

1st Half Results Briefing for Fiscal Year 2014 (Apr. – Sep. 2014)

November 20th 2014



AGENDA

- I . 1st Half Results Overview
- II . “A.A.15”: Medium-term Management Plan
- III. Annual Forecast for Fiscal Year 2014
- IV. Dividend Policy

I . 1st Half Results Overview

Consolidated Income Statements

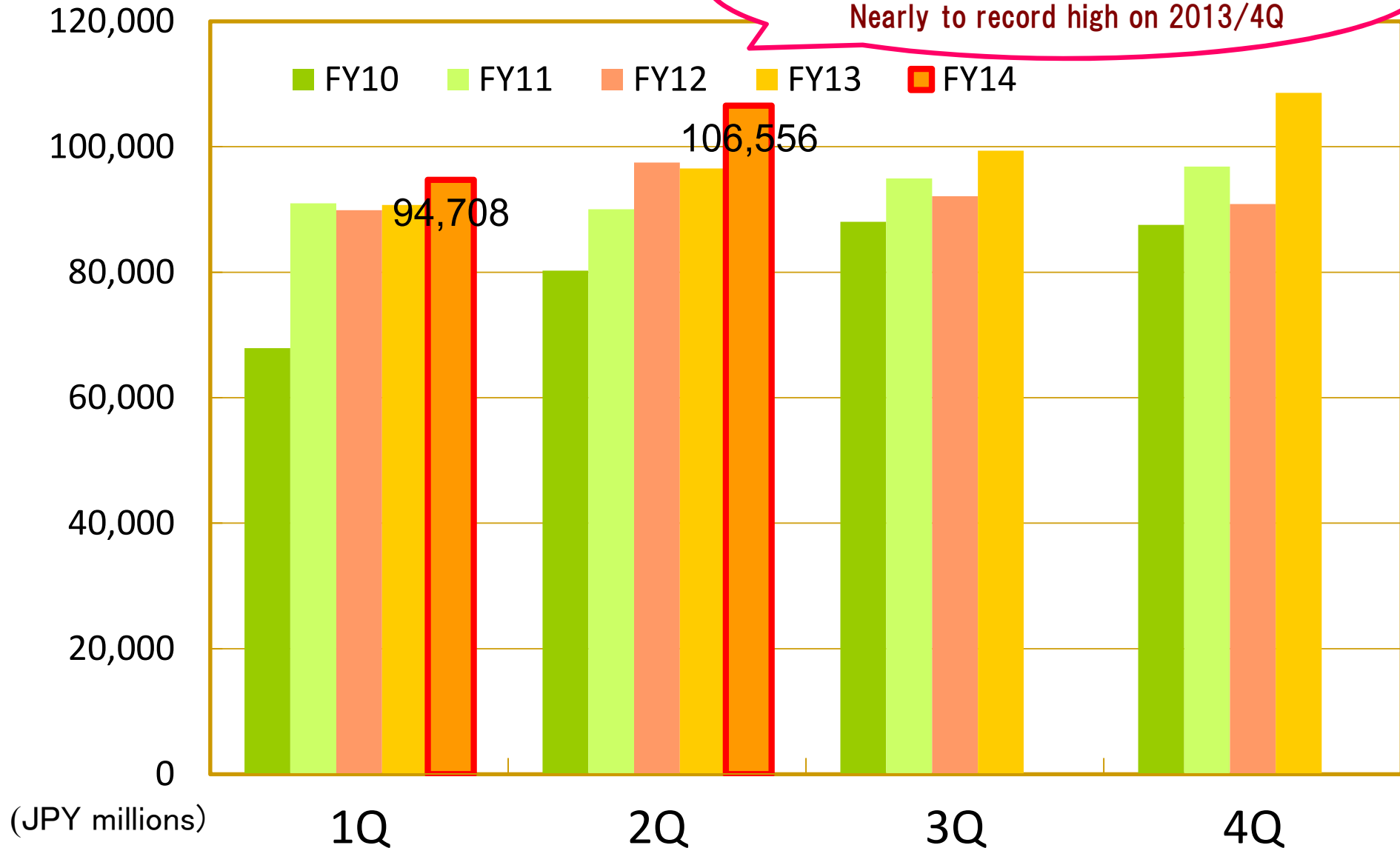
(JPY millions)	FY2013 (2Q)	FY2014 (2Q)	YoY(%)	Announced plan	Ratio to plan (%)
Net Sales	187,259	201,265	7.5	197,000	102.2
Gross profit (G P %)	23,902 (12.8%)	25,739 (12.8%)	7.7 (+0.0)	—	—
SGA expenses	19,891	21,049	5.8	—	—
Operating income	4,011	4,689	16.9	4,500	104.2
Non-operating Income	227	119	-47.6	—	—
Ordinary income	4,238	4,809	13.5	4,600	104.5
Extraordinary Income	3	1	—	—	—
Net income	2,648	3,086	16.5	2,900	106.4

- The both of Sales and Income were increased, reflecting robust demand of plant investments in domestic market and in IT market especially in overseas.

Trend of sales (past 5 years)

Quarterly sales JPY 106.5 billion

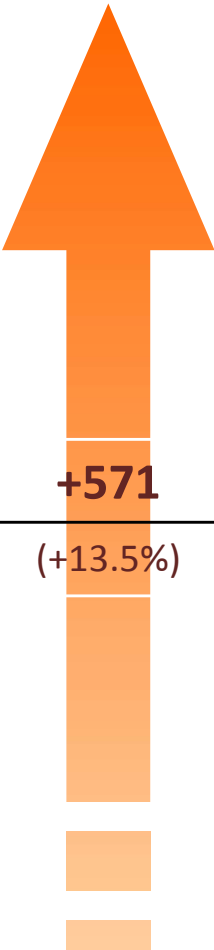
Nearly to record high on 2013/4Q



Sales by division / vs our announced plan

(Unit : JPY millions / %)	FY2013 (2Q)	FY2014 (2Q)	YoY(%)	Announced plan	Ratio to plan (%)
Machine Tools	26,024	25,626	- 1.5	27,000	94.9
Industrial Tools & Equipment	54,165	58,898	8.7	59,000	99.8
(Total) Domestic producer goods	80,190	84,525	5.4	86,000	98.3
International operations	38,614	47,602	23.3	41,000	116.1
(Total) Producer goods	118,804	132,127	11.2	127,000	104.0
Housing equipment & materials	29,447	28,453	- 3.4	30,000	94.8
Home products	35,795	37,378	4.4	36,500	102.4
(Total) Consumer goods	65,243	65,831	0.9	66,500	99.0
Other	3,211	3,306	2.9	3,500	94.5
Total	187,259	201,265	7.5	197,000	102.2

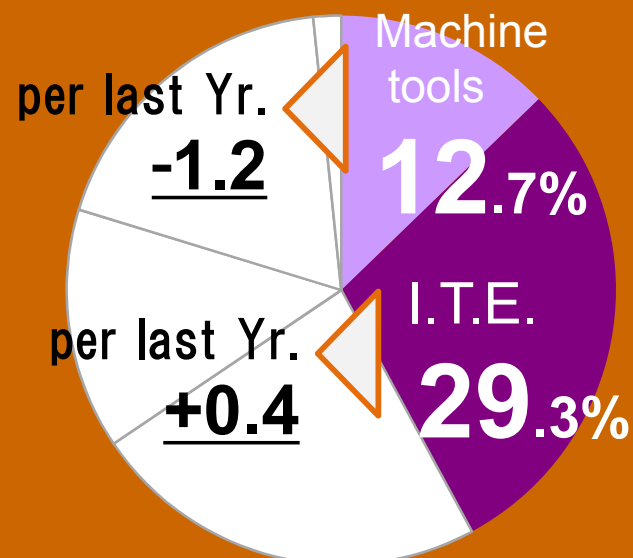
4. Positive / negative factors of the ordinary income

4,809 Ordinary income (Sep.2014)		<Breakdown>		(JPY millions)
	Gross margin	+ 1,837	463	+ in Domestic producer goods
	(positive factors)		844	+ in International operations
			- 12	- in Housing equipment
			550	+ in Home products
			- 8	- Others
	SG&A	- 1,158	- 468	Increase in payroll and related
	(negative factors)		- 120	Increase in freight expenses
			- 220	Increase in professional fees
			- 108	Increase in fixed asset depreciation
			- 242	Increase in other expenses
	Non-operating	- 108	- 12	Decrease in interest income
	income/loss		- 64	Increase in interest expenses
	(negative factors)		- 32	Net loss in other income/loss
4,238 Ordinary income (Sep.2013)				

5. Result by segment(1): Domestic producer goods

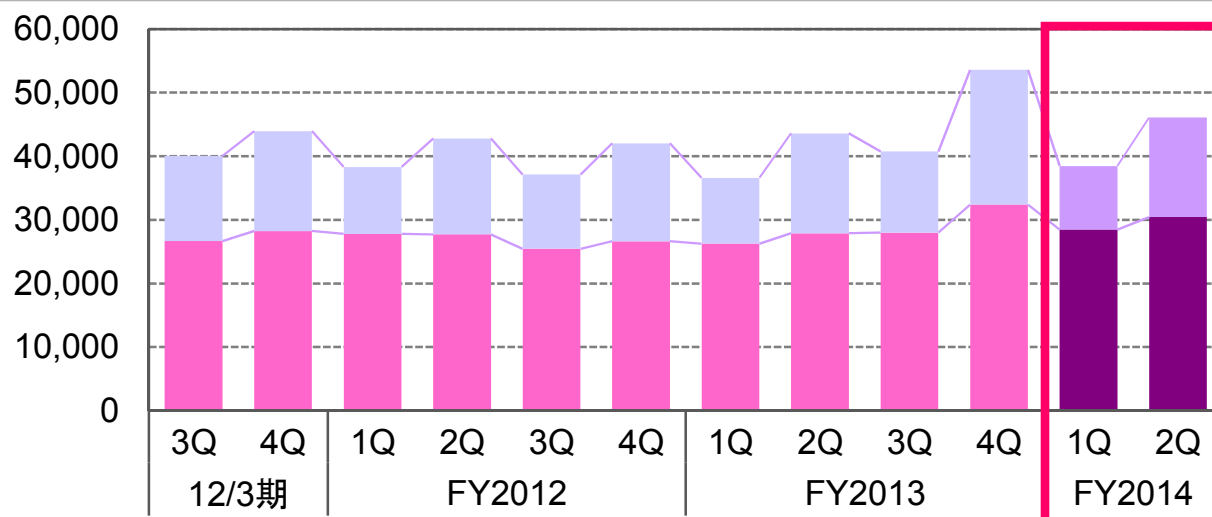
(JPY millions)			FY2013 (2Q)	FY2014 (2Q) Apr. – Sep.2014		
Producer Goods	Machine Tools	Sales	26,024	25,626	(YoY)	-1.5%
		Operating Income	934	791	Profit %	3.1%
	Industrial tools & equipment	Sales	54,165	58,898	(YoY)	8.7%
		Operating Income	1,098	1,490	Profit %	2.5%

Sales by product category



- Machine tools; Although Sales was somewhat weak, order receiving was steadily improved.
- I.T.E.; Cutting tools and warehouse automation were grew.

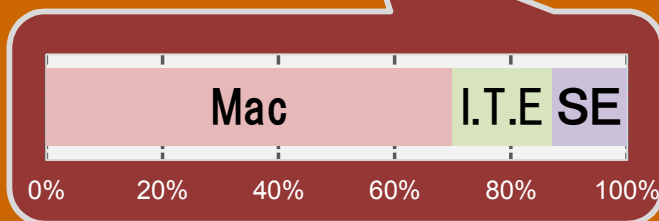
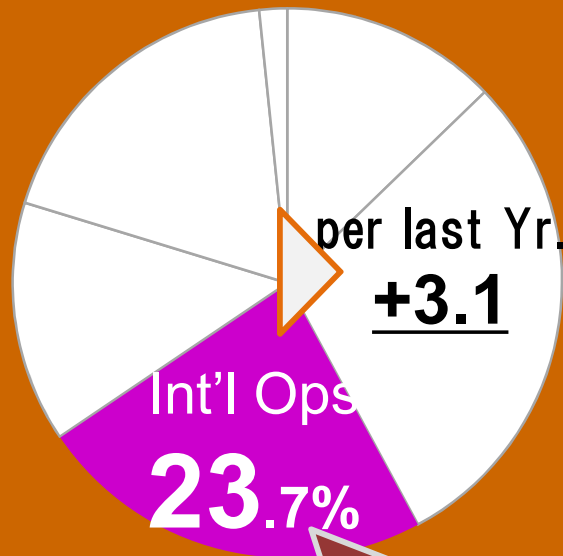
Quarterly sales trend in past 3 years



6. Result by segment (2): International operations

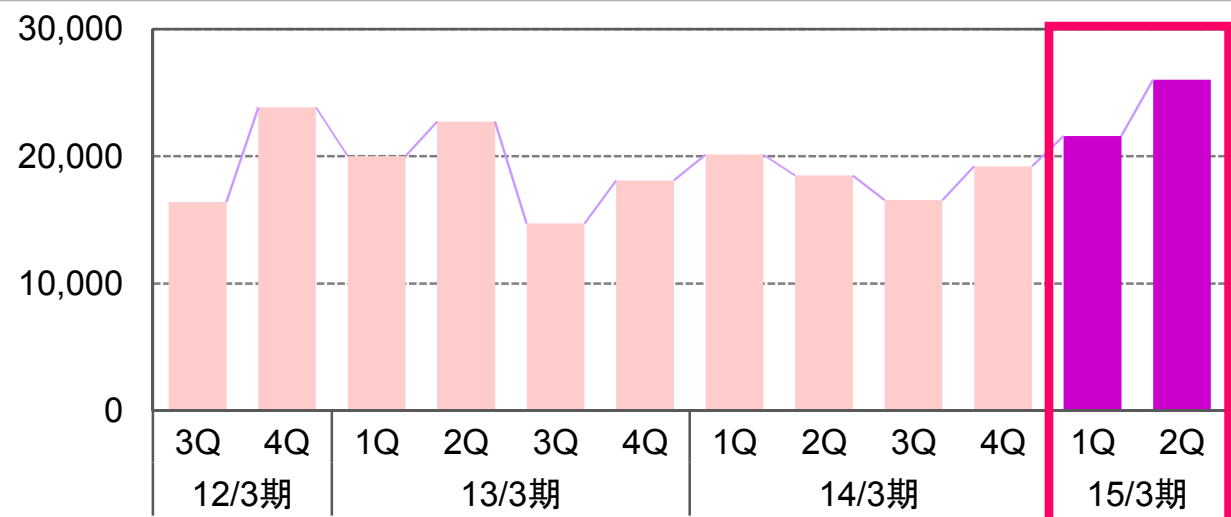
(JPY millions)			FY2013 (2Q)	FY2014 (2Q) Apr. – Sep.2014		
Producer Goods	International operations	Sales	38,614	47,602	(YoY)	23.3%
		Operating Income	1,592	1,825	Profit %	3.8%

Sales by product category



- ❑ Much improved from year ago period, reflecting new order receiving from Chinese EMSs etc.
- ❑ Integrated ERP system for Greater China region has been launched.
- ❑ Continuous increasing employees, 239 engineers among over 1,000 employees in total International operations.

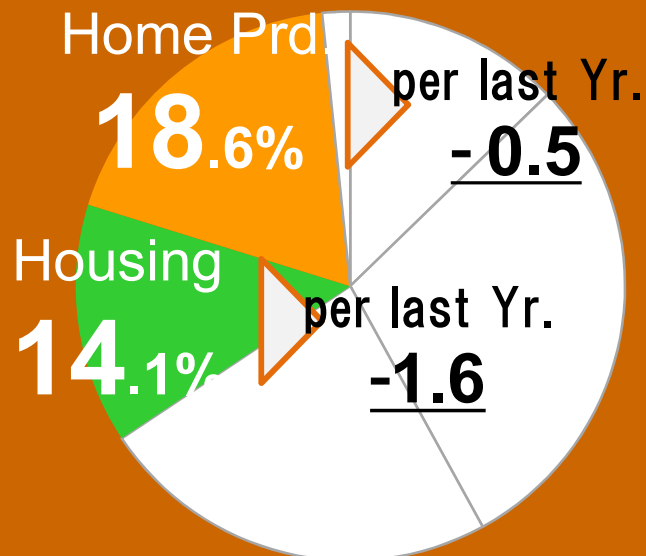
Quarterly sales trend in past 3 years



7. Result by segment(3): Consumer goods

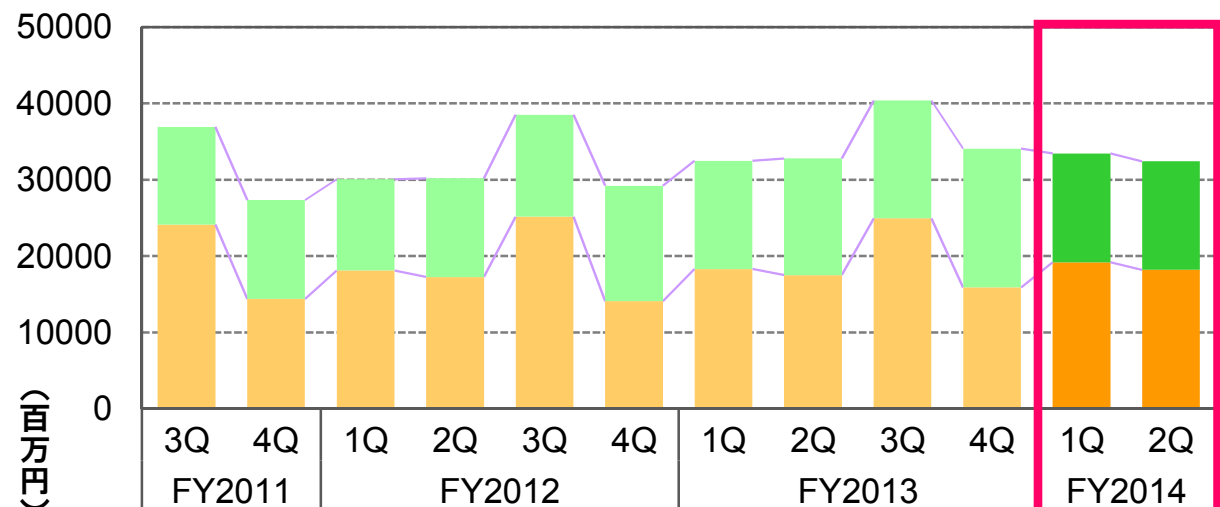
(JPY millions)			FY2013 (2Q)	FY2014 (2Q) Apr. – Sep.2014		
Consumer Goods	Housing equip' & materials	Sales	29,447	28,453	(YoY)	- 3.4%
		Operating Income	828	755	Profit %	2.7%
	Home products	Sales	35,795	37,378	(YoY)	4.4%
		Operating Income	489	686	Profit %	1.8%

Sales by product category



- Housing equip.; main factor of weak result was by reflecting that new home construction was sluggish, dragged increasing of consumption tax.
- Home products; steadily growth in total.

Quarterly sales trend in past 3 years

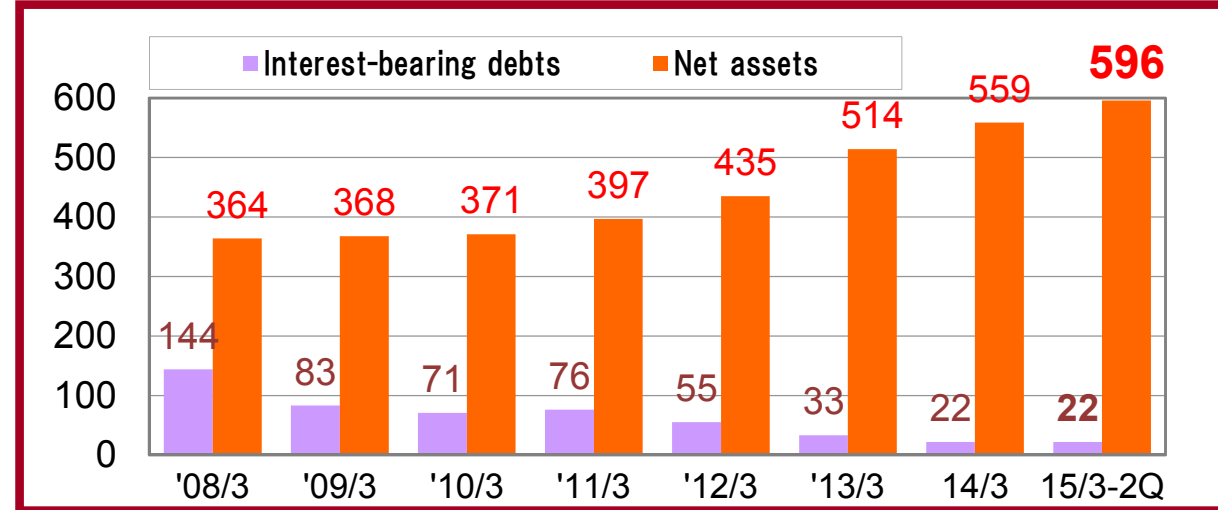


Balance sheets

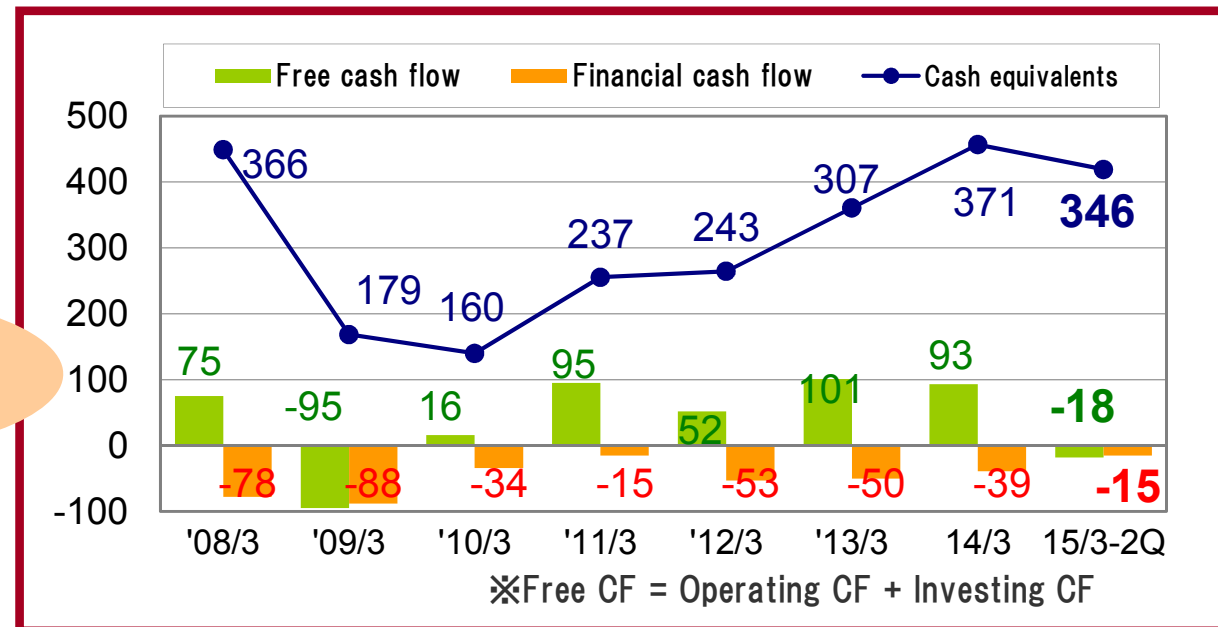
Assets	Liabilities/Net assets
Current assets 1,551 (- 7)	Current liabilities 1,154 (-34)
Non-current assets 247(+15)	Non-current liabilities 47(+5)
Total assets 1,798(+7)	Net assets 596 (+37) Shareholder's equity ratio 33.1%

as of Sep.2014/ unit: JPY 100 millions

Changes in interest-bearing debts and net assets



Cash flow



II . “A.A.15”: Medium-term Management Plan

Reform
management
systems

Improve
profitability

Strengthen
financial
position

amaze! in
YamazeN.

The power to amaze is in YAMAZEN.



*Beyond
Expectation*

We are forwarding to a specialized trading company, providing best-in-class products and offering a comfortable living environment!

2. “A.A.15” actions: key investment areas

AA15

Amazing Act 2015

Fiscal 2015

Net Sales: JPY 450 billion
Ordinary Income: JPY15 billion

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

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

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

Sales & profit (announced)

(JPY millions)	FY2012 (Result)	FY2013		FY2014			FY2015 (Plan)
		(Result)	(Plan)	(Amend in Nov.2014)	(Amend in May.2014)	(Original)	
Sales	370,338	395,249	385,000	420,000	410,000	420,000	450,000
Operating income	9,756	9,562	10,000	11,300	11,000	12,000	14,500
Ordinary income	10,351	9,838	10,500	11,500	11,300	12,500	15,000
Net income	6,249	5,515	6,300	7,200	7,000	7,500	9,000

Key financial ratio (announced)

(JPY millions)	FY2012 (Result)	FY2013		FY2014			FY2015 (Plan)
		(Result)	(Plan)	(Amend in Nov.2014)	(Amend in May.2014)	(Original)	
Gross profit	2. 6%	2. 4%	2.6%	2. 6%	2.6%	2.9%	3. 2%
Return on total assets (ROA)	6. 1%	5. 6%	6.2%	6. 2%	6.2%	7.0%	8. 0%
Total assets turn over	2. 3	2. 3	2.4	2. 4	2.4	2.4	2. 5
Current ratio	130%	131%	133%	135%	135%	135%	140%

Sales plan by segment

(JPY millions, %)	FY2012 (Result)	FY2013 (Result)	FY2014 (Amend in Nov.14)	FY2015 (Plan)	Ratio per FY2012
Machine Tools	52,640	59,982	60,000	60,000	114%
Industrial Tools & Equipment	107,618	114,557	122,000	135,000	125%
(Total) Domestic producer goods	160,259	174,540	182,000	195,000	122%
International operations	75,548	74,375	93,000	91,000	121%
(Total) Producer goods	235,807	248,915	275,000	286,000	121%
Housing equipment & materials	53,337	63,064	60,000	66,000	124%
Home products	74,592	76,625	78,000	90,000	121%
(Total) Consumer goods	127,929	139,689	138,000	156,000	122%
Other	6,600	6,644	7,000	8,000	121%
Total	370,338	395,249	420,000	450,000	122%

■ Capital investments plan

(JPY millions)		FY2012 (Result)	FY2013 (Result)	FY2014 (Amended)	FY2015 (Amended)	3 yr. accumulate (Amended)	(Original)
Tangible fixed assets	New invests	1,166	776	239	200	1,215	1,301
Intangible fixed assets	New invests	419	988	988	386	2,362	2,681
Individual (cash out)		1,585	1,764	1,227	586	3,577	3,982
Subsidiaries (cash out)		120	288	233	204	725	480
Consolidated (cash out)		1,705	2,052	1,460	790	4,302	4,462
Tangible fixed assets	Depreciation	314	387	445	451	1,283	1,214
Intangible fixed assets	Amortization	452	444	539	601	1,584	1,850
Individual (net depreciation & amortization)		766	831	984	1,052	2,867	3,064
Subsidiaries (net depreciation & amortization)		94	118	151	148	417	286
Consolidated (net depreciation & amortization)		860	949	1,135	1,200	3,284	3,350

III . Annual Forecast for Fiscal 2014



Aims higher “sales and income” based on steadily order receiving.

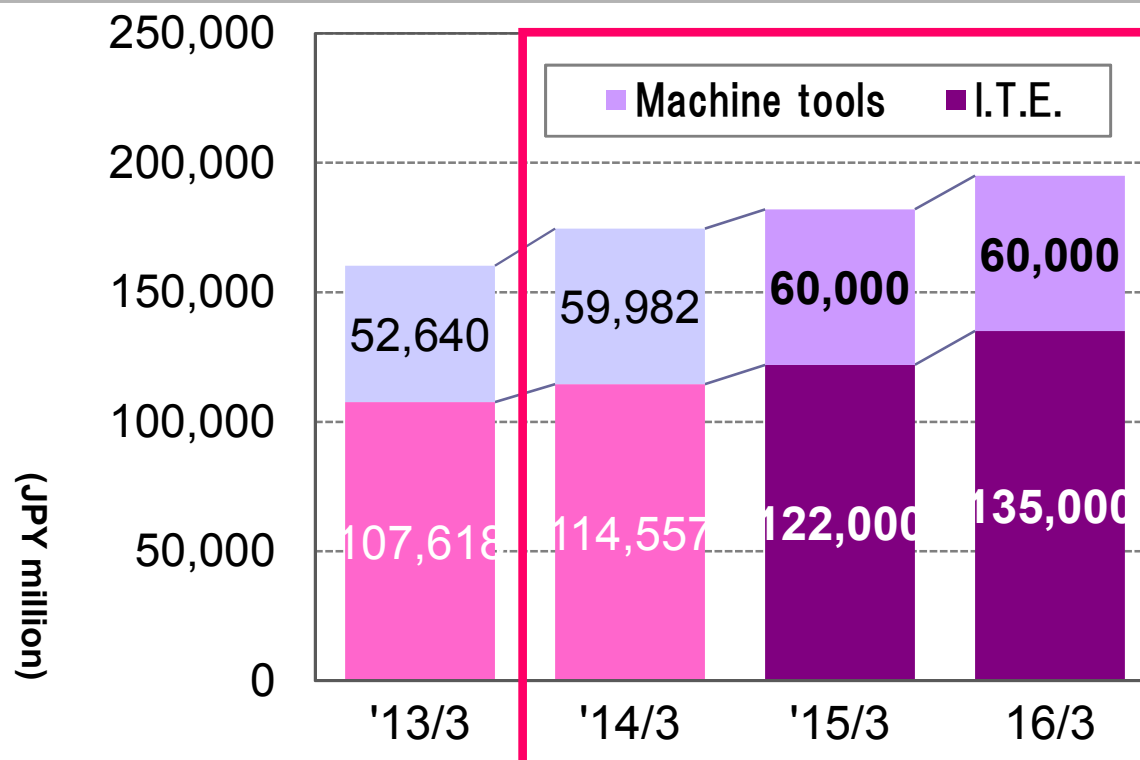
(JPY millions)	Fiscal 2013		Fiscal 2014 (ended Mar. 2015)			
	2Q Results	Full-year Results	2Q Results	YoY %	Full-year (planned)	YoY %
Sales	187,259	395,249	201,265	7.5	420,000	6.3
<Individual>	169,302	359,149	180,652	6.7	380,000	5.8
Operating income	4,011	9,562	4,689	16.9	11,300	18.2
<Individual>	2,968	7,449	3,383	14.0	8,900	19.5
Ordinary income	4,238	9,838	4,809	13.5	11,500	16.9
<Individual>	3,124	7,577	3,438	10.0	9,000	18.8
Net income	2,648	5,515	3,086	16.5	7,200	30.6
<Individual>	1,894	4,046	2,114	11.6	5,500	35.9

2. Fiscal 2014 Business Plan (2): Domestic producer goods

(JPY millions)		Sales Plan	(YoY %)	Operating Income	(YoY %)	(Profit %)
Machine tools	10-3※	34,374	1.2	1,659	10.4	4.8
	Full year	60,000	+0.0	2,450	0.5	4.1
Industrial tools & equip.	10-3※	63,102	4.5	1,810	15.4	3.0
	Full year	122,000	6.5	3,300	23.7	2.7

※ amount is calculate by full year – results of 2Q

3 year sales plan in 「A.A.15」



I.T.E. / Sales by products

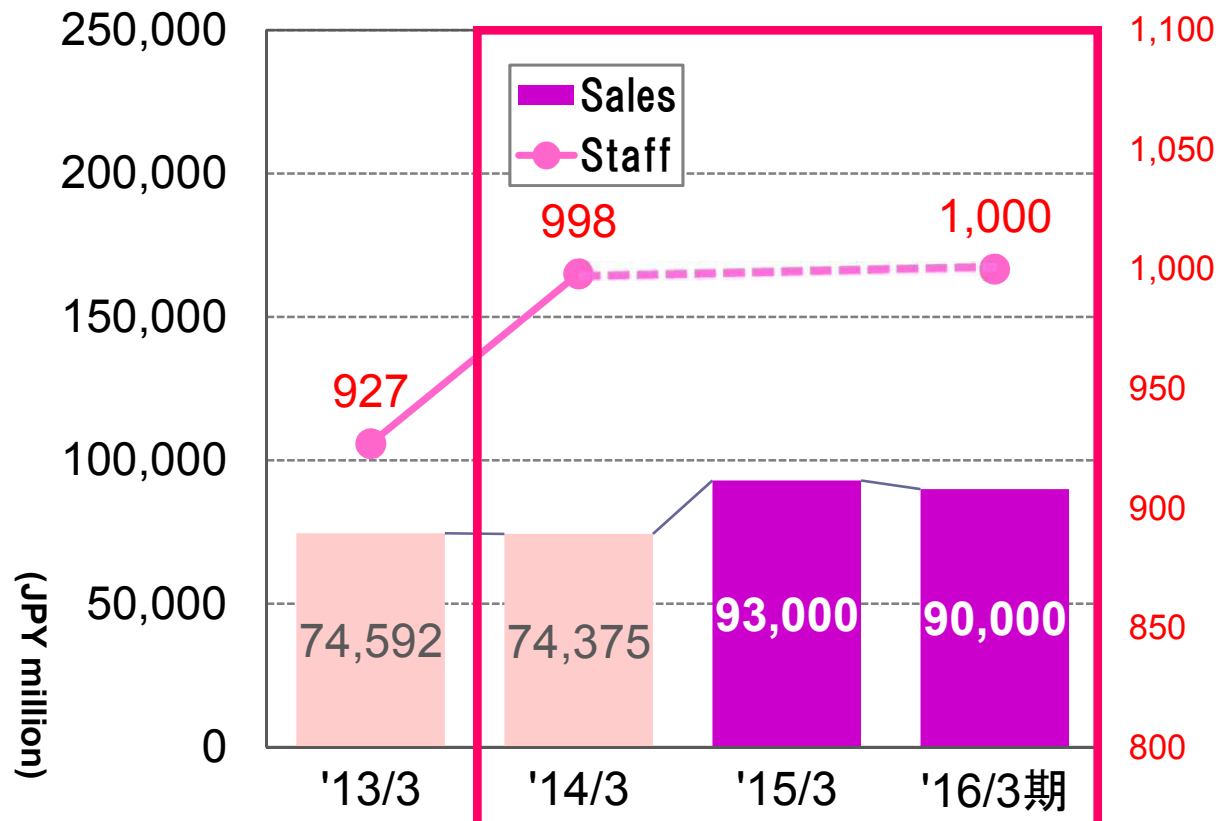
	Category	'14/9	'15/3	achievement
①	Material handlings	6,743	14,000	48%
②	Mechatronics	7,740	16,500	47%
③	Environmental improvements	2,427	7,400	33%
④	Cutting tools etc.	10,937	23,000	48%
⑤	Measuring equip.	2,864	6,200	46%
⑥	Fluid equipment	3,950	7,500	53%
⑦	Industrial equip.	15,982	32,000	50%
⑧	Air-conditioning	2,082	3,100	67%
⑨	Others	6,134	12,300	50%

3. Fiscal 2014 Business Plan (3): International operations

(JPY millions)		Sales Plan	(YoY %)	Operating Income	(YoY %)	(Profit %)
International Operations	10-3※	45,398	26.9	1,675	47.8	3.7
	Full year	93,000	25.0	3,500	28.4	3.8

※ amount is calculate by full year – results of 2Q

3 year sales & staff plan in 「A.A.15」



Sales by region

	Category	'14/9	'15/3	achievement
①	USA	4,553	10,000	46%
②	Taiwan	14,052	25,000	56%
③	S. ASEAN	3,142	6,500	48%
④	N. ASEAN	5,997	14,000	43%
⑤	CHINA	13,141	22,000	60%
⑥	SE & Other	6,717	15,500	43%

Sales by department

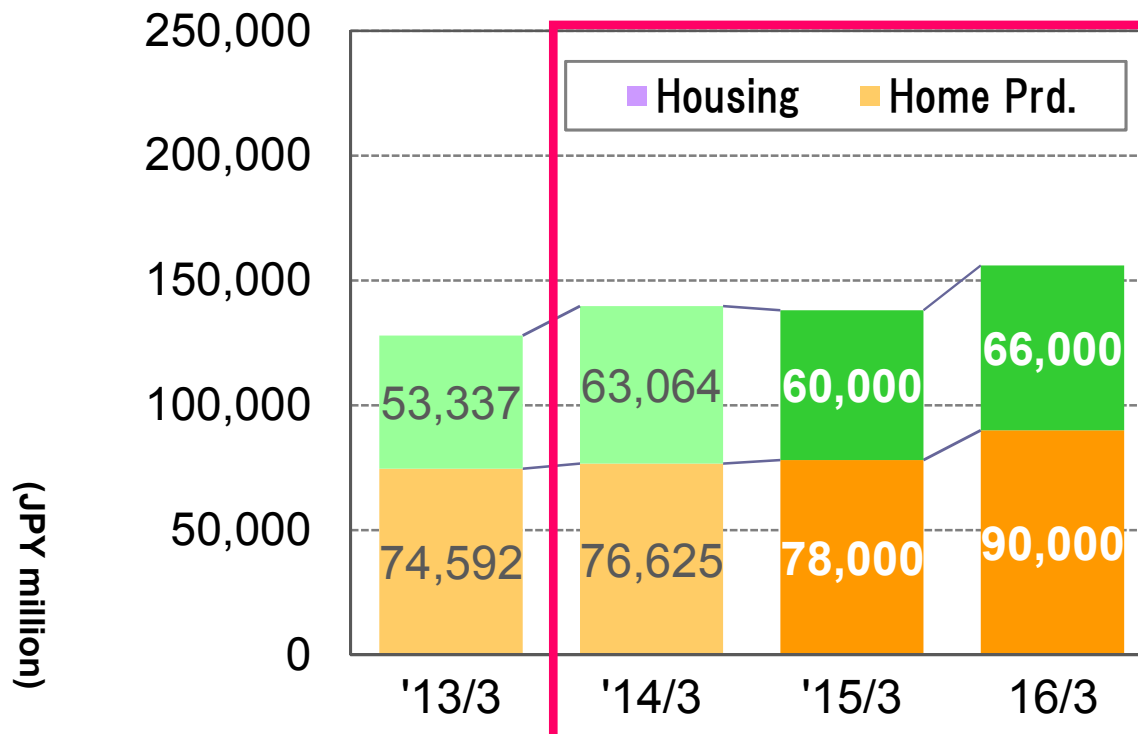
	カテゴリー	'14/9	'15/3	achievement
①	Machine tools	33,941	62,000	55%
②	I.T.E.	8,357	18,500	45%
③	System Eng.	5,304	12,500	42%

4. Fiscal 2014 Business Plan (4): Consumer goods

(JPY millions)		Sales Plan	(YoY %)	Operating Income	(YoY %)	(Profit %)
Housing equip. & materials	10-3※	31,547	- 6.2	945	- 29.6	3.0
	Full year	60,000	- 4.9	1,700	- 21.7	2.8
Home products	10-3※	40,622	- 0.5	1,414	22.2	3.5
	Full year	78,000	1.8	2,100	27.6	2.7

※ amount is calculate by full year – results of 2Q

3 year sales plan in 「A.A.15」



Housing / sales by products

	Category	'14/9	'15/3	achievement
①	Kitchen, bathroom	9,775	22,000	44%
②	Air conditioning	12,139	24,000	51%
③	Materials etc.	6,539	14,000	47%

Home Prd. / private brand sales

	Category	'14/9	'15/3	achievement
①	Home appliances	13,421	30,404	44%
②	Interior	4,318	10,000	43%
③	Exterior, leisure	3,927	6,570	60%
④	Tools, gardening	2,354	4,570	52%

5. Business Plan by segment (summary)

(JPY millions)		Producer goods			Consumer goods		Other	Total
		Machine tools	I.T.E.	Int'l Operations	Housing	Home Prd.		
Sales	FY2013	59,982	114,557	74,375	63,064	76,625	6,644	395,249
	FY2014	60,000	122,000	93,000	60,000	78,000	7,000	420,000
	YoY %	100.0%	106.5%	125.0%	95.1%	101.8%	105.4%	106.3%
Operating profit	FY2013	2,437	2,667	2,725	2,170	1,646	- 2,085	9,562
	Profit %	4.1%	2.3%	3.7%	3.4%	2.1%	—	2.4%
	FY2014	2,450	3,300	3,500	1,700	2,100	- 1,750	11,300
	Profit %	4.1%	2.7%	3.8%	2.8%	2.7%	—	2.7%
	YoY %	100.5%	123.7%	128.4%	78.3%	127.6%	—	118.2%
	(Up/down)	±0.0%	0.4%	0.1%	- 0.6%	0.6%	—	0.3%

IV. Dividend Policy

□ Our policy for the profit distribution

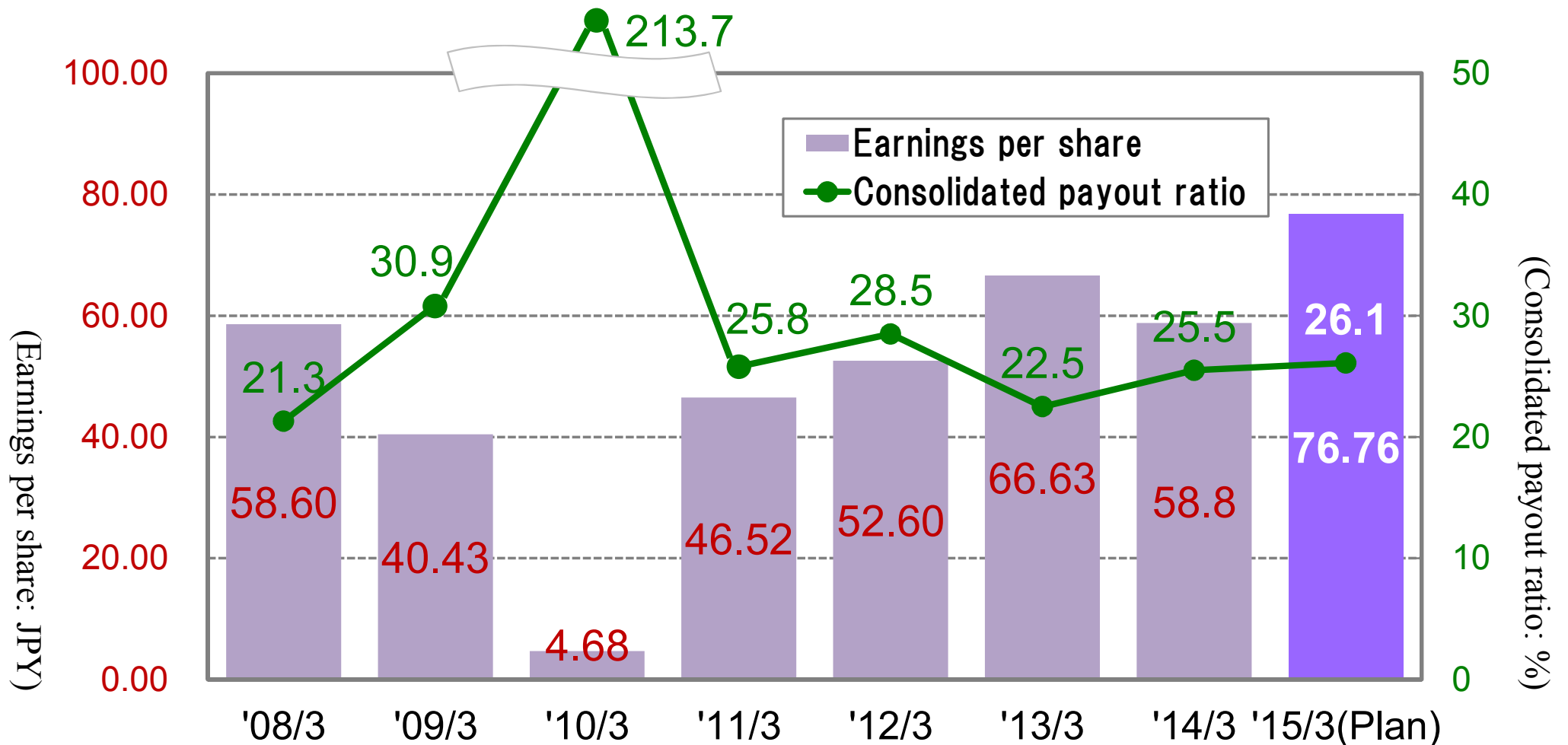
- △ We, YAMAZEN strives to stable return to our shareholders, considering our income level, while strengthening our financial foundation and elevating profitability. In line with the above policy, we will **gradually raise the consolidated payout ratio** until **30%** in the last year of our current Mid.-term Management Plan.
- △ We will invest our retained earnings for the enhancement of shareholder equity and for the sustainable growth of our business. We keep to meet the shareholders needs through our med - long term growth and boosting corporate value.

■ Dividend Trend

		'08/3	'09/3	'10/3	'11/3	'12/3	'13/3	'14/3	'15/3 (plan)
Consolidated payout ratio (%)		21.3	30.9	213.7	25.8	28.5	22.5	25.5	26.1
Cash dividends (JPY)	Interim	5.0	5.0	5.0	5.0	7.0	7.0	7.0	8.0
	Yr.-end	7.5	7.5	5.0	7.0	8.0	8.0	8.0	12.0

2. Dividends for current period

- Planed dividend payout ratio (consolidated) is 26.1%
- Amount **increase** to JPY 8.0 (interim) + JPY 12.0 (Year-end) = JPY 20.0 (Annual)





□ Contact information for individual meetings.

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- △ E-mail to info06@yamazen.co.jp
- △ For any other inquiries related to investor relations, please use the inquiry form on the corporate website (<http://www.yamazen.co.jp/>)

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