goods Business</p> <p>384 Higher profits by the Overseas Producer Goods Business</p> <p>446 Higher profits by Housing Equipment & Materials</p> <p>▲ 335 Lower profits by the Home Products Business</p> <p>▲ 3 Others</p>	
	<p>Higher SG&A (Negative factors) - 1,711</p>	<p>▲ 564 Increase in payroll and related costs</p> <p>▲ 260 Increase in freight cost</p> <p>▲ 464 Increase in rent/storage costs</p> <p>▲ 340 Increase in fees paid *</p> <p>▲ 83 Decrease in other SG&A costs</p>	
	<p>Non-operating Income/loss (Positive factors) + 33</p>	<p>▲ 144 Gains on the valuation of derivatives</p> <p>106 Increase in interest income</p> <p>▲ 3 Decrease in interest paid</p> <p>8 Other non-operating income/loss</p>	
	<p>4,238</p>	<p>Ordinary Income (Sept. 2013)</p>	

* Difference between the reversed amount of allowances posted last year (¥367million) caused by a decrease in doubtful accounts and the reversed amount posted in the current fiscal year.

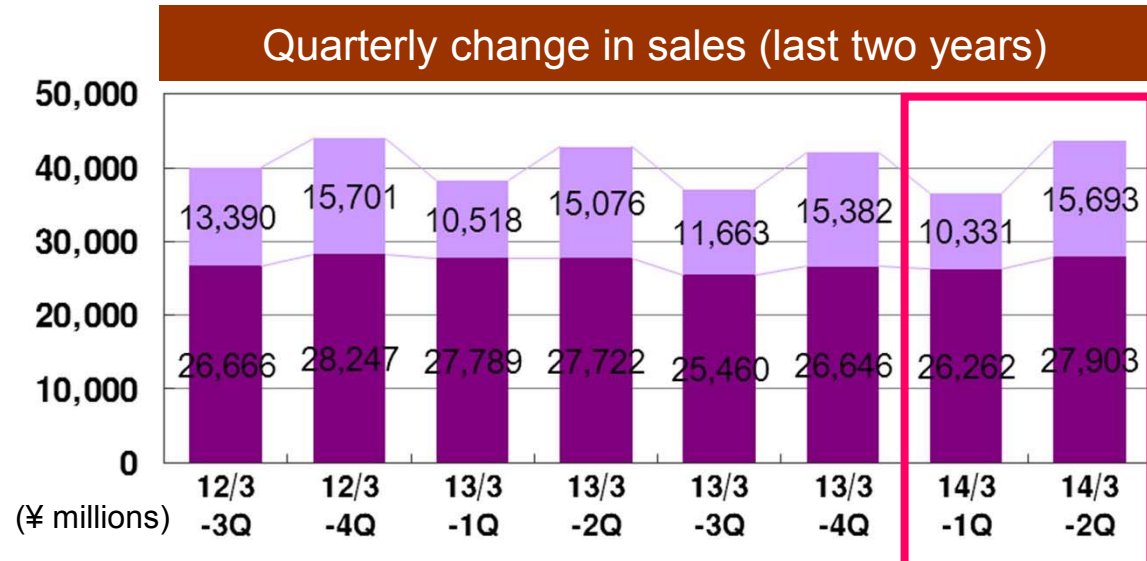
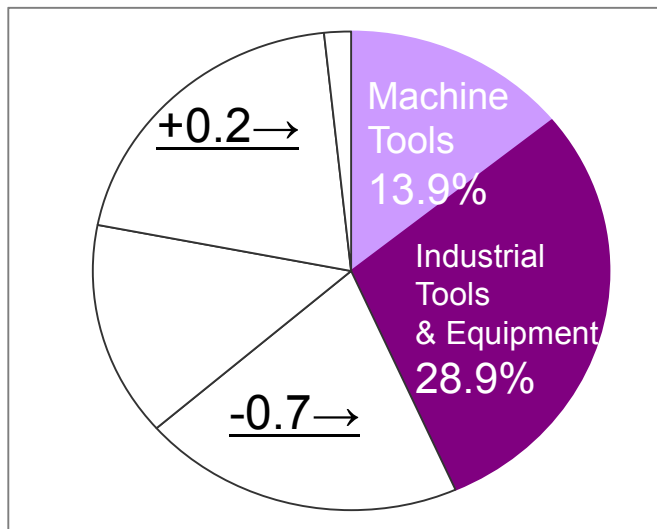
■ Sales by department (actual results vs. published targets)

(¥ million; %)	Fiscal 2012 (2Q)	Fiscal 2013 (2Q)	YOY (%)	Published targets (adjusted)	Ratio to target
M a c h i n e T o o l s	25,594	26,024	1.7	26,000	100.1
Industrial Tools & Equipment	55,511	54,165	-2.4	56,500	95.9
(T o t a l) Domestic producer goods	81,106	80,190	-1.1	82,500	97.2
International Operations	42,738	38,614	-9.6	40,000	96.5
(Total) producer goods	123,845	118,804	-4.0	122,500	97.0
Housing Equipment, M a t e r i a l s	24,867	29,447	18.4	27,500	107.1
H o m e P r o d u c t s	35,361	35,795	1.2	36,500	98.1
(Total) Consumer goods	60,229	65,243	8.3	64,000	101.9
Other departments	3,287	3,211	-2.3	3,500	91.8
T o t a l	187,361	187,259	-0.1	190,000	98.6

		(¥ million;%)	FY2012(2Q)	FY2013(2Q)		
Producer goods	Machine Tools (Domestic)	S a l e s	25,594	26,024	YOY change	1.7%
		Operating income	918	934	Profit margin	3.6%
	Industrial Tools & Equipment (Domestic)	S a l e s	55,511	54,165	YOY change	-2.4%
		Operating income	1,354	1,098	Profit margin	2.0%



- Demand for Machine Tools bottomed out in 1Q and is rising, resulting in higher sales and earnings.
- Industrial Tools & Equipment posted lower sales and earnings, as production of automobiles and semiconductor manufacturing systems that began to pick up in 2Q was not fully translated into higher demand for industrial tools and equipment and expendables in real terms.



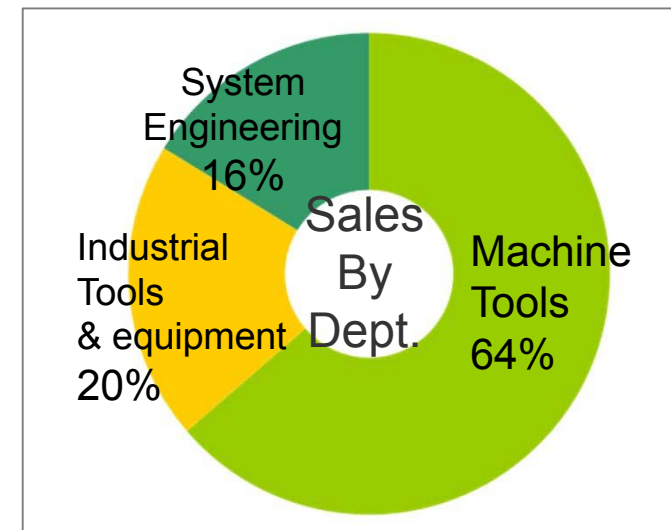
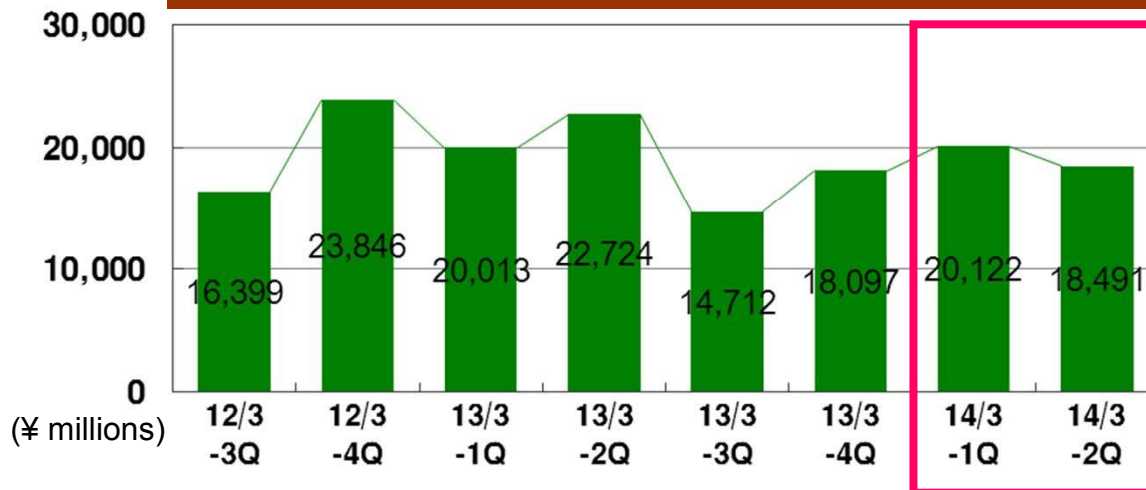
(¥ million;%)		FY2012(2Q)		FY2013(2Q)	
Producer Goods	International Operations (Overseas)	Sales	42,738	38,614	YOY change -9.6%
		Operating income	2,170	1,592	Profit margin 4.1%



- ❑ Sales to the U.S. and China saw solid growth especially for construction machinery and auto production equipment. Machine tool-related sales were weak (down 13% YOY) on lower demand for capital equipment from Thailand and EMS
- ❑ Sales of industrial tools and equipment to China, Thailand, Indonesia, Europe and U.S. saw solid growth, especially for measuring equipment and cutting tools (up 17% year on year)



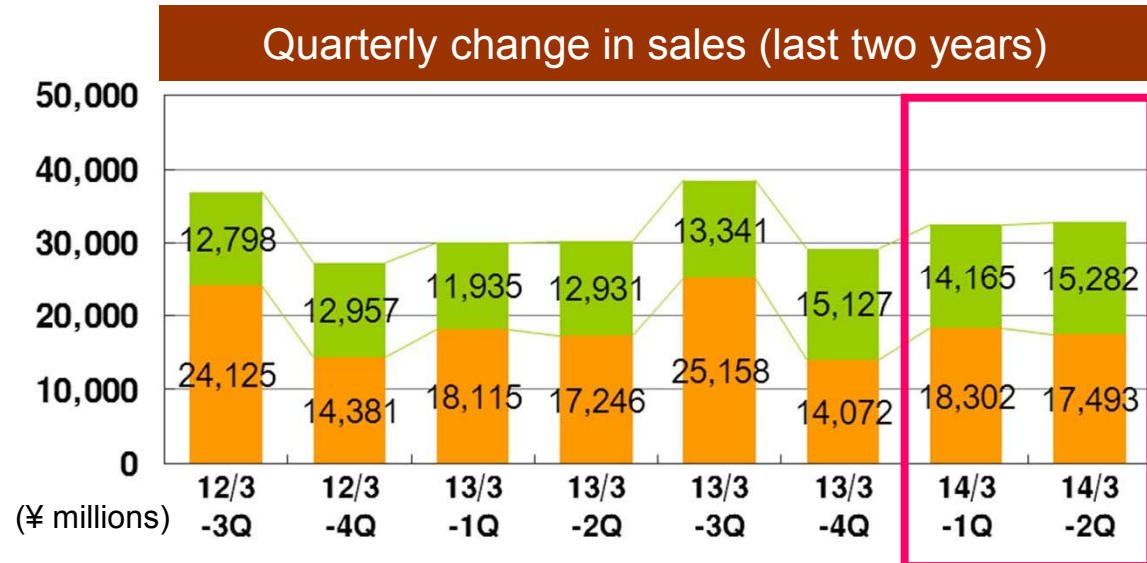
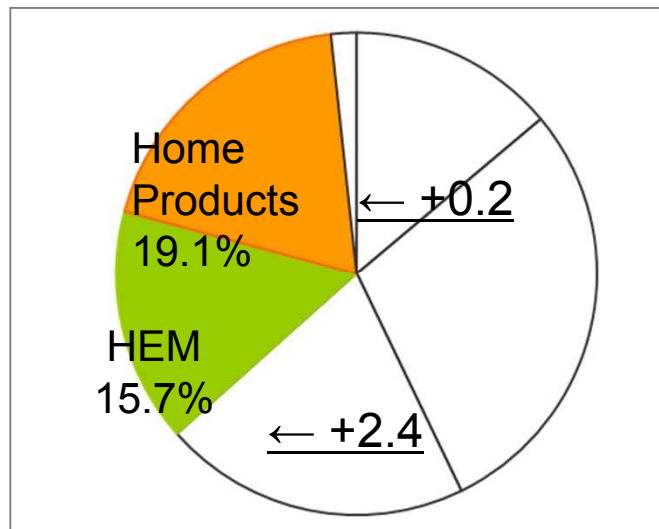
Quarterly change in sales (last two years)



(¥ million;%)			FY2012(2Q)	FY2013(2Q)		
Consumer Goods	H . E . M . (Domestic)	S a l e s	24,867	29,447	YOY change	18.4%
		Operating income	566	828	Profit margin	2.8%
Consumer Goods	Home Product (Domestic)	S a l e s	35,361	35,795	YOY change	1.2%
		Operating income	1,339	489	Profit margin	1.4%



- ❑ HEM saw sales growth in kitchen equipment on the back of a rise in housing starts. This, combined with solid demand for solar power generation systems (industrial) and higher demand for air conditioning equipment induced by severe summer heat resulted in higher sales/earnings.
- ❑ Home Product's profits were down due to deteriorating gross margins caused by the weaker Yen and the rising oil price, in addition to an increase in expenses.



Balance Sheet (consolidated)

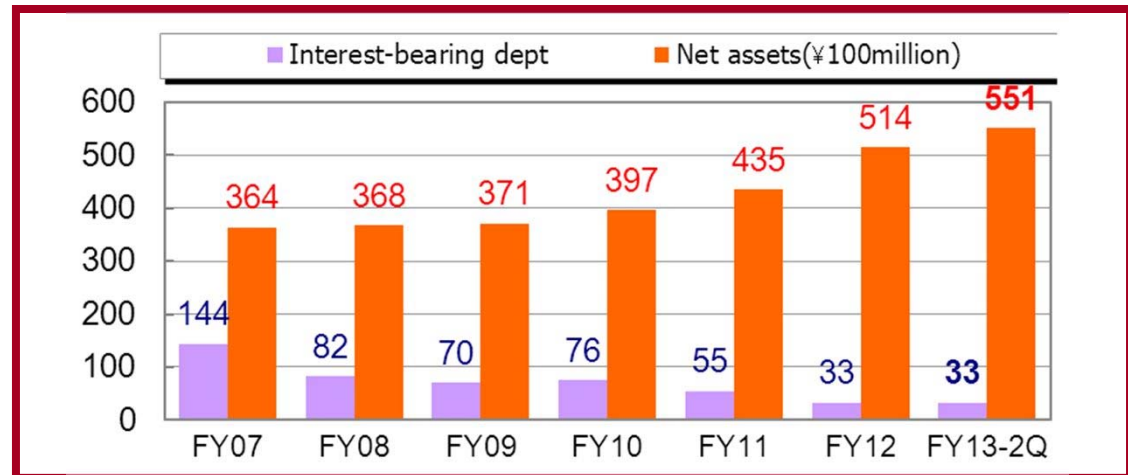
Assets	Liabilities / Total assets
Liquid assets 1,363 (-26)	Current liabilities 1,024 (-43)
Fixed assets 236(+25)	Fixed liabilities 25(+5)
Total assets 1,600(-1)	Net assets 551(+36)

(Sept.31,2013/¥100million)

Capital adequacy ratio 34.4%

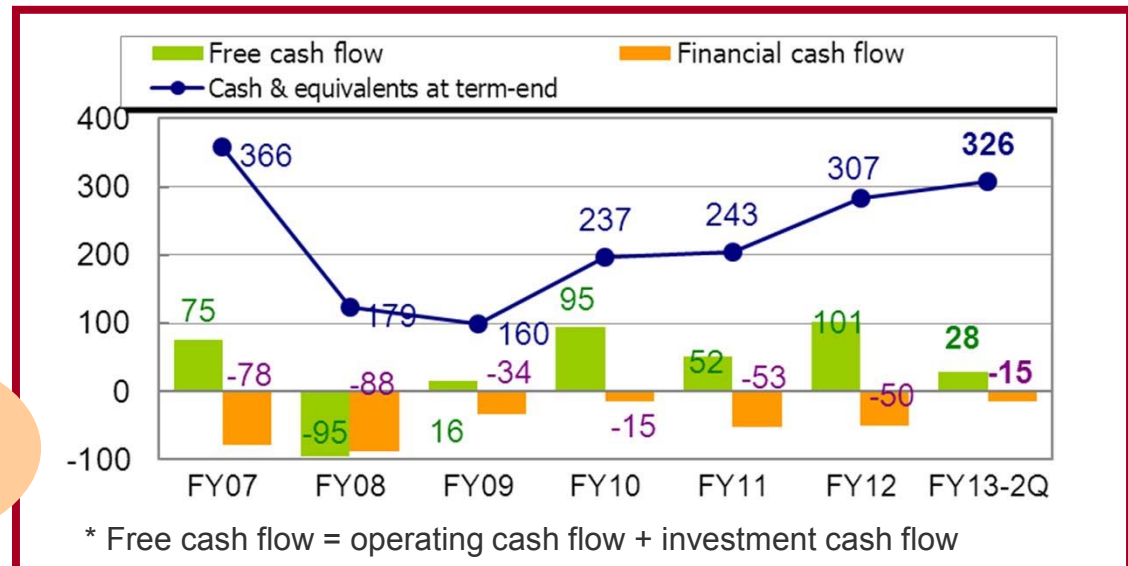
Changes in interest-bearing debt and net assets

Unit:¥100 million



Cash Flow

Unit:¥100 million



II . Progress towards “A.A.15” targets

3 policies

Reform
management
systems

Improve
profitability




Strengthen our
financial position

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The power to amaze is in our heart.



Our goal is to become a specialized trading company that provides best-in-class products and offers customers a comfortable living environment!

V Value	Act(1)	OtoO: Enhanced product database that serves as a solid foundation for building long-term relationships with customers	
	Act(2)	Green Ball Project: Further growth of environment-related business	
	Act(3)	Turnkey and Bridge: Stronger coordination between Japanese and overseas deals	
I Impressions	Act(4)	Personnel: Cultivating the next generation of personnel and overseas managers	
	Act(5)	Work-style reform	
	Act(6)	Profit distribution to shareholders: Possibly rewarding shareholders with a 30% payout ratio (consolidated basis) on the horizon	
S Specialization	Act(7)	Development of an integrated system for Greater China	
	Act(8)	Plans to “go digital” at overseas locations: Sale of industrial tools & equipment and an e-business launch	
	Act(9)	Higher market shares: Elevating market positions	
T Technology	Act(10)	Training high-skilled engineers overseas	
	Act(11)	Expanding the roster of system integrators	
	Act(12)	More personnel with certifications; mobilization of personnel joining Yamazen during mid-career	
A Adaptability	Act(13)	Logistical innovation: Asset reduction and the conversion of pertinent cost (fixed) into variable cost	
	Act(14)	Change of generation: Actions geared toward the next generation of business endeavors	
	Act(15)	Securing the diversity of sales channels	

Profit Targets

(¥ millions)	Fiscal 2012 (Term 67)	Fiscal 2013 (Term 68)	Fiscal 2014 (Term 69)	Fiscal 2015 (Term 70)
Sales	370,338	385,000	420,000	450,000
Operating income	9,756	10,000	12,000	14,500
Ordinary income	10,351	10,500	12,500	15,000
Net profit	6,249	6,300	7,500	9,000

Key Financial Targets

(%)	Fiscal2012 (Term67)	Fiscal2013		Fiscal 2014 (Term 69)	Fiscal2015 (Term70)
		(Plan)	(2Q)		
Gross margin	2.6%	2.6%	2.1	2.9%	3.2%
Return on total assets	6.1%	6.2%	2.5	7.0%	8.0%
Total assets turnover	2.3	2.4	1.2	2.4	2.5
Current ratio	130%	133%	133	135%	140%

■ Departmental Sales Targets

(¥ millions; %)	Fiscal 2012 (Term 67)	Fiscal 2013 (Term 68)	Fiscal 2014 (Term 69)	Fiscal 2015 (Term 70)	Growth rate (Base year = FY12)
M a c h i n e T o o l s	52,640	53,000	56,000	60,000	114%
Industrial Tools & Equipment	107,618	116,000	129,000	135,000	125%
(T o t a l) Domestic producer goods	160,259	169,000	185,000	195,000	122%
International Operations	75,548	77,000	82,500	91,000	121%
(Total) producer goods	235,807	246,000	267,500	286,000	121%
Housing Equipment, M a t e r i a l s	53,337	56,000	62,000	66,000	124%
H o m e P r o d u c t s	74,592	76,000	83,000	90,000	121%
(Total) Consumer goods	127,929	132,000	145,000	156,000	122%
Other departments	6,600	7,000	7,500	8,000	121%
T o t a l	370,338	385,000	420,000	450,000	122%

Budget for Capital Investments

(¥ millions)		Fiscal 2012 (Term 67)	Fiscal 2013 (Term 68)	Fiscal 2014 (Term 69)	Fiscal 2015 (Term 70)	Three-year total
Property, plants, and equipment	New investments (¥)	1,166	841	160	300	1,301
Intangible assets	New investments (¥)	419	778	1,323	580	2,681
Parent (cash-based)		1,585	1,619	1,483	880	3,982
Consolidated subsidiaries (cash-based)		120	200	160	120	480
Total (cash-based)		1,705	1,819	1,643	1,000	4,462
Property, plants, and equipment	Depreciation	314	376	438	400	1,214
Intangible assets	Amortization	452	492	665	693	1,850
Parent (net of depreciation and amortization)		766	868	1,103	1,093	3,064
Consolidated subsidiaries (net of depreciation and amortization)		94	82	97	107	286
Total (net of depreciation and amortization)		860	950	1,200	1,200	3,350



Ⅲ. Fiscal 2013 Earnings Forecasts





On track to reach full-year projections buoyed by rising investment in capital equipment and housing

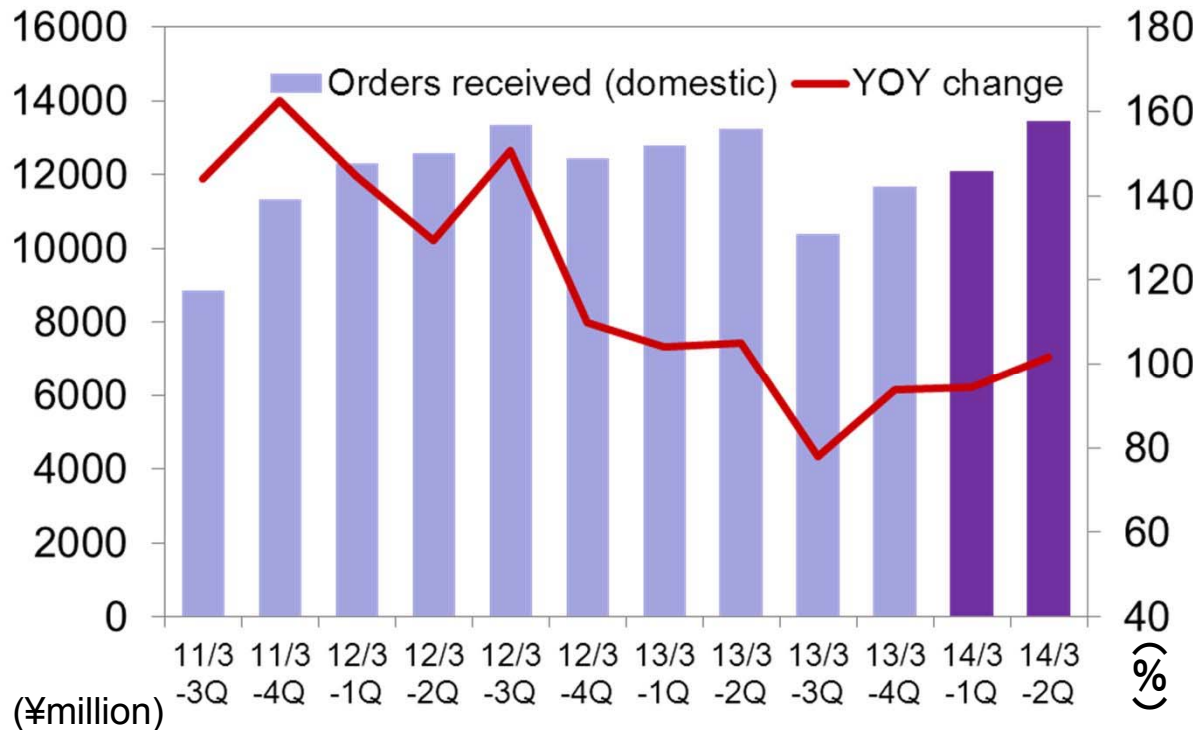
(Unit: ¥millions)	Fiscal 2012(Term 67)		Fiscal 2013(Term 68)			
	2Q Results	Full-year Results	2Q Results	YOY change (%)	Full-year (planned)	YOY change (%)
Sales	187,361	370,338	187,259	-0.1	385,000	4.0
[Stand-alone]	170,583	337,161	169,302	-0.8	350,000	3.8
Operating income	5,380	9,756	4,011	-25.4	10,000	2.5
[Stand-alone]	3,597	7,080	2,968	-17.5	7,500	5.9
Ordinary income	5,641	10,351	4,238	-24.9	10,500	1.4
[Stand-alone]	3,896	7,585	3,124	-19.8	8,000	5.5
Net profit	3,364	6,249	2,648	-21.3	6,300	0.8
[Stand-alone]	2,149	4,270	1,894	-11.9	4,500	5.4

*Based on exchange rate assumptions of 98.86 yen/dollar for 1-2 Qs and 99 yen/dollar for 3-4 Qs.

(¥ millions)		S a l e s (Y O Y)		Operating income (Y O Y)		operating margin of
Machine Tools	10-3*	27,975	3.4%	1,165	15.7%	4.2%
	Full year	54,000	2.6%	2,100	9.0%	3.9%
Industrial Tools & equipment	10-3*	58,834	12.9%	1,801	54.6%	3.1%
	Full year	113,000	5.0%	2,900	15.1%	2.6%

*Derived by subtracting 1H results from full-year projections

Machine Tool Orders Received (Domestic/3years)



Sales planning for industrial tools & equipment (by category) (¥million)

	Category	2Q	'14/3	Progress (%)
1	Material handling	6,319	13,000	49%
2	Mechatronics	7,445	17,000	44%
3	Aids for environmental improvement	3,211	7,000	46%
4	Cutting tools and accessories	9,864	22,000	45%
5	Measuring equipment	2,653	5,500	48%
6	Fluid equipment	3,457	7,500	46%
7	Industrial equipment	13,815	28,000	49%
8	Air-conditioning equipment	1,629	3,000	54%
9	Others	5,771	10,000	58%



Actions for Fiscal 2013(2)

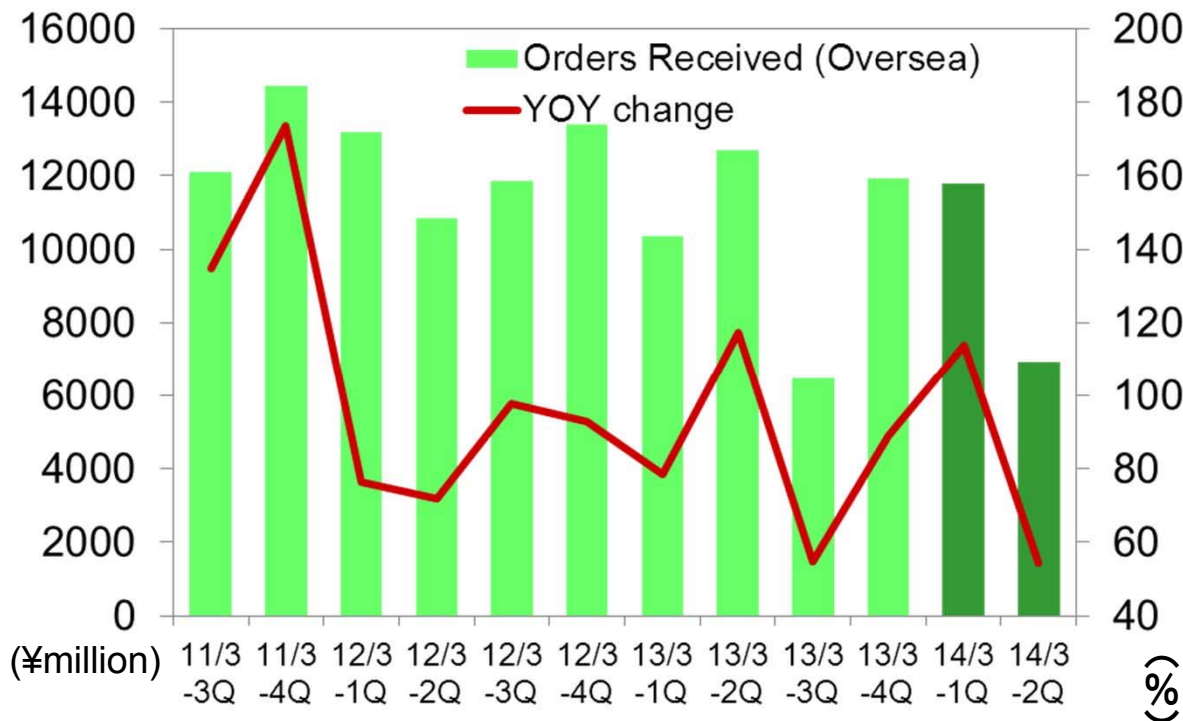
Production Equipment
& Materials Business (International)



(¥ millions)		S a l e s (Y O Y)		Operating income (Y O Y)		operating margin of
International Operations	10-3*	37,385	13.9%	1,507	14.3%	4.0%
	Full year	76,000	0.6%	3,100	-11.1%	4.1%

*Derived by subtracting 1H results from full-year projections

Machine Tool Orders Received (Oversea/3years)



Sales plan (by branch)

	Area	2Q	'14/3	Progress (%)
1	U S A	4,572	8,500	54%
2	T a i w a n	7,223	12,000	60%
3	S - A S E A N	3,851	7,500	51%
4	N - A S E A N	6,395	14,000	46%
5	C h i n a	10,236	20,000	51%
6	O t h e r	6,337	14,000	51%

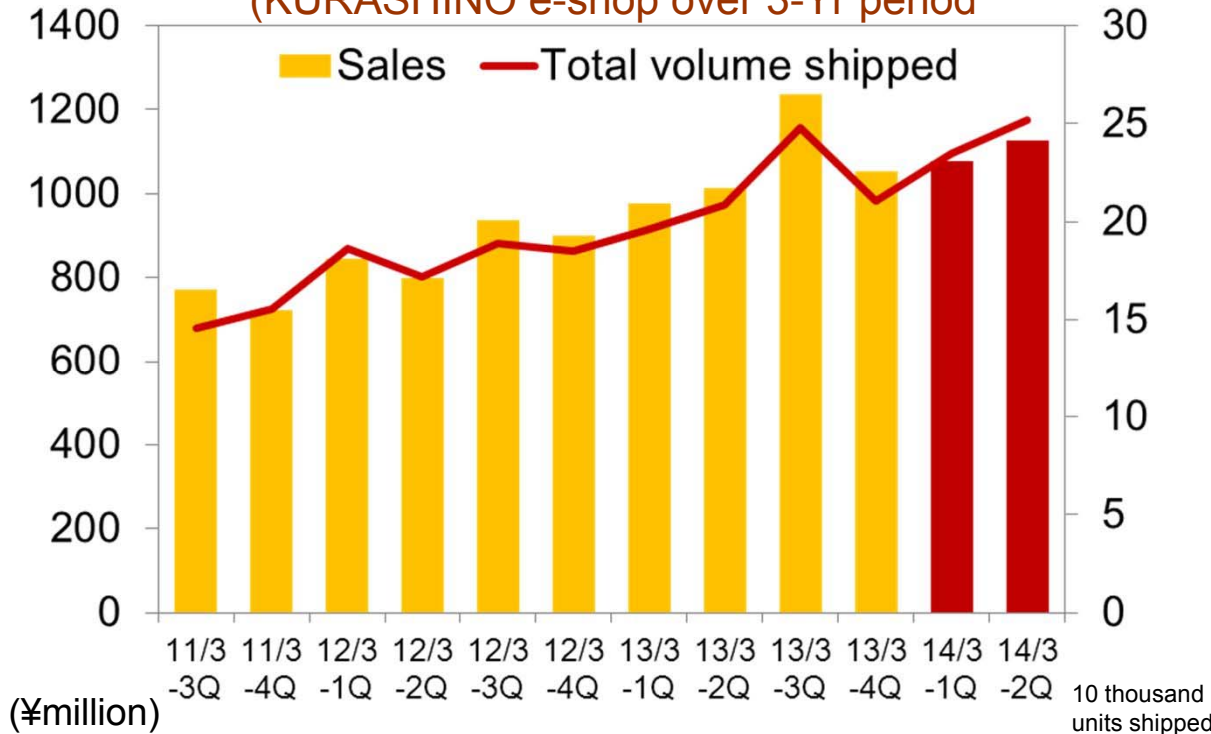
Sales plan (by department)

	Category	2Q	'14/3	Progress (%)
1	Machine Tools	24,771	47,000	53%
2	I . T . E .	7,800	16,000	49%
3	System Engineer	6,043	13,000	46%

(¥million)

(¥ millions)		S a l e s (Y O Y)		Operating income (Y O Y)		operating margin of
Housing Equipment, Materials	10-3*	30,552	7.3%	971	4.8%	3.2%
	Full year	60,000	12.5%	1,800	20.5%	3.0%
Home Products	10-3*	39,204	-0.1%	1,110	40.3%	2.8%
	Full year	75,000	0.5%	1,600	-24.9%	2.1%

■ Change in operating results for BtoC (KURASHINO e-shop over 3-Yr period)



*Derived by subtracting 1H results from full-year projections

■ Sales plan (by category)

H.E.M. category		2Q	'14/3	Progress (%)
1	Kitchen, bathroom, water boilers	10,041	22,000	46%
2	Environment, air conditioning, solar power	12,927	26,500	49%
3	Construction materials, etc.	6,478	11,500	56%
PB Products		2Q	'14/3	Progress (%)
1	Home appliances	13,297	30,000	44%
2	Interior	4,384	10,200	43%
3	Exterior & leisure	4,094	6,500	63%
4	Tools & gardening	1,877	3,610	52%

Consolidated Sales Targets by Division (Summary)

(¥ millions)			Fiscal 2012	Fiscal 2013		YOY	
Producer Goods	Machine Tools (Japan)	S a l e s	52,640	54,000	% of total sales	14.0%	2.6%
		Operating income	1,926	2,100	Operating margin	3.9%	9.0%
	Industrial Tools & Equipment (Japan)	S a l e s	107,618	113,000	% of total sales	29.4%	5.0%
		Operating income	2,519	2,900	Operating margin	2.6%	15.1%
	International Operations (Overseas)	S a l e s	75,548	76,000	% of total sales	19.7%	0.6%
		Operating income	3,488	3,100	Operating margin	4.1%	-11.1%
Consumer Goods	Housing Equipment & Materials	S a l e s	53,337	60,000	% of total sales	15.6%	12.5%
		Operating income	1,493	1,800	Operating margin	3.0%	20.5%
	Home Products	S a l e s	74,592	75,000	% of total sales	19.5%	0.5%
		Operating income	2,130	1,600	Operating margin	2.1%	-24.9%
Sales/income (expenses) not any of the above divisions, Company-wide costs and adjustments, etc.	S a l e s	6,600	7,000	% of total sales	1.8%	6.0%	
	Operating income	-1,800	-1,500	Operating margin	—	—	
Total	S a l e s	370,338	385,000	% of total sales	100%	4.0%	
	Operating income	9,756	10,000	Gross margin	2.6%	2.5%	

IV. Shareholder Returns

□ Basic policy regarding profit distribution

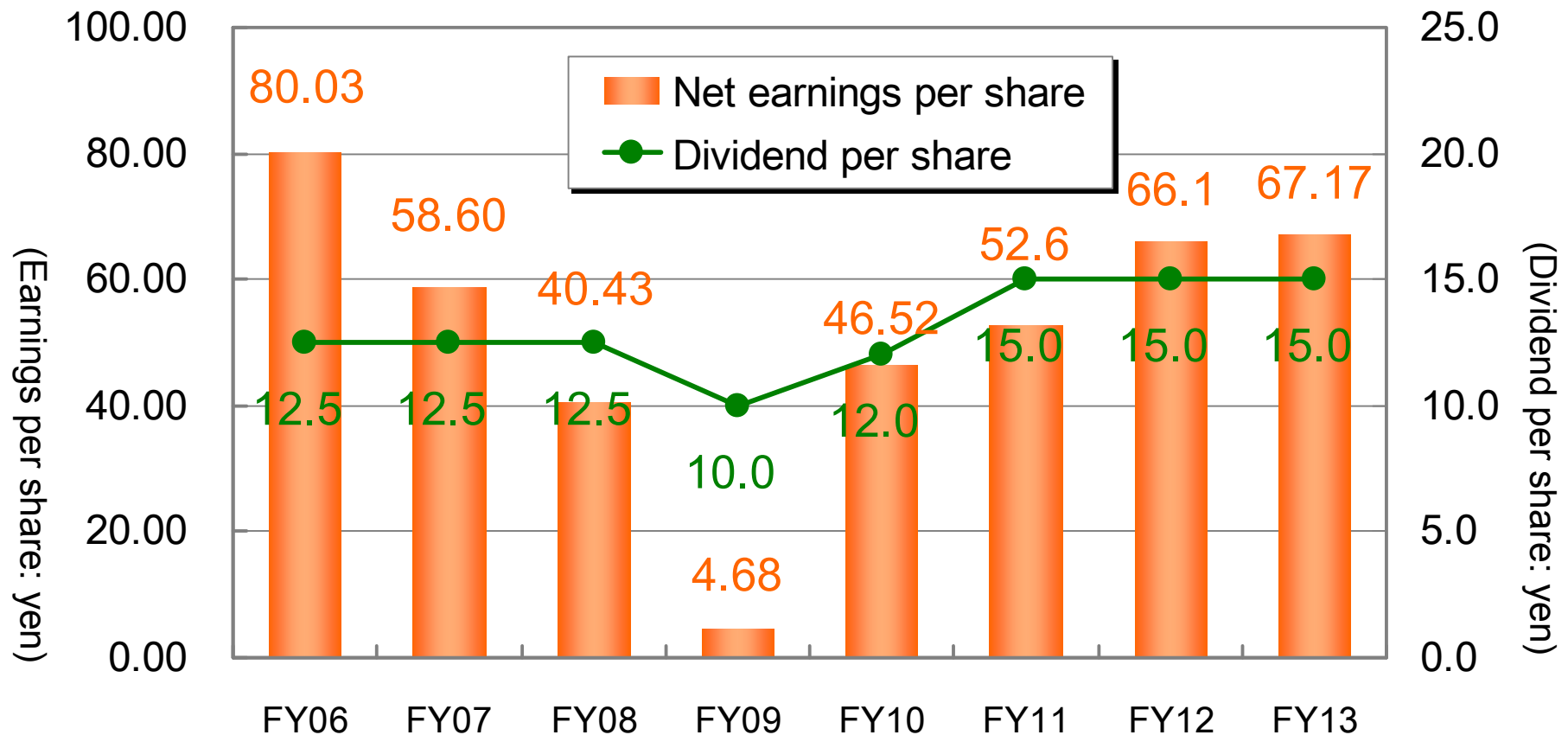
△ YAMAZEN strives to provide its shareholders with a stable return on their investment while strengthening its financial foundation and elevating its profitability. In line with the above policy, YAMAZEN is preparing to gradually raise the payout ratio from the past target ratio of 25% to around 30% on a consolidated basis in the three-year period covered by the new Medium-Term Business Plan

△ Internal reserves are committed to the enhancement of shareholder equity and effective investment to ensure the sustainable development of the Company's business. By driving business growth over the medium and long terms and boosting corporate value along the way, YAMAZEN continues to meet the expectations of shareholders.

■ Dividend Trends

		FY07	FY08	FY09	FY10	FY11	FY12
Consolidated payout ratio		21.3%	30.9%	213.7%	25.8%	28.5%	22.5%
Cash Dividends	Interim	¥5.0	¥5.0	¥5.0	¥5.0	¥7.0	¥7.0
	Year-end	¥7.5	¥7.5	¥5.0	¥7.0	¥8.0	¥8.0

- We aim to achieve a consolidated payout ratio of 22.3%
- Our fiscal 2013 targets are for an interim dividend of 7.0 yen and a year-end dividend of 8.0 yen, or a total payout of 15.0 yen for the year





YAMAZEN CORPORATION

Inquiries

□ Contact information for inquiries relating to particular meetings

- △ Public Relations Dept., Corporate Planning Dept., Corporate Planning Headquarters
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- △ Please use the inquiry form provided on the company website for any other inquiries relating to Yamazen investor relations (<http://www.yamazen.co.jp/>).

Please note:

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