

1st Half Results Briefing for Fiscal Year 2016 (Apr. – Sep. 2016)

amaze!ⁱⁿ
YamazeN.
驚きは、山善の中にある。

November 22nd 2016

 **YAMAZEN CORPORATION**

AGENDA

I . 1st Half Results Overview

II . “ **ONE**X**T** **YAMAZEN** 2018 ”
Medium-term Management Plan

III . Fiscal Year 2016 Forecast

IV . Dividend Policy

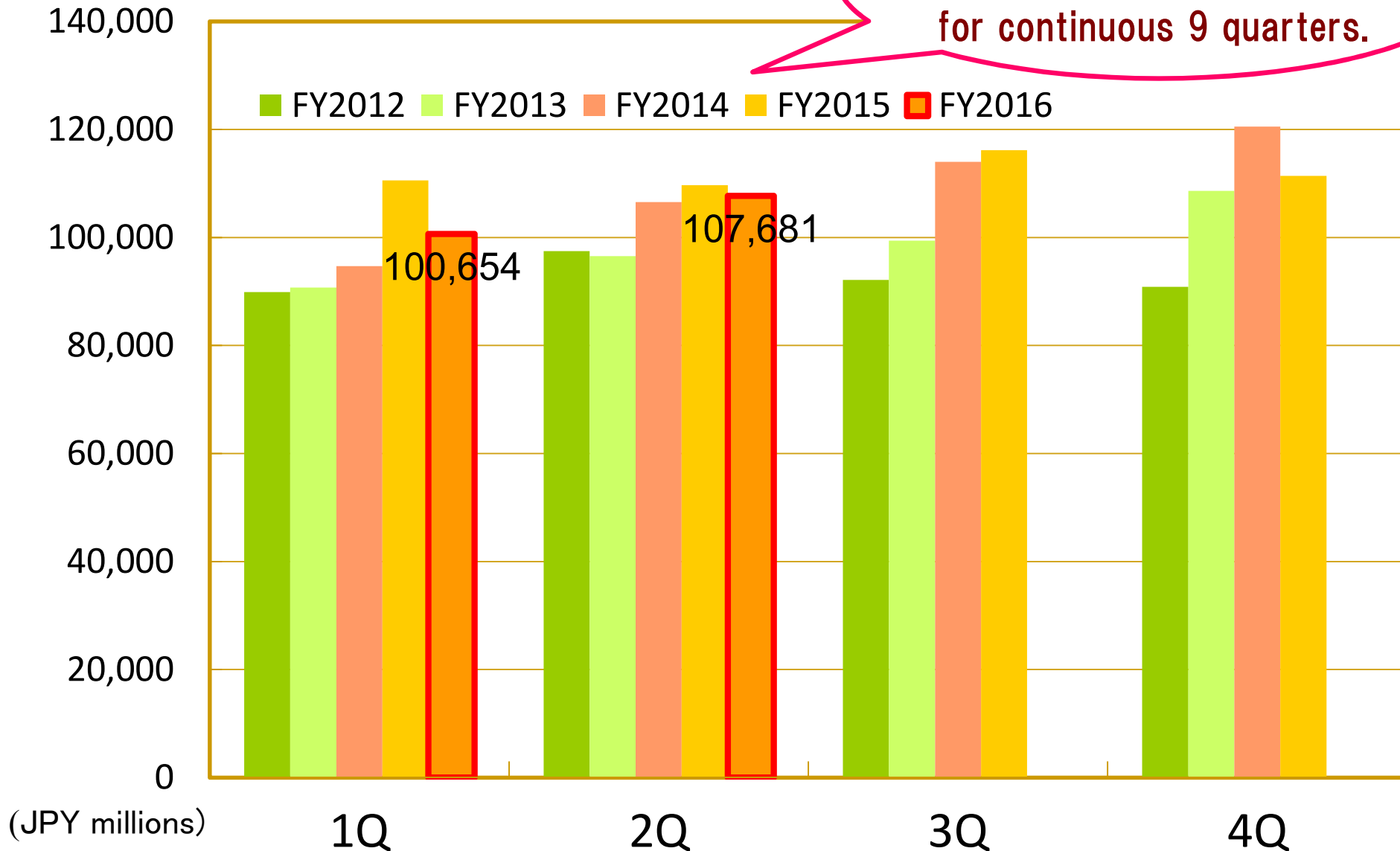
I . 1st Half Results Overview

Consolidated Income Statements

(JPY millions)	FY2015 (1 st Half)	FY2016 (1 st Half)	Y o Y %	Announced Plan	Ratio to Plan %
Net Sales	220,243	208,335	- 5.4	220,000	94.7
Gross profit (G P %)	28,502 (12.9%)	27,381 (13.1%)	- 3.9 (0.2)	—	—
SGA expenses	22,123	22,249	0.6	—	—
Operating income	6,378	5,132	- 19.5	5,600	91.6
Non-operating Income	214	- 27	—	—	—
Ordinary income	6,593	5,105	- 22.6	5,800	88.0
Extraordinary Income	135	39	—	—	—
Profit attributable to owners of parent	4,428	3,379	- 23.7	3,700	91.3

Trend of sales (past 5 years)

Quarterly sales constantly over JPY 100 billion for continuous 9 quarters.



■ Sales by division / vs announced plan

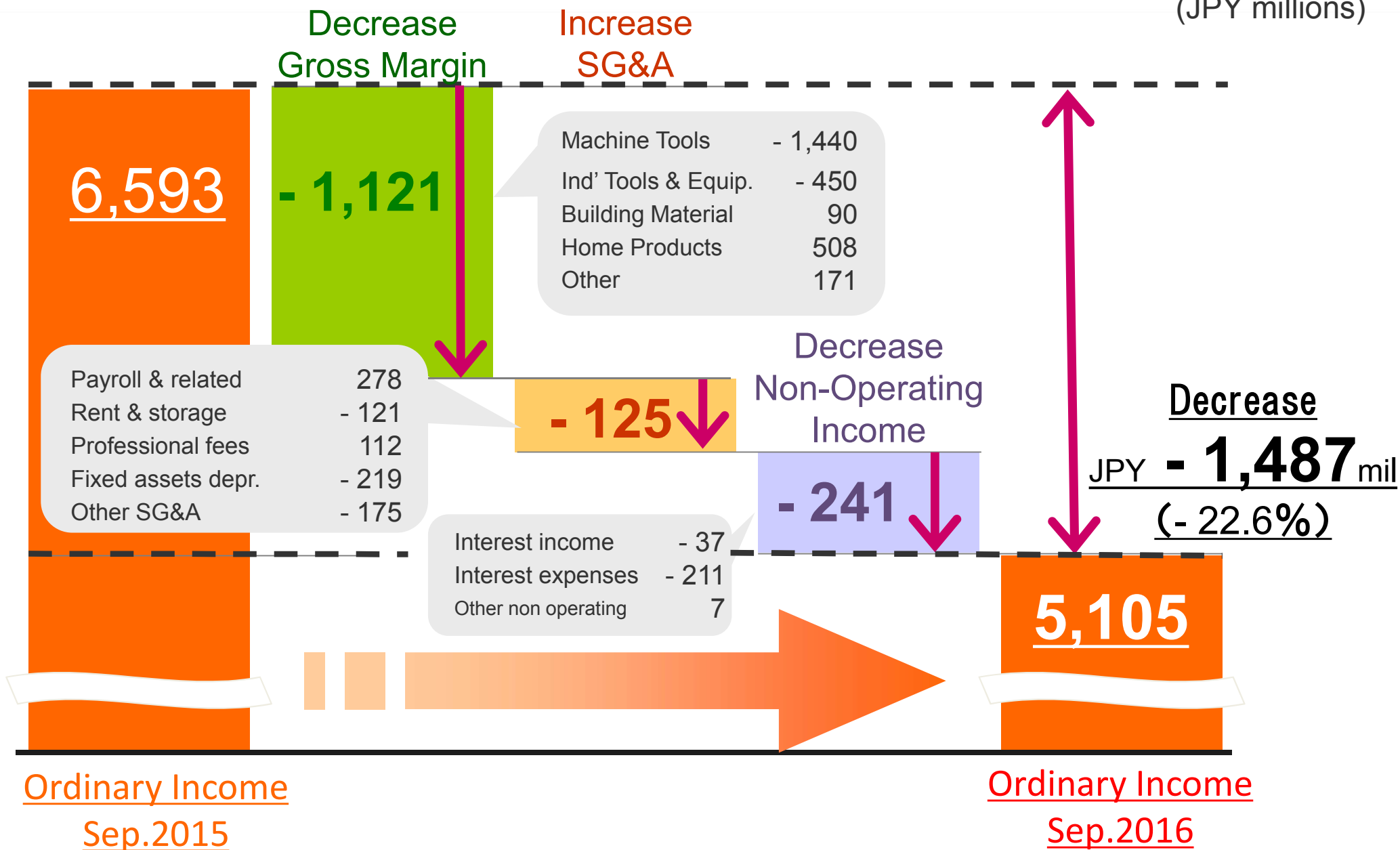
(Unit : JPY millions / %)	FY2015 (1 st Half)	FY2016 (1 st Half)	YoY(%)	Announced plan	Ratio to plan (%)
Machine Tools	70,855	56,777	- 19.9	63,000	90.1
Industrial Tools & Equipment	74,119	73,500	- 0.8	78,000	94.2
System Engineering	7,868	8,228	4.6	8,000	102.9
(Total) Production Equip.	152,843	138,507	- 9.4	149,000	93.0
Building materials	27,579	27,910	1.2	30,000	93.0
Home products	35,876	38,005	5.9	37,500	101.3
(Total) Consumer goods	63,455	65,916	3.9	67,500	97.7
Other	3,944	3,912	- 0.8	3,500	111.8
Total	220,243	208,335	- 5.4	220,000	94.7

➤ Production Equipment Business has been reorganized as of Apr. 1st, 2016.



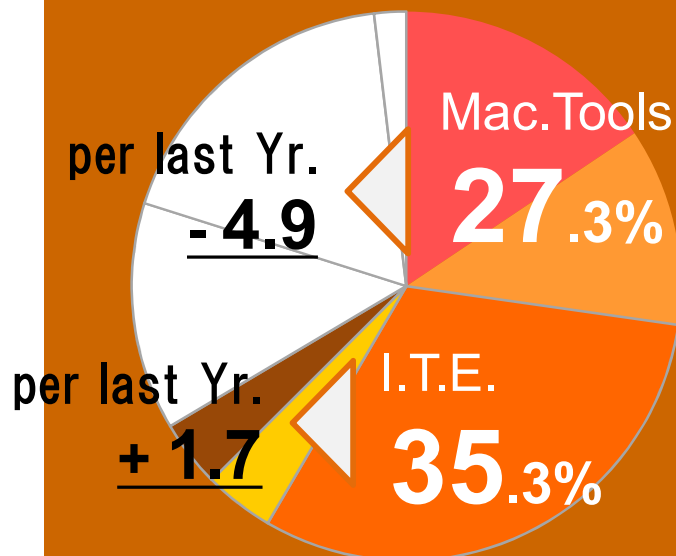
Positive/Negative factors of the ordinary income

(JPY millions)



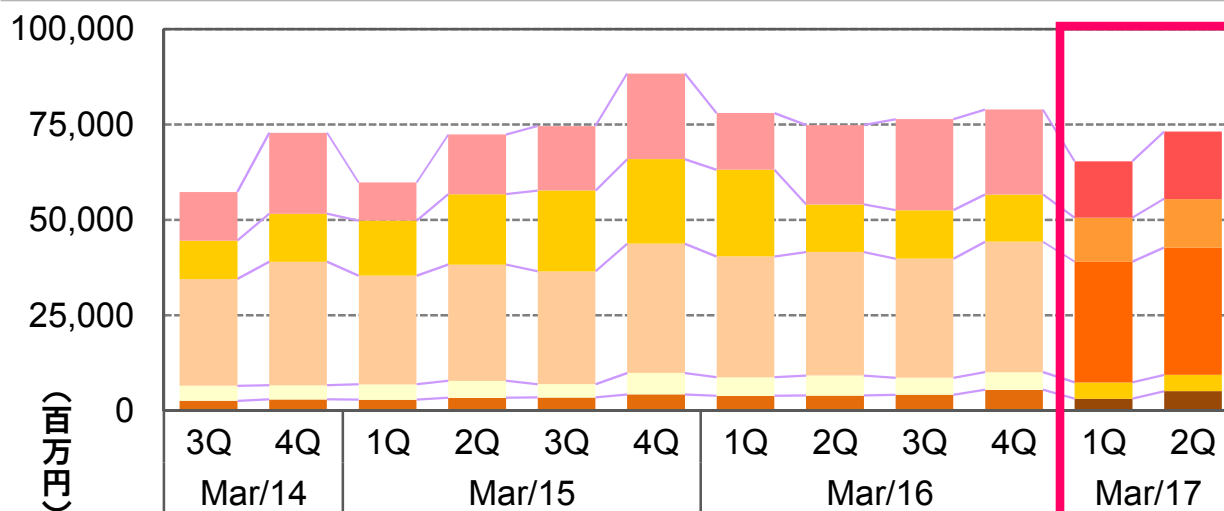
(JPY millions)		FY2015	FY2016(Sep. 2016)		
Production equipment	S a l e s	152,843	138,507	(YoY)	- 9.4%
	Operating income	5,616	4,366	Profit %	3.2%

Sales by product category



- ❑ Reorganize production equipment business to combine domestic division and overseas division.
- ❑ Total 9 regional HQ for 5 in domestic and 4 in overseas.

Quarterly sales trend in past 3 years



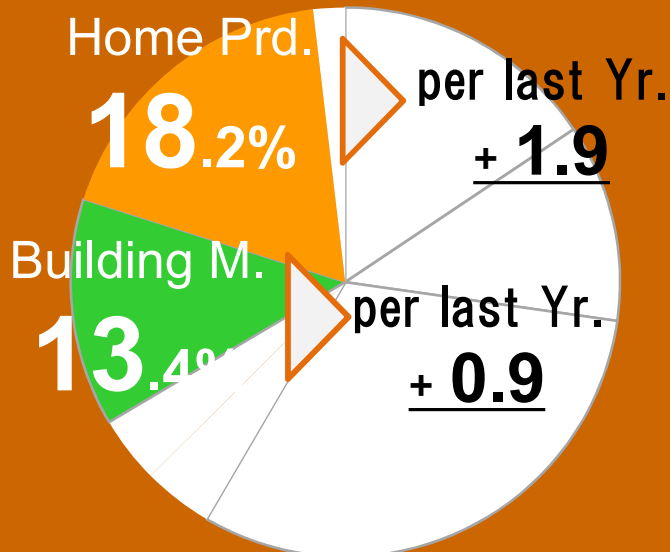
Sales by Division

(JPY millions)			FY2015	FY2016(Sep. 2016)		
Production equipment	Machine Tools	(Domestic)	35,648	32,524	(YoY)	- 8.8%
		(Overseas)	35,206	24,253	(YoY)	- 31.1%
		T o t a l	70,855	56,777	(YoY)	- 19.9%
	Industrial Tools & Equipment	(Domestic)	64,045	64,932	(YoY)	1.4%
		(Overseas)	10,074	8,568	(YoY)	- 14.9%
		T o t a l	74,119	73,500	(YoY)	- 0.8%
	System Engineering		7,868	8,228	(YoY)	4.6%
	T o t a l		152,843	138,507	(YoY)	- 9.4%

- ❑ Machine Tool Div.(Domestic); The tendency of the investment seems getting cautiously because of uncertainty for future business conditions. Therefore the sales of the division decreased.
- ❑ Machine Tool Div.(Overseas); Even the U.S. market keeps steady, and the China market also steady in automotive related customers, the order from the EMS customers for smart phones decreased extraordinary this year. The order getting increase from some countries in ASEAN market.
- ❑ I.T.E. Div.(Domestic); The order of the forming machines, metal frame equipment and air conditioning equipment increased than last year, besides the sales of cutting tools and related items are slightly off.

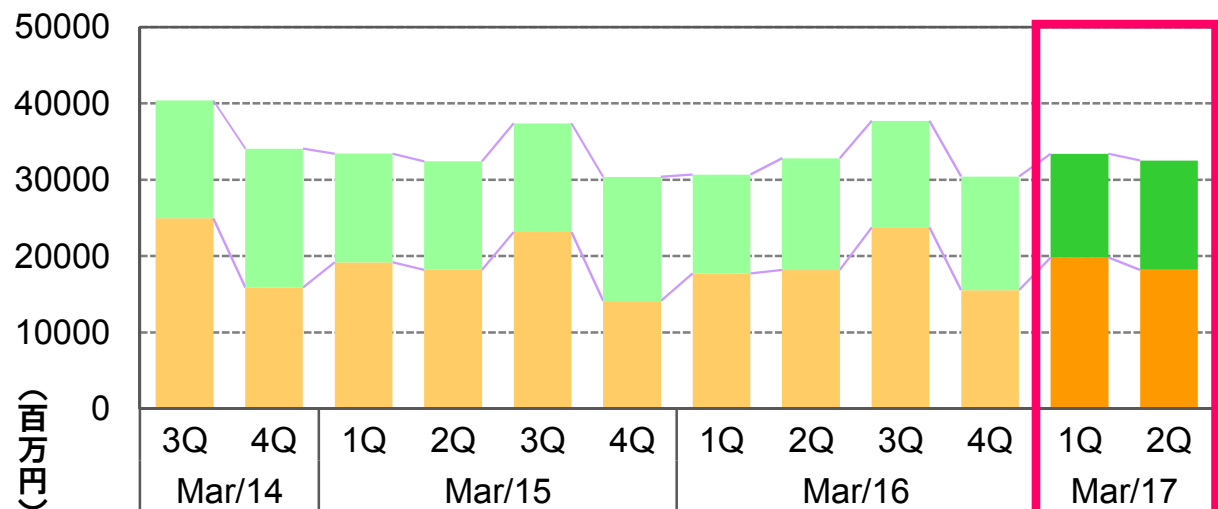
(JPY millions)		FY2014	FY2015(70 th Period)		
G o o d s	B u i l d i n g M a t e r i a l s	Sales	27,579	27,910	(YoY) 1.2%
		Operating Income	612	627	Profit % 2.2%
	H o m e P r o d u c t s	Sales	35,876	38,005	(YoY) 5.9%
		Operating Income	1,036	1,162	Profit % 3.1%

Sales by product category



- ❑ Building Materials Div.; The sales of main items increased such as water related equipment and air conditioning equipment.
- ❑ Home Products Div.; Even the sales of summer items are slow in 2nd quarter, both sales and profits of the division increased.

Quarterly sales trend in past 3 years



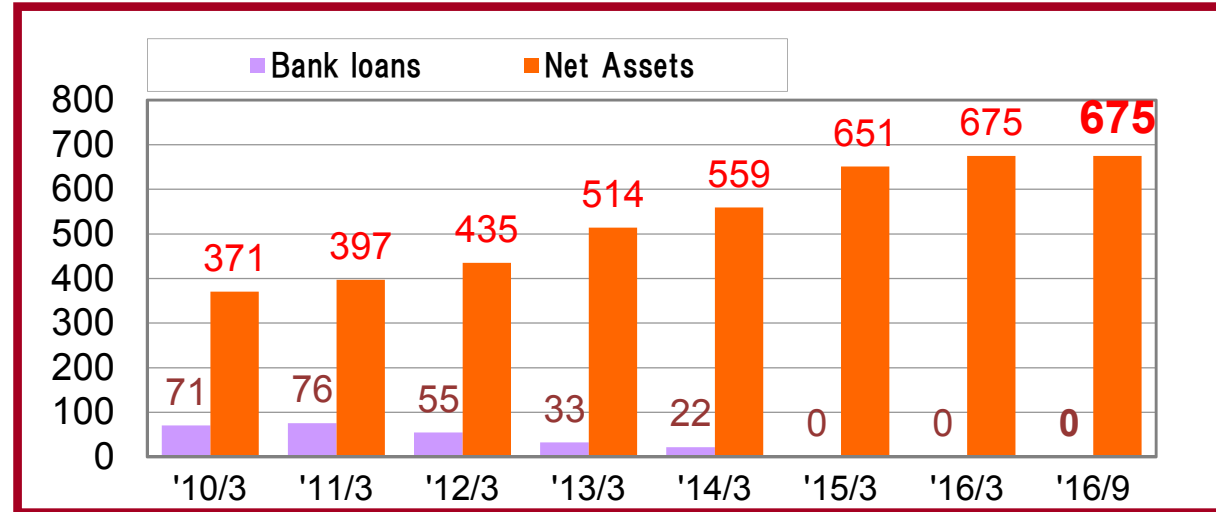
Balance sheets

Assets	Liabilities/Net assets
Current Assets 1,712 (- 112)	Current Liabilities 1,189 (- 113)
Non-Current Assets 255(- 4)	Non-Current Liabilities 103(- 3)
Total Assets 1,968(-116)	Net Assets 675 (±0)

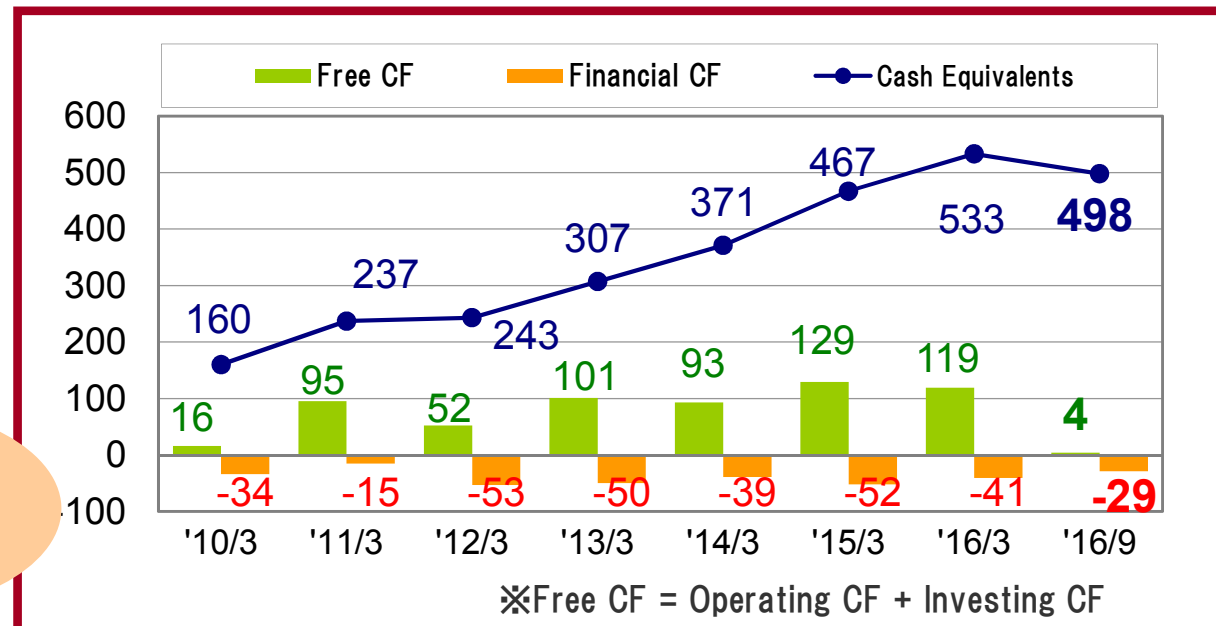
Shareholder's Equity ratio 34.2%

as of Sep.2016/ unit: JPY 100 millions

Changes in bank loans and net assets



Cash flow



Ⅱ . “ **ONE**X**T** **YAMAZEN** 2018 ”

Medium-term Management Plan

Expand
the volume

Improve
value-added

Stabilize
management
foundation

amaze! **in**
YamazeN.

The power to amaze is in YAMAZEN.

*Beyond
Expectation*

Yamazzen keep providing 'amaze' as a specialized trading company, support manufacturing and offering a comfortable living environment.



Concept for “ONEXT YAMAZEN 2018”

ONEXT YAMAZEN
2018 ひとつになって、この先へ。

ONEXT 2018

YAMAZEN

ひとつになって、この先へ。

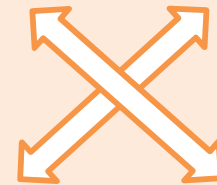
Develop earnings platforms geared to achieving JPY 500 billion in net sales

Further enhance marketing strengths

Further expand overseas business

Raise productivity

Innovation in logistics



United as one, advancing into the future

Develop IT infrastructure

Develop human resource for the next generation

ONEX**T** 2018
YAMAZEN
ひとつになって、この先へ。



Next 1 (one) Raise productivity

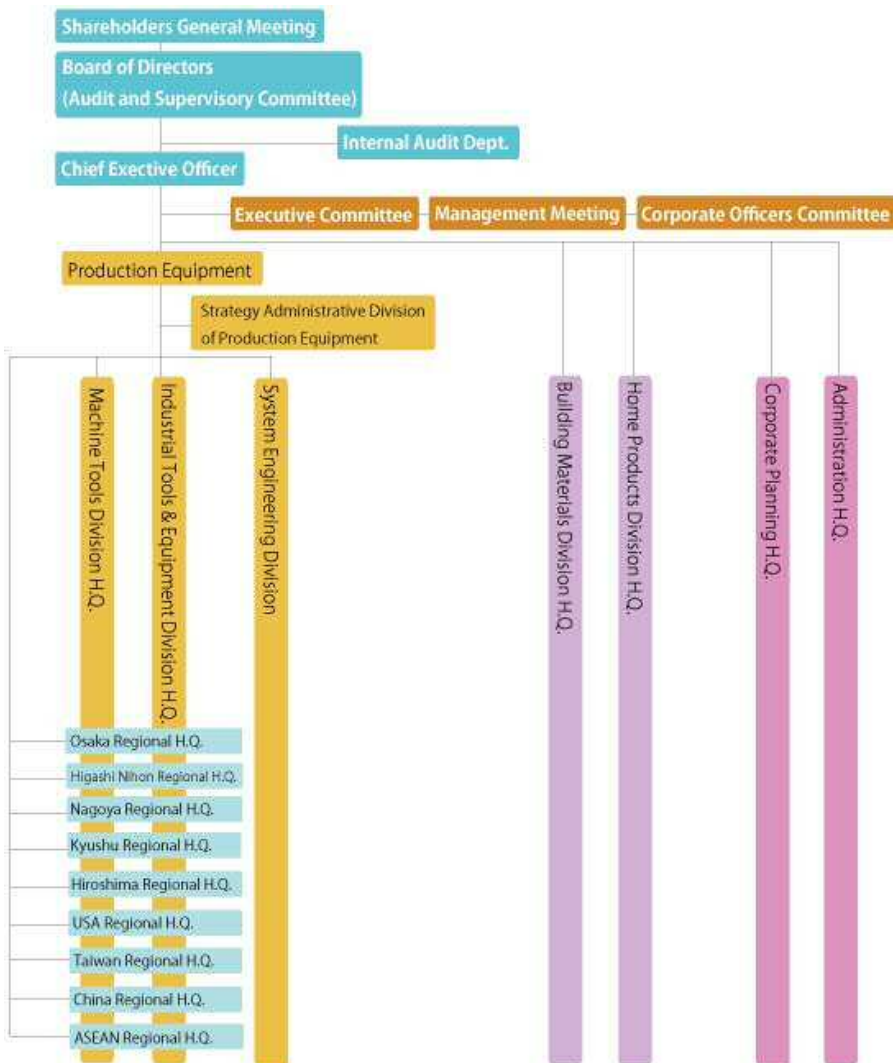
- Next 1-1) Enhance engineering capabilities
- Next 1-2) Further strengthen e-business operations
- Next 1-3) Continue efforts for logistical innovation
- Next 1-4) Carry out work-style reform
- Next 1-5) Reduce environmental loads

Next 2 (two) Expand overseas business

- Next 2-1) Promote global marketing
- Next 2-2) Build global supply chains

Next 3 (three) Human resource development for next generation

- Next 3-1) Draw up workforce education plans
- Next 3-2) Promote recruitment of mid-career
and certified professionals
- Next 3-3) Train female managers



① Reform to the company with audit and supervisory committee from with the board of corporate auditors

② Put the president of the Production Equipment and strategy administrative division of production equipment

③ Combined Int' l Operation Div. into the Machine Tool Div. and Industrial Tools & Equipment Div.

④ Establish System Engineering Div. from the part of Int' l Ops. Div. and Industrial Equipment and Tools Div.

⑤ Reform 5 overseas regional HQs into 4 HQs. Total 9 regional HQs for worldwide

⑥ Reform Home Prd. Div. sales dept. from Area oriented to customer / merchandise genre oriented

■ Business Plan

(JPY millions)	FY2015 (Mar.2016, result)	FY2016 (Mar.2017, plan)	FY2017 (Mar.2018, plan)	FY2018 (Mar.2019, plan)
S a l e s	447,774	460,000	480,000	500,000
Operating Income	13,258	13,300	14,000	14,700
Ordinary Income	13,503	13,600	14,300	15,000
Profit attributable to owners of parent	9,192	8,700	9,300	10,000

■ Major Financial Ratio

	FY2015 (Mar.2016)	FY2016 (Mar.2017, plan)	FY2017 (Mar.2018, plan)	FY2018 (Mar.2019, plan)
Return On Assets	6.5%	6.3%	6.4%	6.5%
Capital Turnover Ratio	2.19	2.15	2.16	2.17
Cash Flow Margin Ratio	3.4%	3.2%	3.3%	3.5%

Ⅲ. Fiscal Year 2016 Forecast

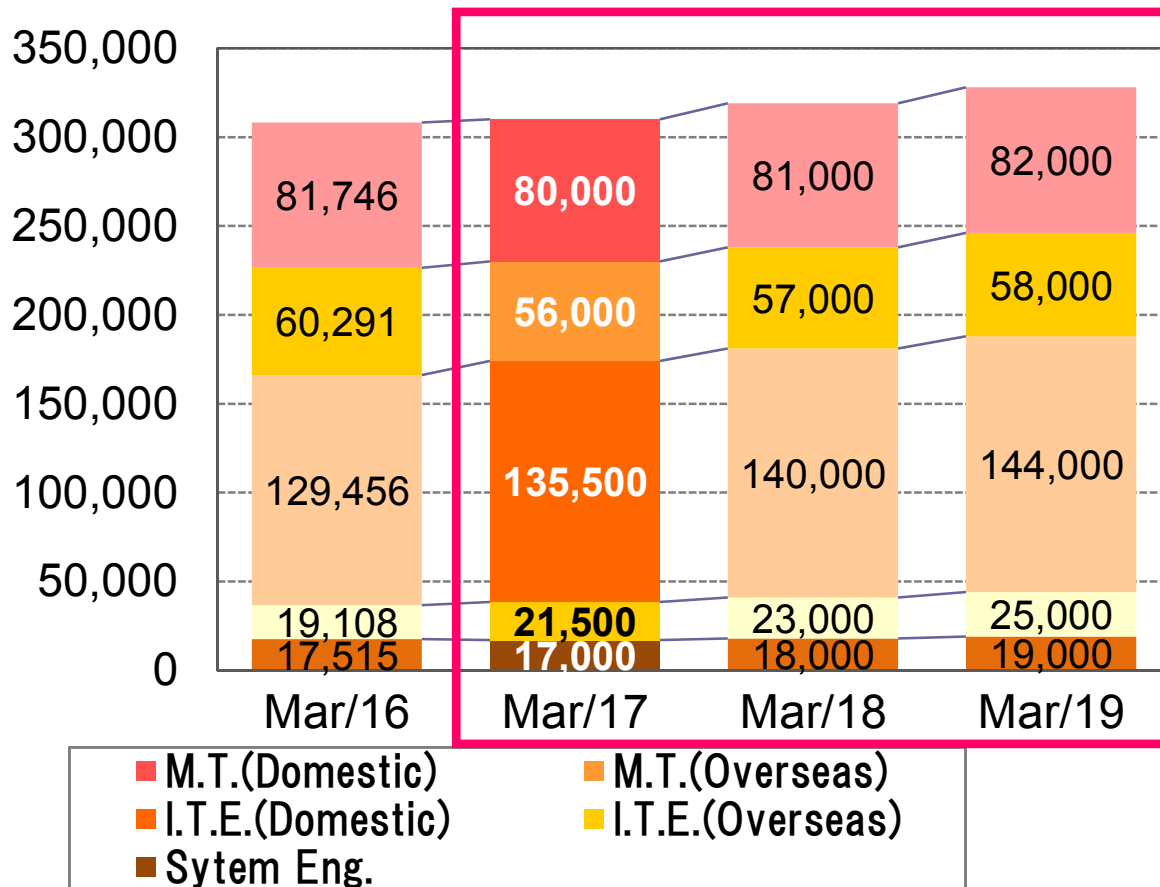


Challenge to the target as the 1st year of “**ONEXT YAMAZEN 2018**”!

(JPY millions)	FY2015 (Mar.2016)		FY2016 (Mar.2017)			
	2Q Result	Full-Yr. Result	2Q Result	YoY %	Full-Yr. Forecast	YoY %
S a l e s	220,243	447,774	208,335	- 5.4	460,000	2.7
Operating Income	6,378	13,258	5,132	- 19.5	13,300	0.3
Ordinary Income	6,593	13,503	5,105	- 22.6	13,600	0.7
Profit attributable to owners of parent	4,428	9,192	3,379	- 23.7	8,700	- 5.4

(JPY millions)		Sales Plan (Y o Y)		Operating Income (Y o Y)		(Profit %)
Production Equipment Total	2 nd Half*	171,493	10.4	6,334	15.8	3.7
	Full Yr.	310,000	0.6	10,700	- 3.5	3.5

3 year sales plan in "ONEXT YAMAZEN 2018"



※ amount is calculate by full year – results of 1st Half

■ I.T.E.(Domestic) / Top 100 vendor sales plan

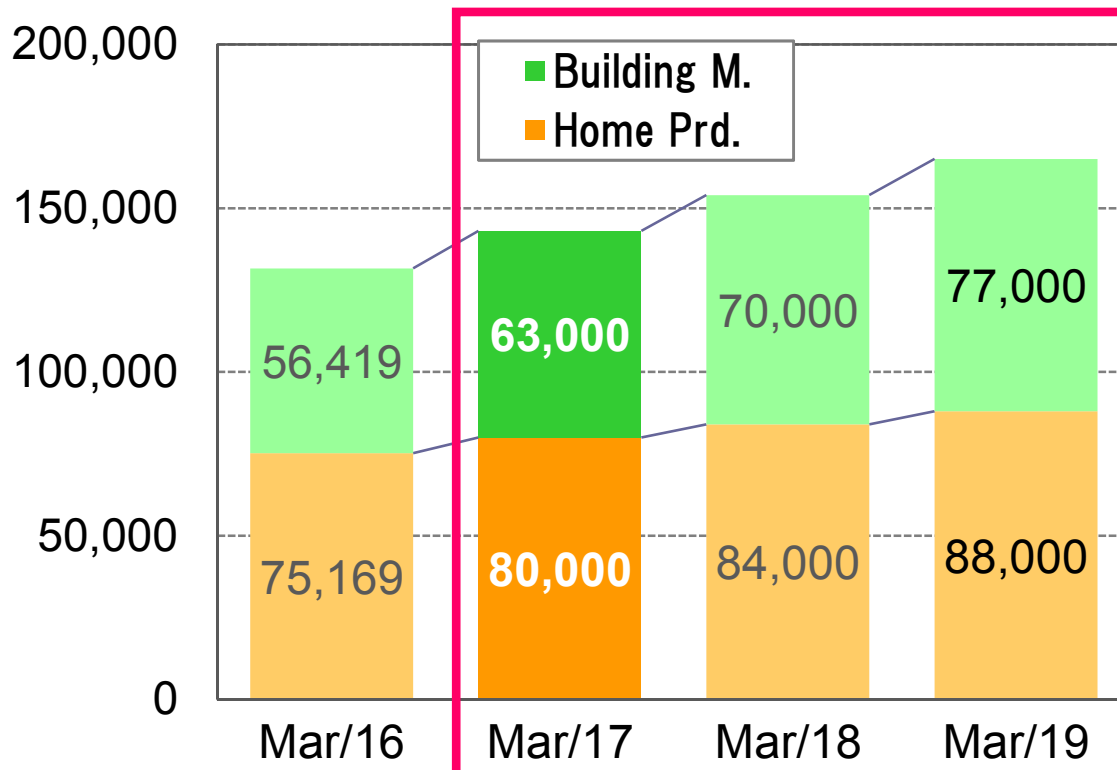
	Category	'16/9	'17/3	Achievement
①	Material handlings	5,258	11,124	47%
②	Mechatronics	6,386	15,537	41%
③	Environmental improvements	3,364	6,910	49%
④	Fluid equipment	3,800	8,525	45%
⑤	Steel Frame Process. Mac	2,689	5,175	52%
⑥	Cutting tools	7,300	15,650	47%
⑦	Tooling etc.	3,250	6,717	48%
⑧	Measuring equip.	2,416	5,984	40%
⑨	Industrial equip.	11,581	23,773	49%
⑩	Air-conditioning	1,063	1,535	69%

* Reorganize Category from 4/2016

(unit; JPY million, %)	FY2016 (1 st half)	FY2016 (Full Yr.)	Achievement
	S a l e s	S a l e s	
Osaka Regional H.Q.	28,248	63,500	44.5%
Higashi Nihon Regional H.Q.	36,617	81,350	43.8%
Nagoya Regional H.Q.	18,694	40,900	45.7%
Kyushu Regional H.Q.	7,742	16,850	45.9%
Hiroshima Regional H.Q.	6,178	13,200	46.8%
U.S.A. Regional H.Q.	5,445	13,855	39.2%
Taiwan Regional H.Q.	6,113	13,480	45.3%
ASEAN Regional H.Q.	10,057	21,322	47.2%
China Regional H.Q.	9,962	27,565	36.1%

(JPY millions)		Sales Plan (Y o Y)		Operating Income (Y o Y)		(Profit %)
Building Materials	2 nd half*	35,090	21.7	1,073	43.4	3.1
	Full Yr.	63,000	11.7	1,700	25.0	2.7
Home Products	2 nd half*	41,995	6.9	1,338	- 9.3	3.2
	Full Yr.	80,000	6.4	2,500	- 0.4	3.1

3 year sales plan in "ONEXT YAMAZEN 2018"



■ Building M / sales plan by products

	Category	'16/9	'17/3	Achievement
①	Kitchen, bathroom	11,797	26,000	45%
②	Air conditioning etc.	10,287	25,000	41%
③	Materials etc.	5,826	12,000	49%

■ Home Prd. / private brand sales plan

	Category	'16/9	'17/3	Achievement
①	Home appliances	11,760	27,130	43%
②	Interior	4,344	10,220	43%
③	Exterior, leisure	4,722	8,505	56%
④	Tools, gardening	2,105	3,825	55%

(JPY millions)		Production Equipment	Consumer Goods		Other	Total
			Building M	Home Prd.		
Sales	FY2015	308,117	56,419	75,169	8,067	447,774
	FY2016	310,000	63,000	80,000	7,000	460,000
	YoY	100.6%	111.7%	106.4%	86.8%	102.7%
Operating Income	FY2015	11,086	1,360	2,511	-1,700	13,258
	(profit %)	3.6%	2.4%	3.3%	—	3.0%
	FY2016	10,700	1,700	2,500	-1,600	13,300
	(profit %)	3.5%	2.7%	3.1%	—	2.9%
	YoY	96.5%	125.0%	99.6%	—	100.3%
	(up/down)	-0.1	0.3	-0.2	—	-0.1

* Exchange Rate USD 1 = 120.15 (AR) for FY2015, 105.20 for 1st half, 105.00 for 2nd half FY2016

IV. Dividend Policy

■ Dividend Trend

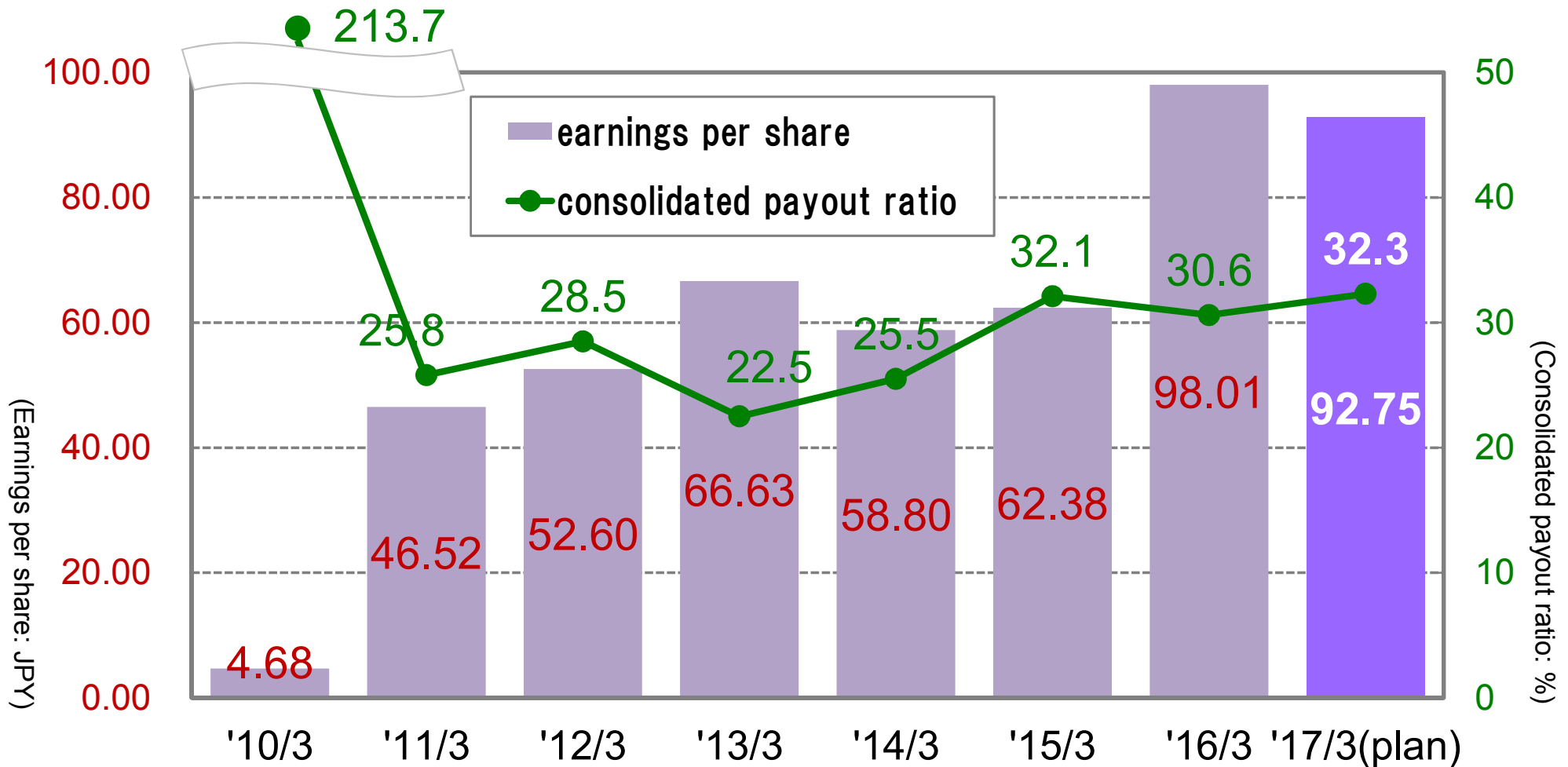
* Includes special / commemorative dividends

		'10/3	'11/3	'12/3	'13/3	'14/3	'15/3	'16/3	'17/3 (Plan)
Consolidated payout ratio (%)		213.7	25.8	28.5	22.5	25.5	32.1	30.6	32.3
Cash dividends (JPY)	Interim	5.0	5.0	7.0	7.0	7.0	8.0	12.0	13.5*
	Yr.-end	5.0	7.0	8.0	8.0	8.0	12.0	18.0*	16.5*

□ Profit Distribution Policy

- △ In “A.A.15”, former mid-term management plan, Yamazen plans to raise the consolidated payout ratio to 30%. At FY2015, the last year of the plan, the consolidated payout ratio becomes to 30.6%, with annual dividends JPY 30 (JPY 27 as ordinary, JPY 3 as special).
- △ We, YAMAZEN continues to stable return to our shareholders, considering our income level, and strives to raise consolidated payout ratio in new 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.

- Ordinary Dividend: 2Q End JPY12.0 + Year End JPY 15.0 = Annual JPY27.0
- Commemorative Dividend: 2Q JPY1.5 + Yr. End JPY1.5 = Annual JPY3.0
- Total Annual Dividend JPY30.0, Consolidated payout ratio plans 32.3%.





□ **Contact information for individual meetings.**

- △ IR & PR Department.
- △ 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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