



**YAMAZEN CORPORATION**

# **Fiscal 2013 Results Briefing**

**May 28, 2014**

**amaze!in  
YamazeneN.**

驚きは、山善の中にある。

## AGENDA

- I . Fiscal 2013 (Term 68) Earnings Highlights
- II . A.A.15: Our Mid-Term Management Plan
- III . Fiscal 2014 (Term 69) Earnings Forecasts
- IV . Shareholder Returns

# I . Fiscal 2013 (Term 68) Earnings Highlights

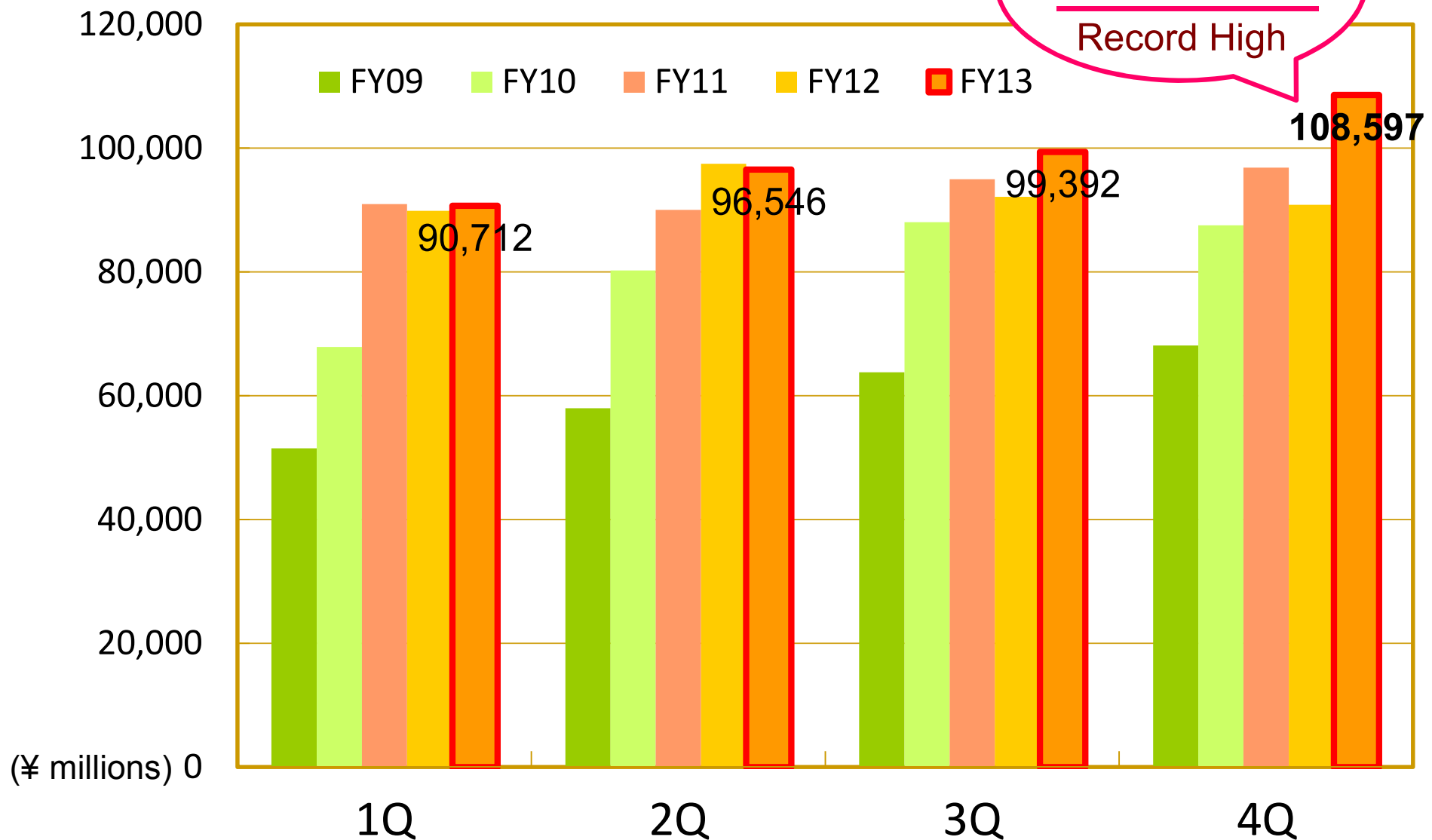
## Consolidated Income Statement

(¥ millions)	Fiscal 2012 (Term 67)	Fiscal 2013 (Term 68)	YOY (%)	Published targets (adjusted)	Ratio to target
Sales	370,338	<b>395,249</b>	6.7	385,000	102.7
Gross margin (Gross margin ratio)	47,031 (12.7%)	<b>50,208</b> (12.7%)	6.8 (+0.0)	—	—
SGA expenses	37,274	<b>40,645</b>	9.0	—	—
Operating income	9,756	<b>9,562</b>	△ 2.0	10,000	95.6
Non-operating income	594	<b>275</b>	△ 53.6	—	—
Ordinary income	10,351	<b>9,838</b>	△ 5.0	10,500	93.7
Extraordinary income (loss)	△ 199	△ <b>645</b>	—	—	—
Net profit	6,249	<b>5,515</b>	△ 11.7	5,900	93.5

- Despite record high sales, earnings were down due to higher variable costs (for distribution, etc.) and posting of impairment loss of real estate.



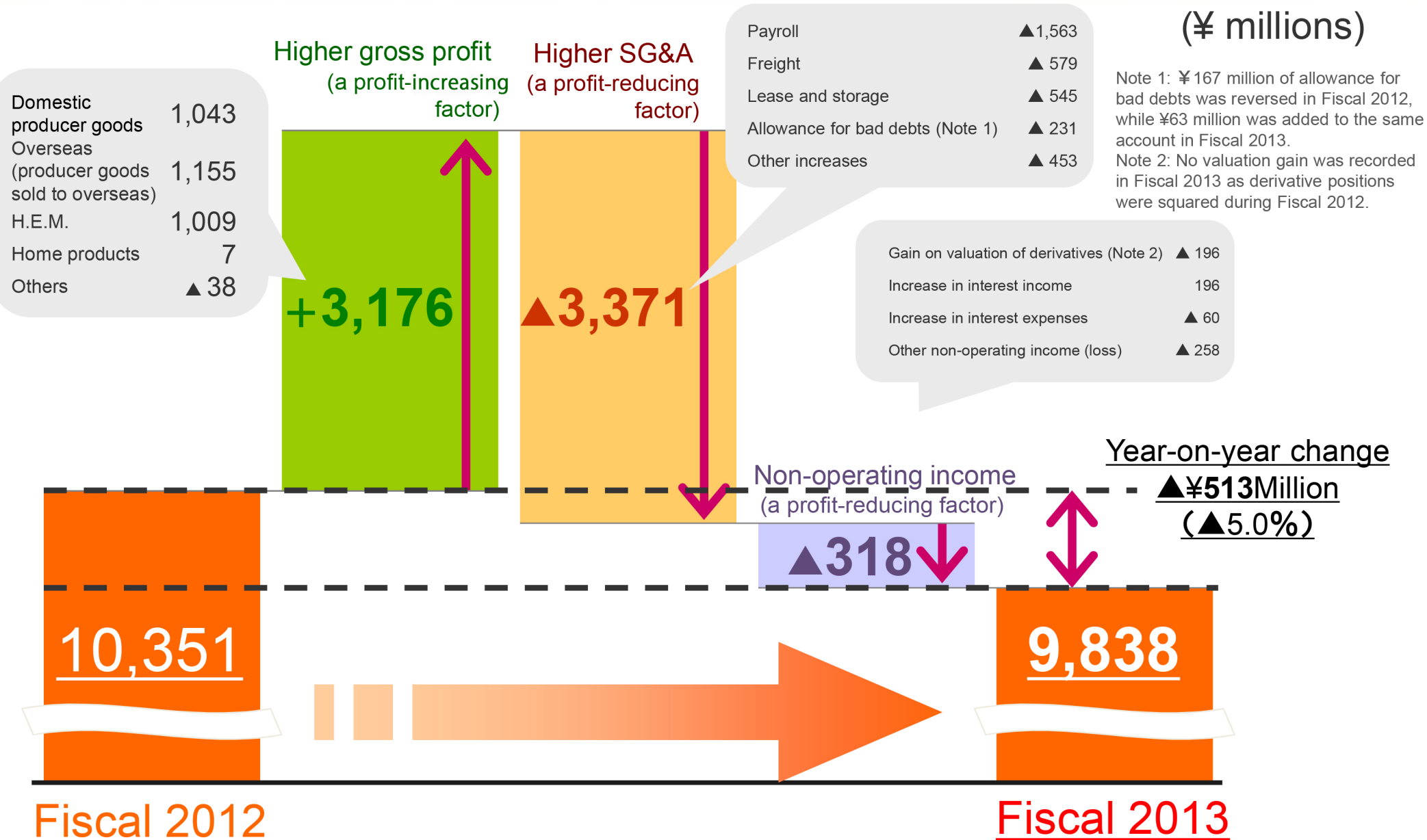
## Sequential comparison (past five years)



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

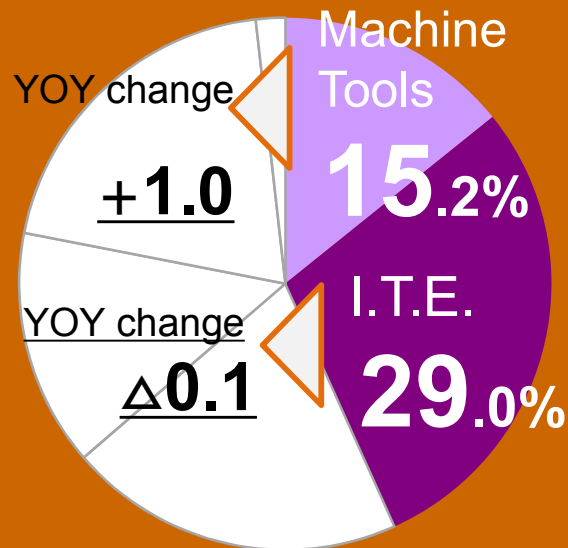
(¥ million;%)	Fiscal 2012 (Term 67)	Fiscal 2013 (Term 68)	YOY (%)	Published targets (adjusted)	Ratio to target
M a c h i n e T o o l s	52,640	<b>59,982</b>	13.9	54,000	111.1
Industrial Tools & Equipment	107,618	<b>114,557</b>	6.4	113,000	101.4
( T o t a l ) Domestic producer goods	160,259	<b>174,540</b>	8.9	167,000	104.5
International Operations	75,548	<b>74,375</b>	△ 1.6	76,000	97.9
(Total) producer goods	235,807	<b>248,915</b>	5.6	243,000	102.4
Housing Equipment, M a t e r i a l s	53,337	<b>63,064</b>	18.2	60,000	102.4
H o m e P r o d u c t s	74,592	<b>76,625</b>	2.7	75,000	105.1
(Total) Consumer goods	127,929	<b>139,689</b>	9.2	135,000	102.2
Other departments	6,600	<b>6,644</b>	0.7	7,000	94.9
T o t a l	370,338	<b>395,249</b>	6.7	385,000	102.7

Foreign exchange rates (average): ¥82.91 for Fiscal 2012 and ¥101.7 for Fiscal 2013.



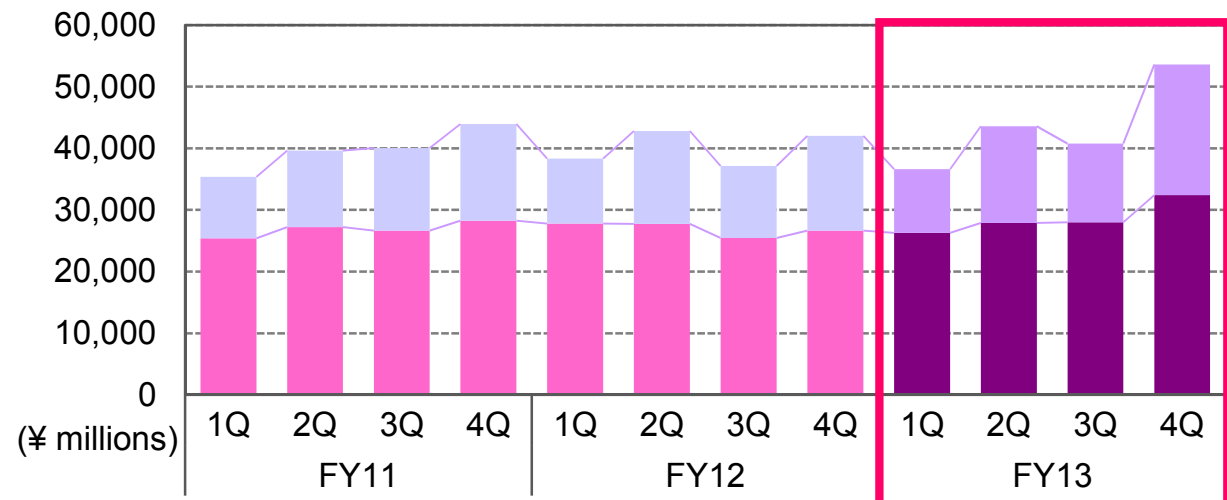
(¥ millions)			Fiscal 2012	Fiscal 2013 (Term 68)		
Goods	Machine Tools	S a l e s	52,640	<b>59,982</b>	(YOY)	13.9%
		Operating income	1,926	<b>2,437</b>	operating margin of	4.1%
	Industrial Tools & equipment	S a l e s	107,618	<b>114,557</b>	(YOY)	6.4%
		Operating income	2,519	<b>2,667</b>	operating margin of	2.3%

Sales by product category



- Sales of machine tools rose to ¥54.8B (order basis) for the full year buoyed by higher capital investment by the automobile/construction sectors and effects of subsidies.
- Industrial tools/equipment saw robust sales of cutting tools and steel frame processing machines and equipment.

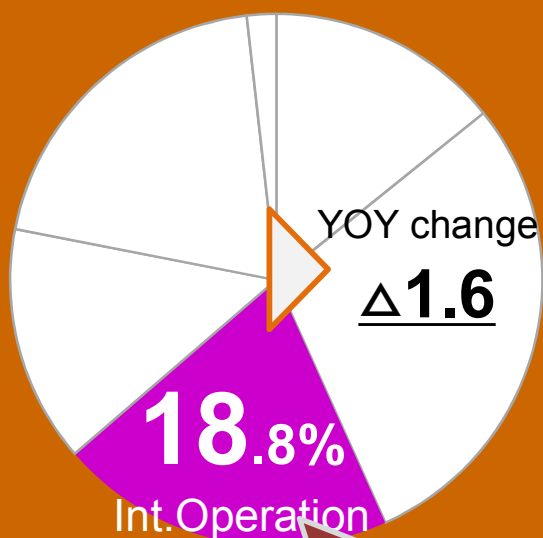
Quarterly change in sales (last three years)





(¥ millions)			Fiscal 2012	Fiscal 2013 (Term 68)		
Producer Goods	International Operations	S a l e s	75,548	<b>74,375</b>	(YOY)	Δ1.6%
		Operating income	3,488	<b>2,725</b>	operating margin of	3.7%

Sales by department (%)



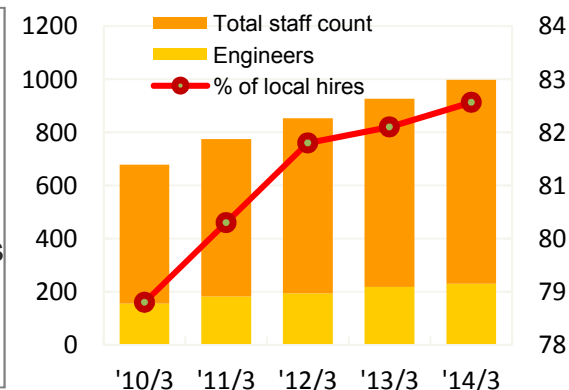
Sales by Dept.

Machine Tools I.T.E. S.E.

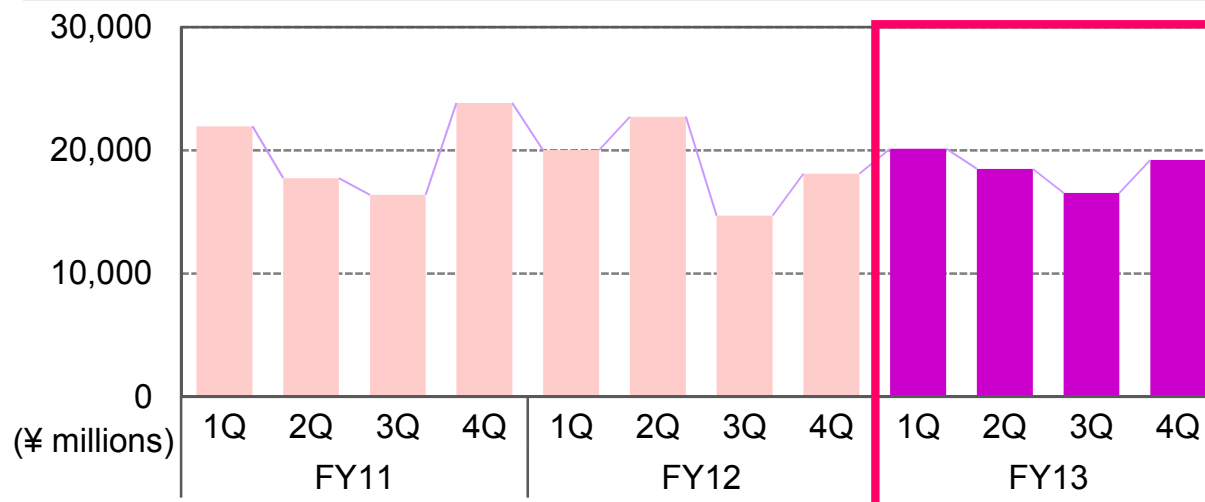
0% 20% 40% 60% 80% 100%

□ Uneven sales/earnings results by regions, due to weaker demand from automobile and IT sectors in ASEAN).

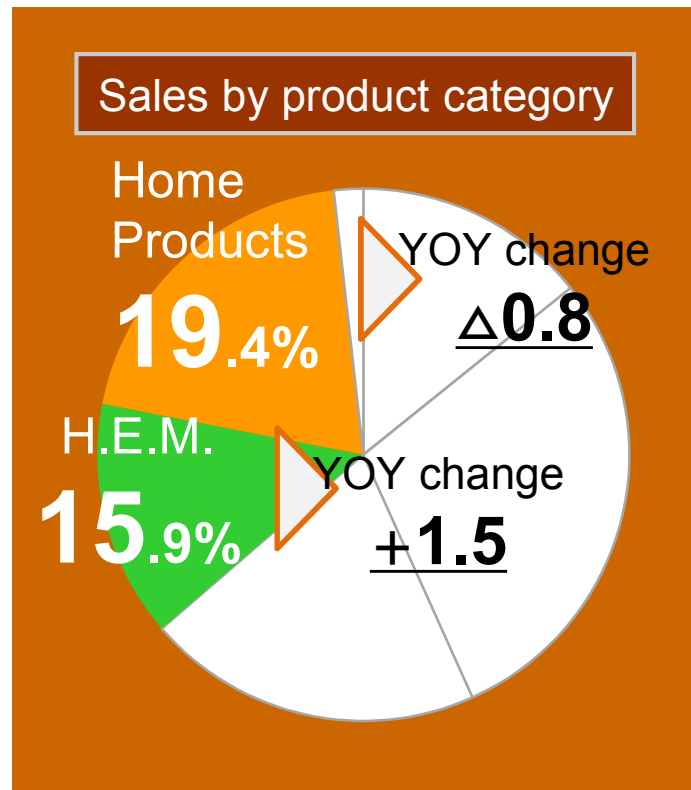
☞ Efforts to increase personnel continued in anticipation of business growth (with the aim of creating a roster of 231 engineers and a total staff count of 1,000)



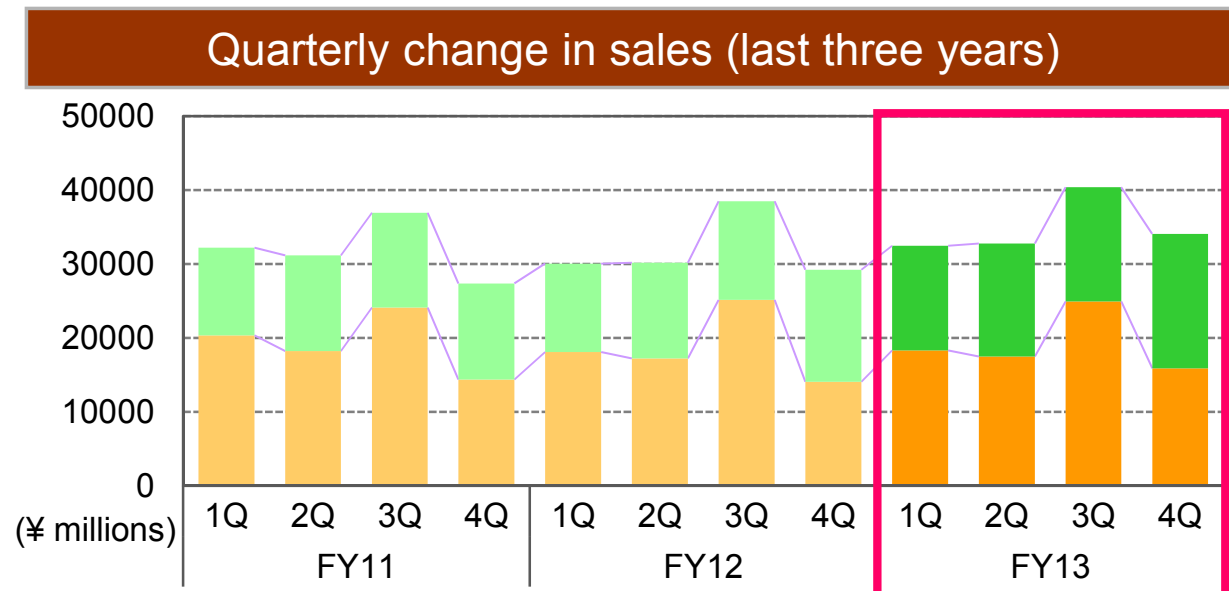
Quarterly change in sales (last three years)



(¥ millions)			Fiscal 2012	Fiscal 2013 (Term 68)		
Consumer Goods	Housing Equipment, Materials	S a l e s	53,337	<b>63,064</b>	(YOY)	18.2%
		Operating income	1,493	<b>2,170</b>	operating margin of	3.4%
	Home Products	S a l e s	74,592	<b>76,625</b>	(YOY)	2.7%
		Operating income	2,130	<b>1,646</b>	operating margin of	2.1%



- H.E.M. experienced double-digit, record-high growth by stepping up installation capabilities and securing inventories to meet robust demand for new housing, renovation and solar power generation systems.
- Home Products managed to post higher sales through enhanced product appeal but earnings were down due to the weaker yen.



## Balance Sheet (consolidated)

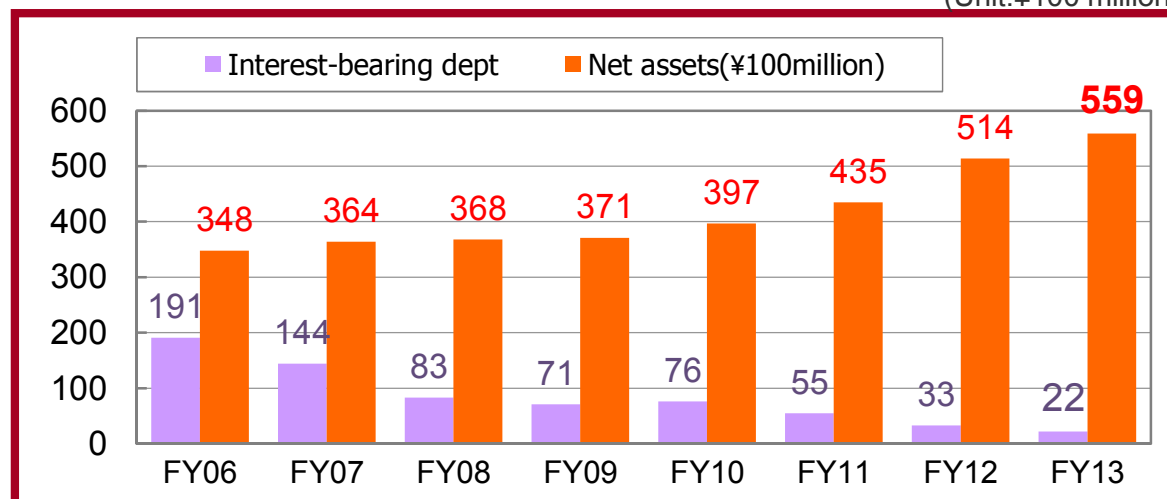
Assets	Liabilities /Total assets
Liquid assets 1,558 (+168)	Current liabilities 1,188 (+121)
	Fixed liabilities 42(+23)
Fixed assets 232(+20)	Net assets 559 (+44)
Total assets 1,790(+189)	

(March.31,2014 / ¥100million)

Capital adequacy ratio 31.2%

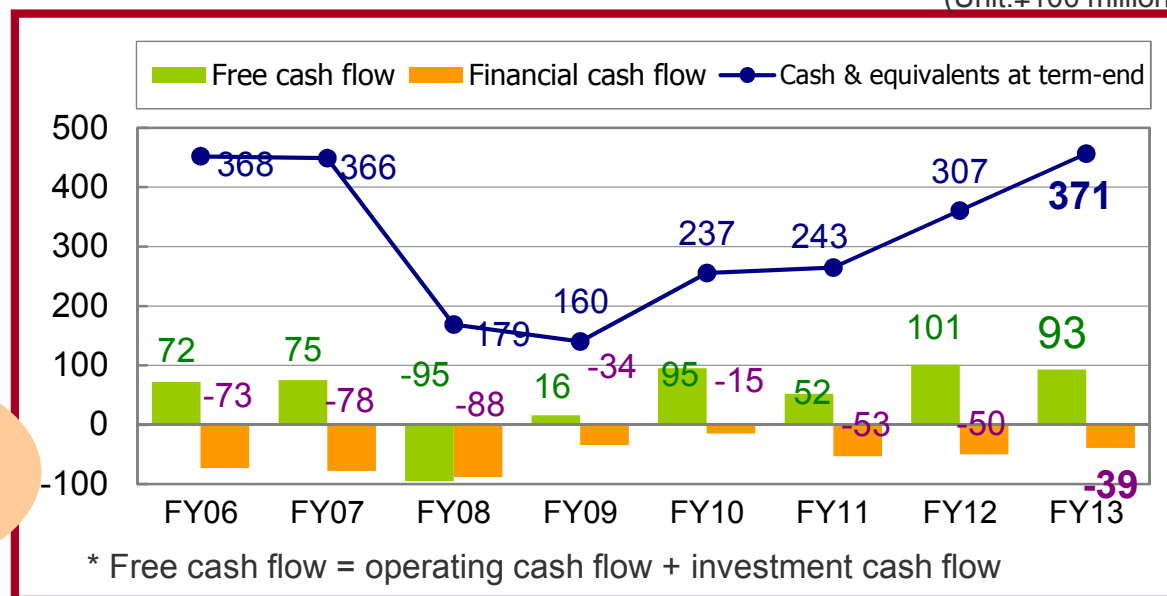
## Changes in interest-bearing debt and net assets

(Unit:¥100 million)



## Cash Flow

(Unit:¥100 million)



## II . A.A.15:Our Mid-Term Management Plan



3 policies

Reform  
management  
systems

Improve  
profitability

Strengthen our  
financial position

**amaze! in**  
**YamazeN.**

**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!

# AA15

Amazing Act 2015

Fiscal 2015

**Net Sales: ¥450 Billion**

**Ordinary Income: ¥15 Billion**

Integrated system for Greater China  
Global Marketing

Plans to go digital at overseas locations  
Overseas expansion for Industrial  
Tools/Equipment

To be No. 1 in specialized trading  
companies

Action to capture a higher market share

For product database  
enhancement  
O to O Marketing

Greenball Project  
Growth of Environment-  
related business

For Turnkey & Bridge  
Tie-ups for international  
business deals

For next generations &  
overseas  
Training managers

For higher productivity  
Work-style reform

Higher return to investors on  
a consolidated basis  
Higher return to investors

Hiring 1,000 local staff  
Training engineers outside Japan

For enhanced mechatronics  
products business  
More system integrators

For greater technical consultation  
capabilities  
More qualified personnel

For optimal logistical assets  
Logistical innovation

For organizational transformation  
with added agility to better  
address changes  
Building foundation to drive  
future growth

To lay foundations to cope with  
changing environments  
Diversification of sales channels

Information collection

Information processing

Information dissemination

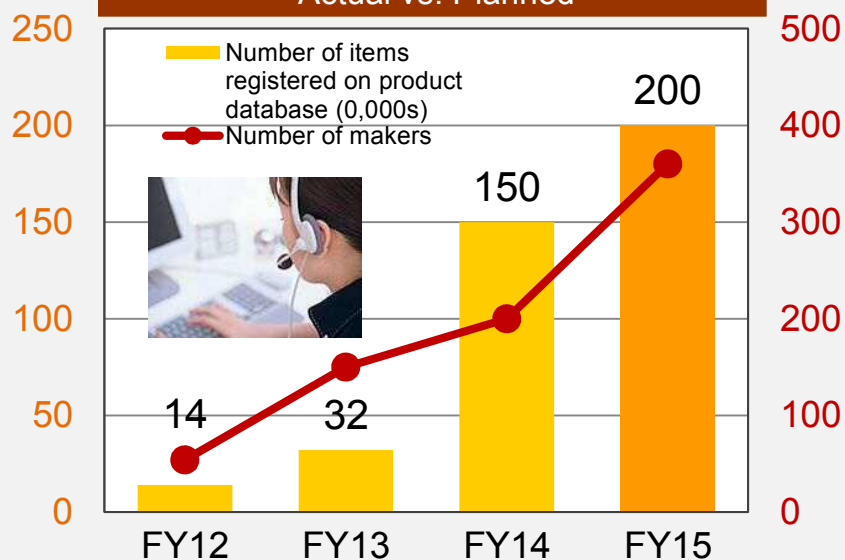
Set trade standards

Expand items  
(to 2 million items)

Action to become profitable  
at an early stage

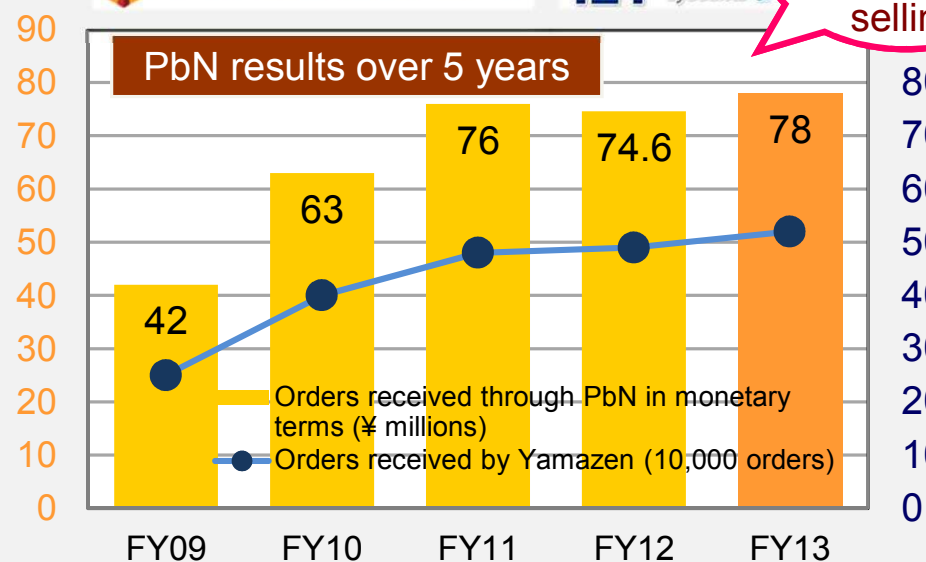
Integration with face-to-face selling

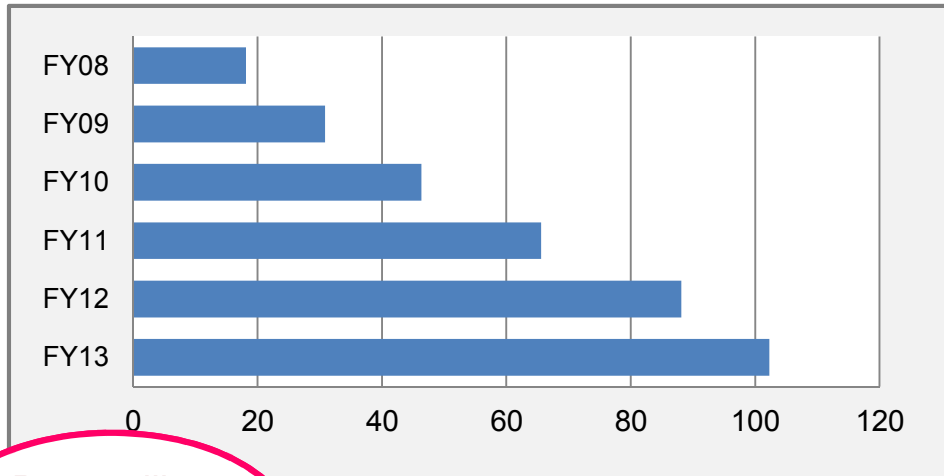
No. of items registered on product database  
Actual vs. Planned



PROCUREBYNET IST industrial systems &...

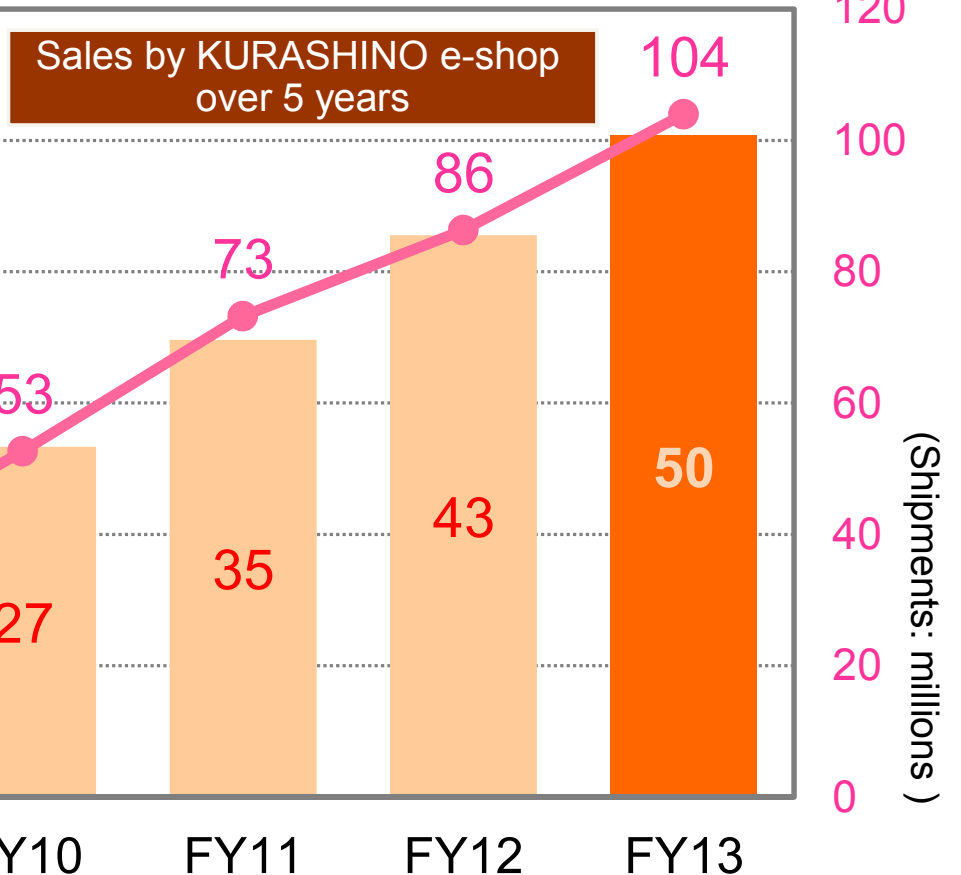
PbN results over 5 years





➤ Sales by KURASHINO e-shop grew for 8 consecutive years, now grossing over ¥5 billion annually.

➤ Plans are underway to make online sales to consumers a 20-billion-yen- a-year business



Best selling  
(annual)  
product online

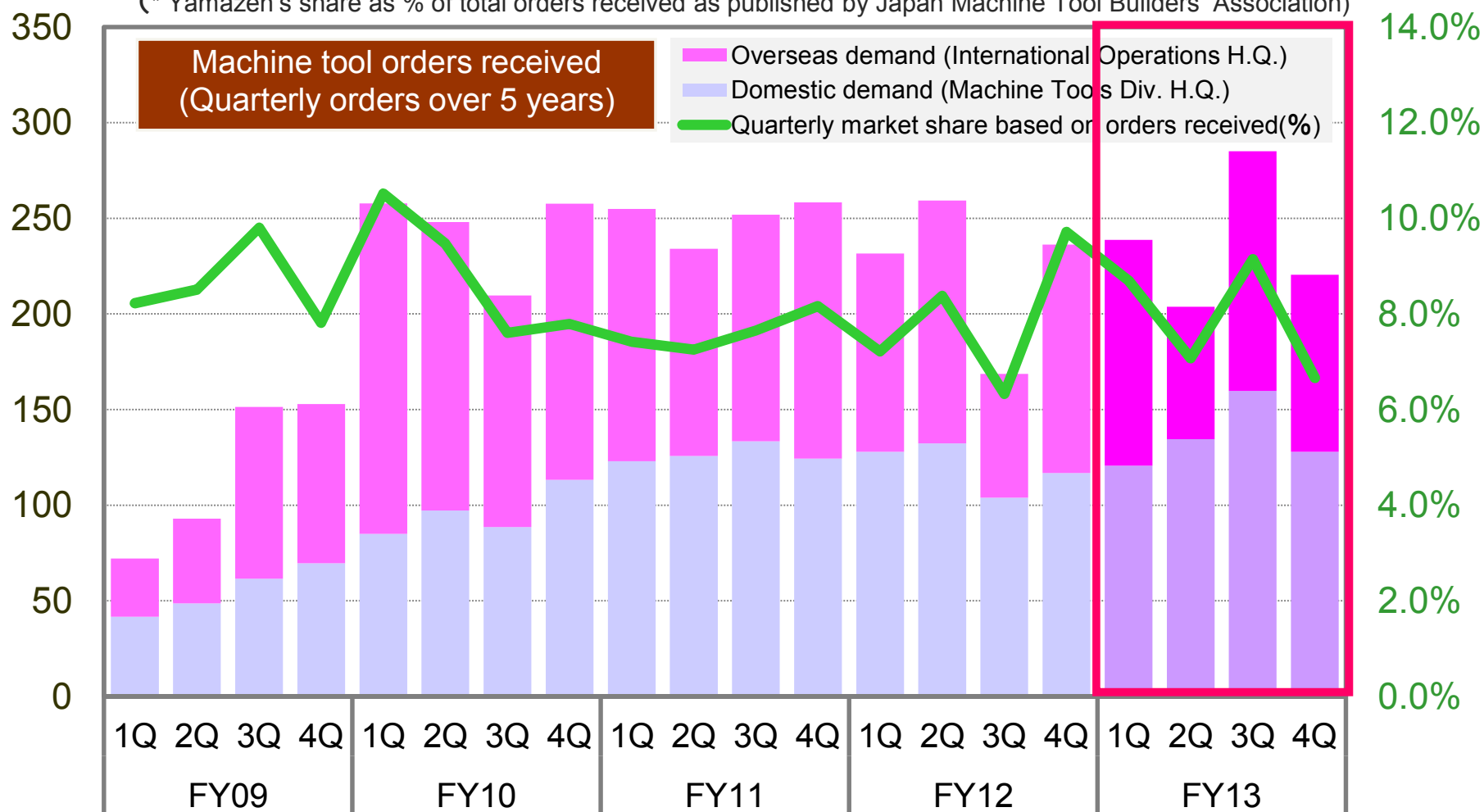


YAMAZEN  
Ceramic heater  
DF-J121(W)



- Annual orders received from Japan and overseas for machine tools amounted to ¥94.5 billion; Cumulative market share for the year was 7.9%. \*
- Actions have been rolled out to enhance product functionality for the Japanese market and to explore and make inroads into overseas markets by hiring additional engineers and other personnel.

(\* Yamazen's share as % of total orders received as published by Japan Machine Tool Builders' Association)



(Unit: ¥ 100 millions)



➤ A subsidiary was established in Thailand. An office was formed within a Chinese subsidiary.

- Creating a comprehensive marketing basis to best capture unique local needs and to appeal to local consumers' craving for "Japan Quality" for which there is a growing demand.

Name	: Yamazen Trading (Thailand) Co., Ltd.
Capital	: THB30 million (approx. ¥90 million; THB1 = ¥3) Yamazen 49%/Yamazen (Thailand) Co., Ltd. & Yamazen Thai Engineering Co., Ltd. together 51%
Address	: Bangkok (inside a Yamazen (Thailand) Co., Ltd. building)
Representative	: Eiji Kobayashi (Currently head of Yamazen Bangkok office)
Date of establishment	: Scheduled for April 1, 2014
Initial number of staff	: 10 (planned)

- Aiming to offer "one-stop-service" that meets every need of companies with plans to establish plants in ASEAN.



## Profit Targets

(¥ millions)	Fiscal 2012 (Actual)	Fiscal 2013		Fiscal 2014		Fiscal 2015 (Plan)
		(Actual)	(Initial plan)	(Revised plan)	(Initial plan)	
Sales	370,338	395,249	385,000	410,000	420,000	450,000
Operating income	9,756	9,562	10,000	11,000	12,000	14,500
Ordinary income	10,351	9,838	10,500	11,300	12,500	15,000
Net profit	6,249	5,515	6,300	7,000	7,500	9,000

## Key Financial Targets

(%)	Fiscal 2012 (Actual)	Fiscal 2013		Fiscal 2014		Fiscal 2015 (Plan)
		(Actual)	(Initial plan)	(Revised plan)	(Initial plan)	
Gross margin	2. 6%	2. 4%	2.6%	2. 6%	2.9%	3. 2%
Return on total assets	6. 1%	5. 6%	6.2%	6. 2%	7.0%	8. 0%
Total assets turnover	2. 3	2. 3	2.4	2. 4	2.4	2. 5
Current ratio	130%	131%	133%	135%	135%	140%

## ■ Departmental Sales Targets

(¥ millions; %)	Fiscal 2012 (Actual)	Fiscal 2013 (Actual)	Fiscal 2014 (Revised plan)	Fiscal 2015 (Plan)	Growth rate (Base year = FY12)
M a c h i n e T o o l s	<b>52,640</b>	59,982	60,000	60,000	114%
Industrial Tools & Equipment	<b>107,618</b>	114,557	122,000	135,000	125%
( T o t a l ) Domestic producer goods	<b>160,259</b>	<b>174,540</b>	<b>182,000</b>	<b>195,000</b>	<b>122%</b>
International Operations	<b>75,548</b>	74,375	81,000	91,000	121%
(Total) producer goods	<b>235,807</b>	<b>248,915</b>	<b>263,000</b>	<b>286,000</b>	<b>121%</b>
Housing Equipment, M a t e r i a l s	<b>53,337</b>	63,064	62,000	66,000	124%
H o m e P r o d u c t s	<b>74,592</b>	76,625	78,000	90,000	121%
(Total) Consumer goods	<b>127,929</b>	<b>139,689</b>	<b>140,000</b>	<b>156,000</b>	<b>122%</b>
Other departments	<b>6,600</b>	6,644	7,000	8,000	121%
T o t a l	<b>370,338</b>	<b>395,249</b>	<b>410,000</b>	<b>450,000</b>	<b>122%</b>



## Budget for Capital Investments

(¥ millions)		Fiscal 2012 (Term 67)	Fiscal 2013 (Term 68)	Fiscal 2014 (Term 69)	Fiscal 2015 (Term 70)	Three-year total (Initial plan)	
Property, plants, and equipment	New investments (¥)	1,166	776	252	426	<b>1,454</b>	1,301
Intangible assets	New investments (¥)	419	988	963	274	<b>2,225</b>	2,681
Parent (cash-based)		1,585	1,764	1,215	700	<b>3,679</b>	3,982
Consolidated subsidiaries (cash-based)		120	288	255	200	<b>743</b>	480
Total (cash-based)		1,705	2,052	1,470	900	<b>4,422</b>	4,462
Property, plants, and equipment		314	387	450	465	<b>1,302</b>	1,214
Intangible assets	Depreciation	452	444	635	810	<b>1,889</b>	1,850
Parent (net of depreciation and amortization)		766	831	1,085	1,275	<b>3,191</b>	3,064
Consolidated subsidiaries (net of depreciation and amortization)		94	118	115	105	<b>338</b>	286
Total (net of depreciation and amortization)		860	949	1,200	1,380	<b>3,529</b>	3,350

## III. Fiscal 2014 Earnings Forecasts

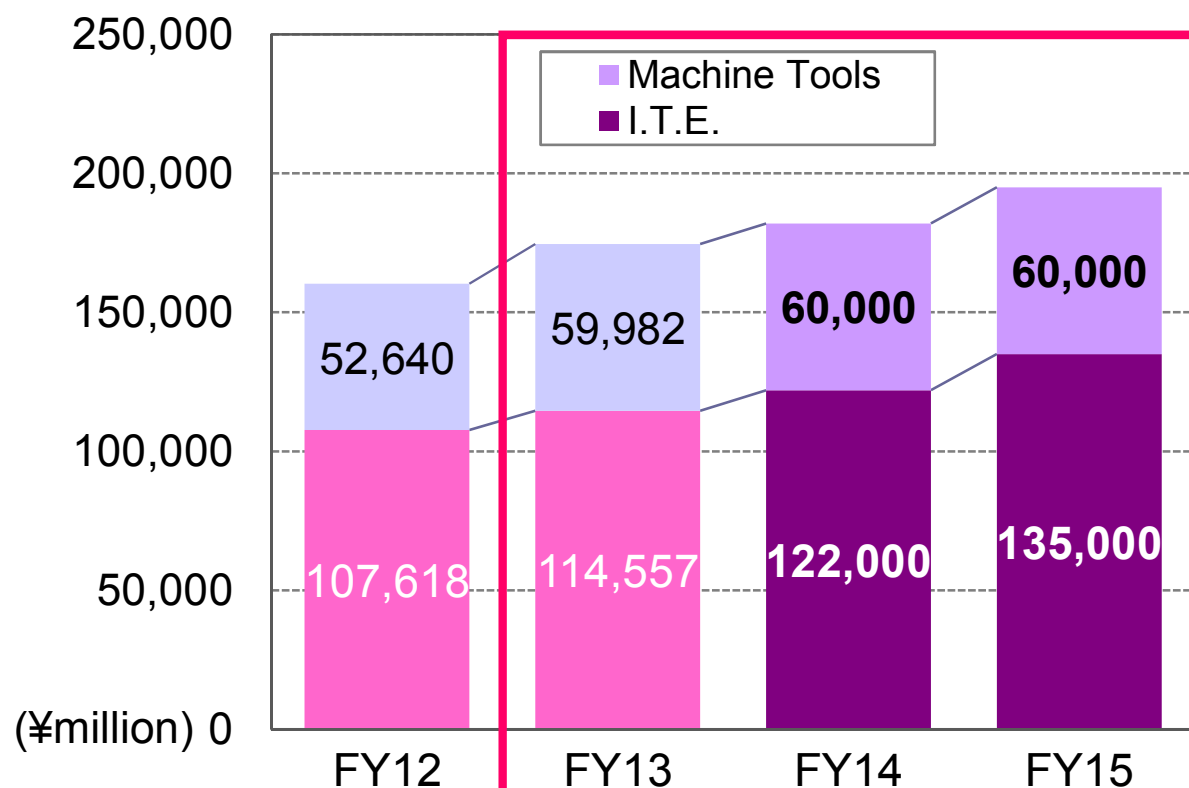


Targeting higher sales and earnings given improving or sustained employment and export conditions

(Unit: ¥millions)	Fiscal 2013 (Term 68)		Fiscal 2014 (Term 69)			
	2Q Results	Full-year Results	2Q (planned)	YOY change (%)	Full-year (planned)	YOY change (%)
Sales	187,259	395,249	<b>197,000</b>	5.2	<b>410,000</b>	3.7
[Stand-alone]	169,302	359,149	<b>179,000</b>	5.7	<b>372,000</b>	3.6
Operating income	4,011	9,562	<b>4,500</b>	12.2	<b>11,000</b>	15.0
[Stand-alone]	2,968	7,449	<b>3,500</b>	17.9	<b>8,800</b>	18.1
Ordinary income	4,238	9,838	<b>4,600</b>	8.5	<b>11,300</b>	14.9
[Stand-alone]	3,124	7,577	<b>3,600</b>	15.2	<b>9,000</b>	18.8
Net profit	2,648	5,515	<b>2,900</b>	9.5	<b>7,000</b>	26.9
[Stand-alone]	1,894	4,046	<b>2,200</b>	16.2	<b>5,500</b>	35.9

(¥ millions)	S a l e s	( Y O Y )	Operating income	( Y O Y )	operating margin of
Machine Tools	60,000	+0.0%	2,450	0.5%	4.1%
Industrial Tools & Equipment	122,000	6.5%	3,300	23.7%	2.7%

### Three-year Sales Plan for Domestic Producer Goods



### Sales planning for industrial tools & equipment (by category)

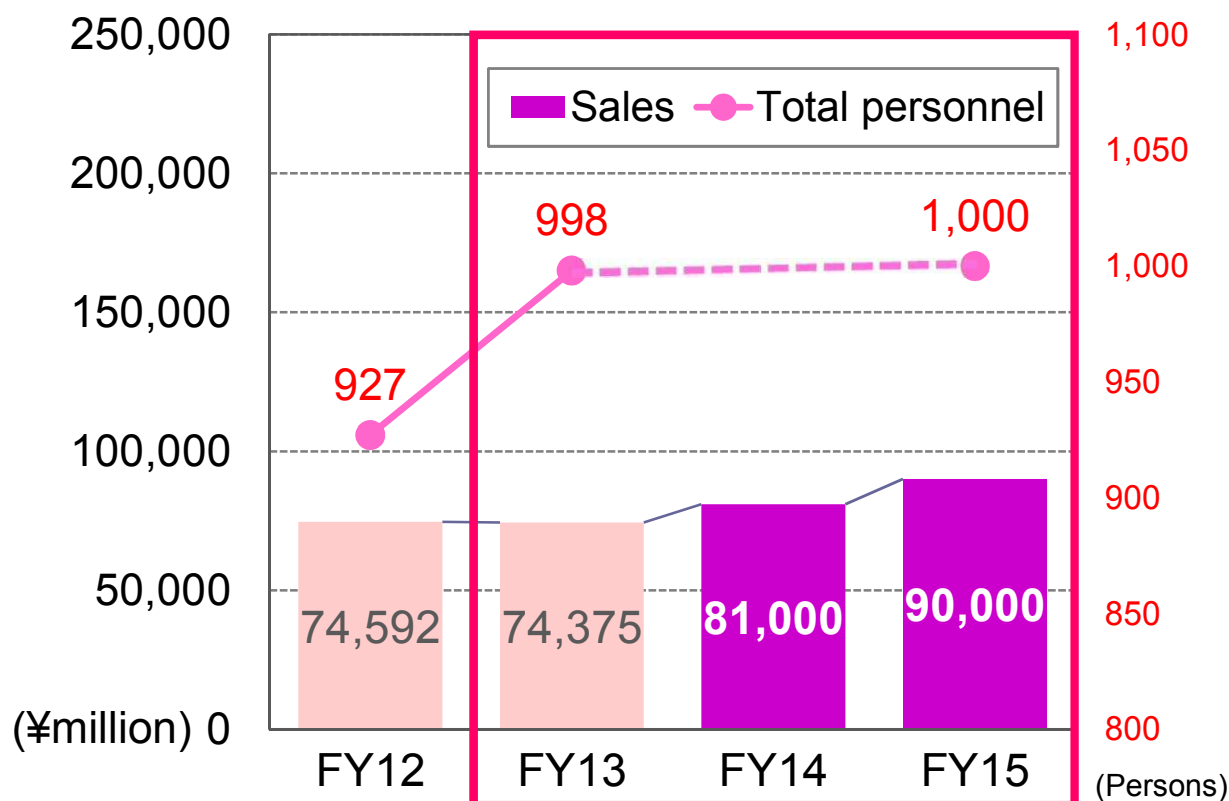
	Category	FY13	FY14	YOY
①	Material handling	13,097	<b>14,000</b>	107%
②	Mechatronics	15,534	<b>16,500</b>	106%
③	Aids for environmental improvement	6,715	<b>7,400</b>	110%
④	Cutting tools and accessories	21,326	<b>23,000</b>	108%
⑤	Measuring equipment	5,661	<b>6,200</b>	110%
⑥	Fluid equipment	7,121	<b>7,500</b>	105%
⑦	Industrial equipment	29,737	<b>32,000</b>	108%
⑧	Air-conditioning equipment	2,895	<b>3,100</b>	107%
⑨	Others	12,210	<b>12,300</b>	101%

(¥million)



(¥ millions)	S a l e s ( Y O Y )	Operating income ( Y O Y )	operating margin of
International Operations	81,000	3,000	3.7%

Three-year Sales Plan for Overseas Producer Goods and a Personnel Plan



### Sales plan (by branch)

	Area	FY12	FY13	YOY
①	U S A	9,498	10,000	105%
②	T a i w a n	12,712	13,000	102%
③	S-ASEAN	6,403	6,500	102%
④	N-ASEAN	12,561	14,000	111%
⑤	C h i n a	20,474	22,000	107%
⑥	O t h e r	12,697	15,500	122%

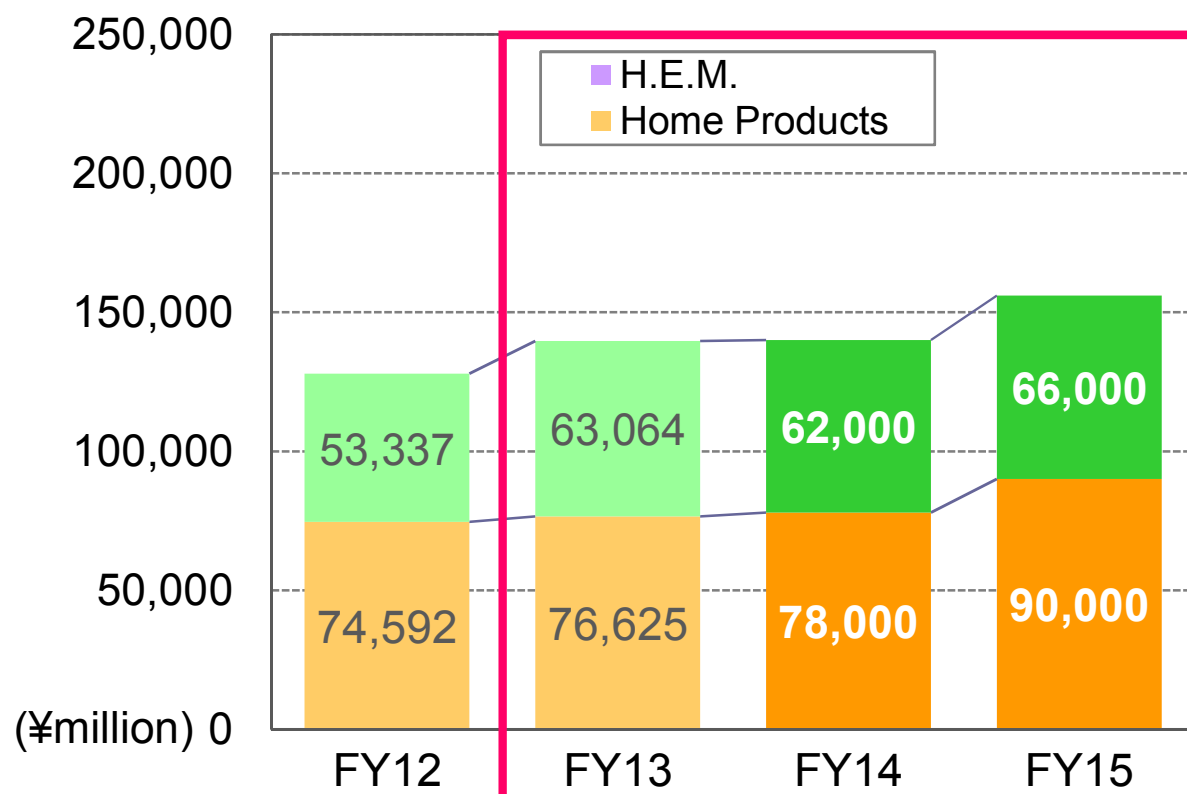
### Sales plan (by department)

	Category	FY12	FY13	YOY
①	Machine Tools	48,030	50,000	104%
②	I . T . E .	15,534	18,500	119%
③	System Engineer	10,781	12,500	116%

(¥million)

(¥ millions)	S a l e s	( Y O Y )	Operating income	( Y O Y )	operating margin of
Housing Equipment, Materials	62,000	-1.7%	1,800	-17.1%	2.9%
Home Products	78,000	1.8%	2,400	45.8%	3.1%

Three-year Sales Plan for Consumer Goods



Sales Plan for Housing Equipment (by Category)

	Category	FY12	FY13	YOY
①	Kitchen, bathroom, water boilers	22,098	<b>22,000</b>	100%
②	Environment, air conditioning, solar power	27,191	<b>26,000</b>	96%
③	Construction materials, etc.	13,775	<b>14,000</b>	102%

Sales Plan for Home Products and PB Products

	Category	FY12	FY13	YOY
①	Home appliances	29,397	<b>30,404</b>	103%
②	Interior	9,313	<b>10,000</b>	107%
③	Exterior & leisure	6,333	<b>6,570</b>	104%
④	Tools & gardening	3,206	<b>4,570</b>	143%

(¥million)

# Consolidated Sales Targets by Division (Summary)

(¥ millions)		Producer Goods			Consumer Goods		Other(*)	Total
		Machine Tools	Industrial Tools & Equipment	Int. Operations	Housing Equipment & Materials	Home Products		
S a l e s	F Y 2 0 1 3	59,982	114,557	74,375	63,064	76,625	6,644	395,249
	F Y 2 0 1 4	<b>60,000</b>	<b>122,000</b>	<b>81,000</b>	<b>62,000</b>	<b>78,000</b>	<b>7,000</b>	<b>410,000</b>
	Year-On-Year	100.0%	106.5%	108.9%	98.3%	101.8%	105.4%	103.7%
O p e r a t i n g i n c o m e	F Y 2 0 1 3	2,437	2,667	2,725	2,170	1,646	△2,085	9,562
	Operating margin	4.1%	2.3%	3.7%	3.4%	2.1%	—	2.3%
	F Y 2 0 1 4	<b>2,450</b>	<b>3,300</b>	<b>3,000</b>	<b>1,800</b>	<b>2,400</b>	<b>△1,950</b>	<b>11,000</b>
	Operating margin	4.0%	2.7%	3.7%	2.9%	3.1%	—	2.7%
	Year-On-Year	100.5%	123.7%	110.1%	82.9%	145.8%	—	115.0%
	(利益率増減)	△0.1%	0.4%	+0.0%	△0.5%	1.0%	—	0.4%

\* Sales/income (expenses) not any of the above divisions, Company-wide costs and adjustments, etc.

\*Foreign exchange rates for the first half of the fiscal year: ¥101.7 (average) as opposed to the planned figure of ¥102.00.

## IV. Shareholder Returns

## □ Basic policy regarding profit distribution

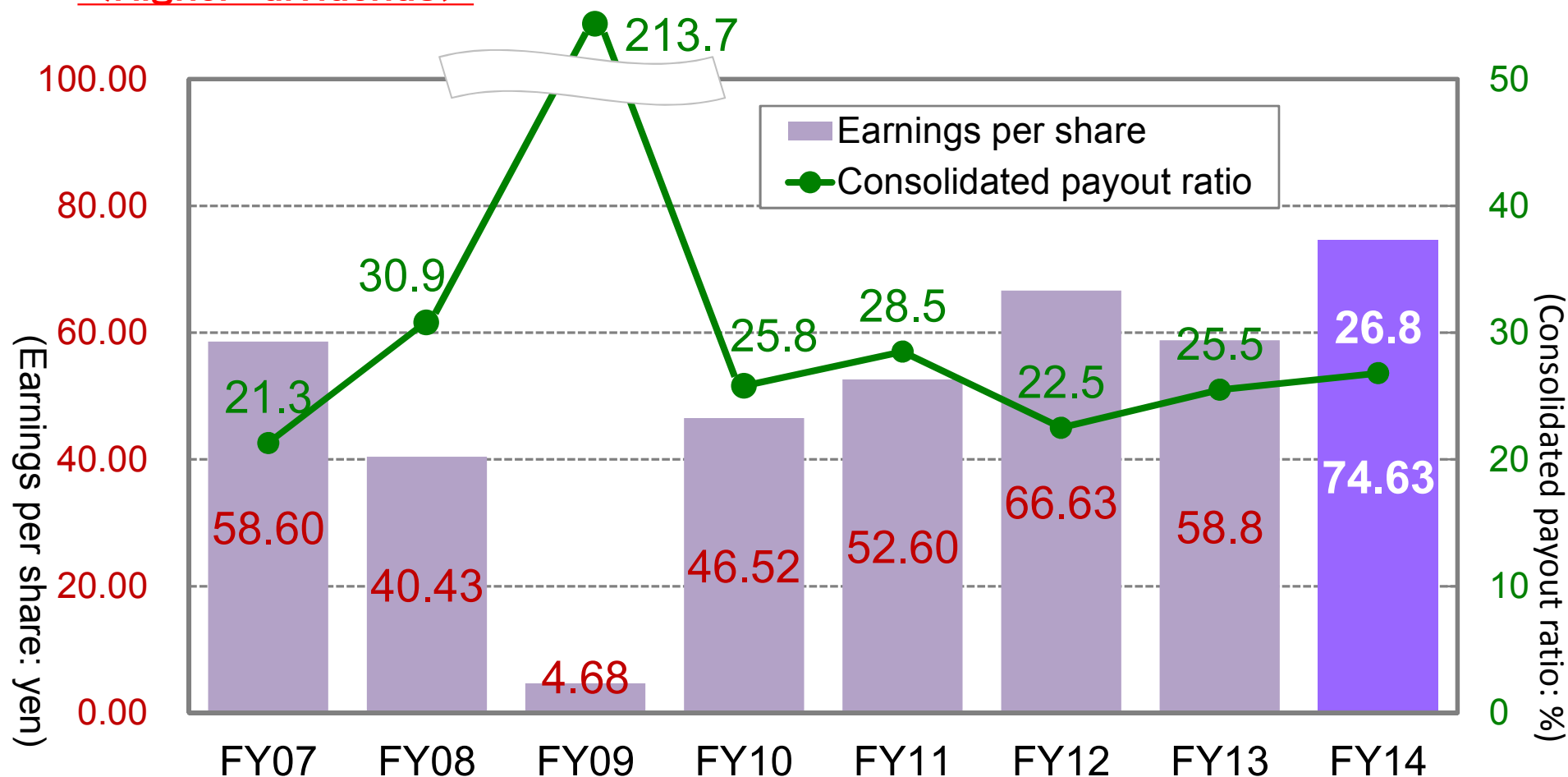
- △ YAMAZEN strives to provide its shareholders with a stable return on their investment considering the profit level, while strengthening its financial foundation and elevating its profitability. In line with the above policy, YAMAZEN is preparing to **gradually raise the consolidated payout ratio** in the three-year period covered by the current Medium-Term Business Plan, **with the goal of reaching 30%** in the last year of the Plan.
- △ Internal reserves are committed to the enhancement of shareholder equity and effective investment to ensure 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 its shareholders.

## ■ Dividend Trends

		FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14 (Plan)
Consolidated payout ratio(%)		21.3	30.9	213.7	25.8	28.5	22.5	25.5	26.8
Cash Dividends	Interim	¥5.0	¥5.0	¥5.0	¥5.0	¥7.0	¥7.0	¥7.0	¥8.0
	Year-end	¥7.5	¥7.5	¥5.0	¥7.0	¥8.0	¥8.0	¥8.0	¥12.0



- Dividend payout ratio (consolidated) of 26.8% is planned.
- Dividend: ¥8.0 (interim) + ¥12.0 (year-end) = ¥20.0 (annual)  
<Higher dividends>



Index				FY11	FY11	FY12	FY13
P	E	R		10.4	13.1	9.3	11.6
P	C	F	R	5.9	Δ1,116	9.0	10.5
P	B	R		1.2	1.5	1.1	1.1
Increase in net sales ( % )				34.1	15.2	Δ0.7	6.7
Ratio of operating income to net sales ( % )				2.3	2.8	2.6	2.4
R	O	A	<Note 1> ( % )	5.6	6.9	6.1	5.6
R	O	E	( % )	11.4	11.9	13.2	10.3
M a r k e t capitalization <Note 2> (¥millions)				455	647	580	639
Shareholders' equity ratio ( % )				27.3	27.6	32.1	31.2
Dividend-to-price yield <Note 2> ( % )				2.5	2.2	2.4	2.2
Increase in stock price <Note 2> ( % )				22.2	42.3	Δ10.4	10.2

Note 1: Based on operating income

Note 2: Based on the closing stock price of March 31



# YAMAZEN CORPORATION

## Inquiries

### □ Contact information for inquiries relating to particular meetings

- △ Public Relations Dept., Corporate Planning Dept., Corporate Planning Headquarters
- △ E-mail: [info06@yamazen.co.jp](mailto:info06@yamazen.co.jp)
- △ 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:

This document contains statements pertaining to future events and the business performance of this company. These statements are made on the basis of currently available information and the views and assumptions of management as of this time. Actual results may differ materially from those expressed or implied and this document is not intended to assure or guarantee that these results will be achieved by the company.