

1st Half Results Briefing for Fiscal Year 2017 (Apr. – Sep. 2017)

amaze!ⁱⁿ
YamazeN.
驚きは、山善の中にある。

November 21st 2017

 **YAMAZEN CORPORATION**

Code Number : 8051

AGENDA

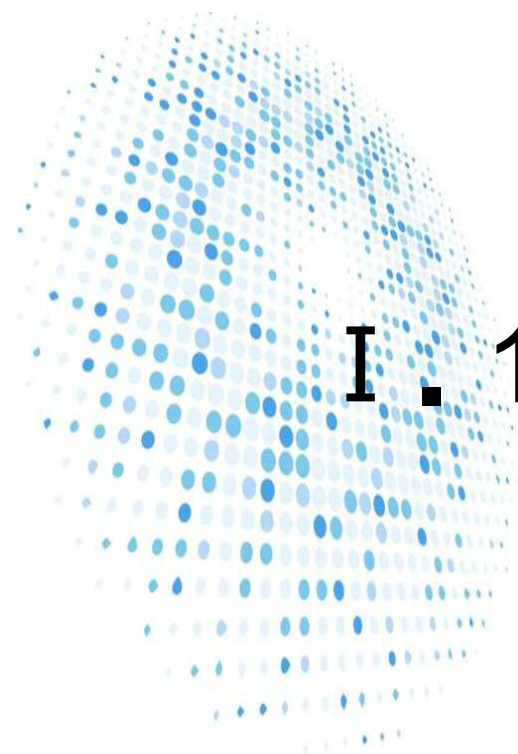
I. 1st Half Results Overview

II. “ **ONEXT YAMAZEN 2018** ”

Medium-term Management Plan and Topics

III. Fiscal Year 2017 Forecast

IV. Dividend Policy



I . 1st Half Results Overview

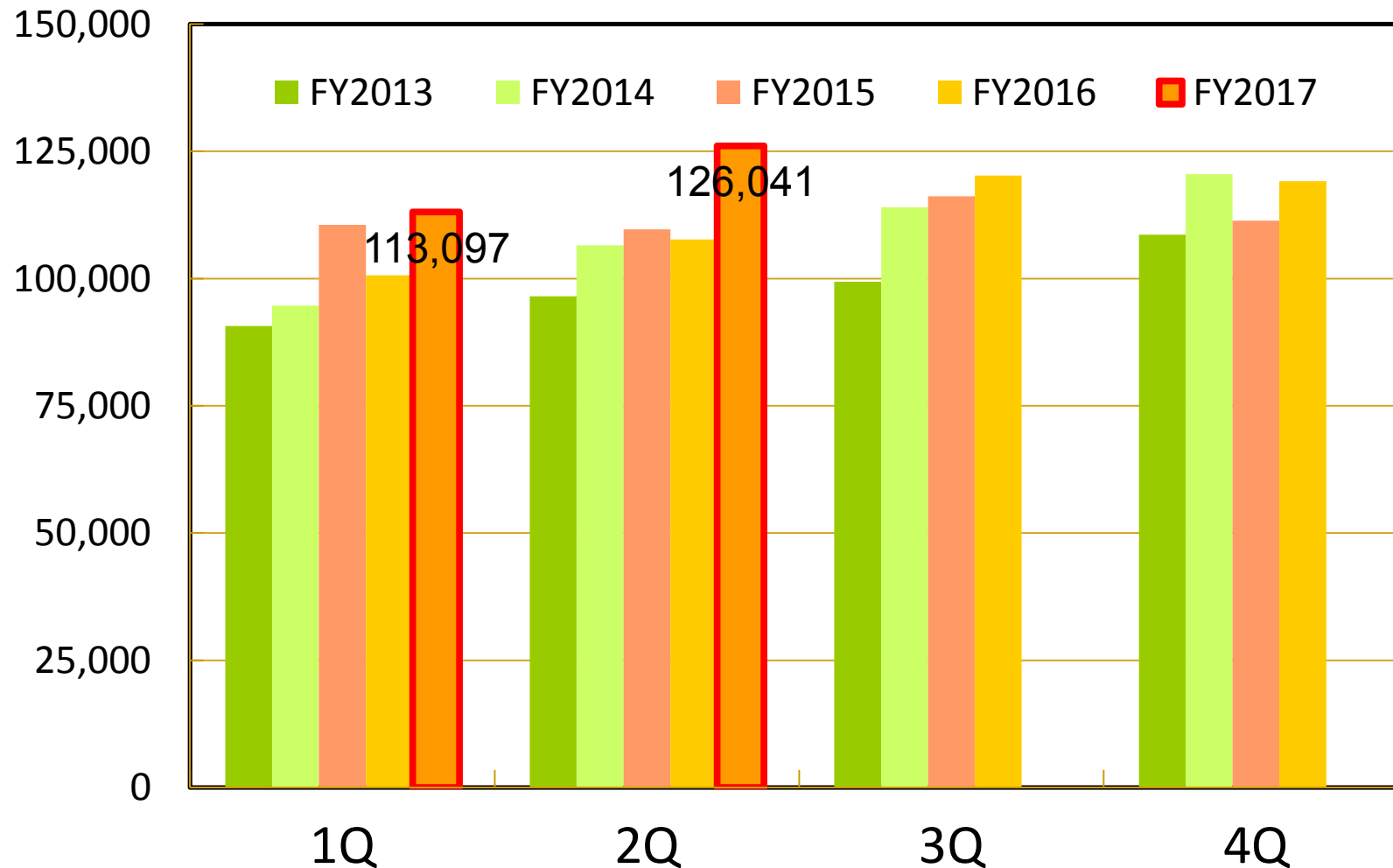
■ Consolidated Income Statements

(JPY millions)	FY2016 (1 st Half)	FY2017 (1 st Half)	YoY %	Announced Plan	Ratio to Plan %
Net Sales	208,335	239,139	14.8	230,000	104.0
Gross profit	27,381	30,369	10.9	—	—
G.P.Ratio	13.1%	12.7%	-0.4		
SGA expenses	22,249	23,721	6.6	—	—
Operating income	5,132	6,647	29.5	6,200	107.2
Non-operating Income	-26	92	—	—	—
Ordinary income	5,105	6,554	28.4	6,300	104.0
Extraordinary Income	38	1	—	—	—
Profit attributable to owners of parent	3,379	4,454	31.8	4,200	106.0

➤ Sales, Operating income, Net profits are records high.

■ Trend of sales (past 5 years)

(JPY millions)



➤ JPY 126 billion sales in this 2nd QTR is records high as quarterly sales.

■ Sales by division / vs. announced plan

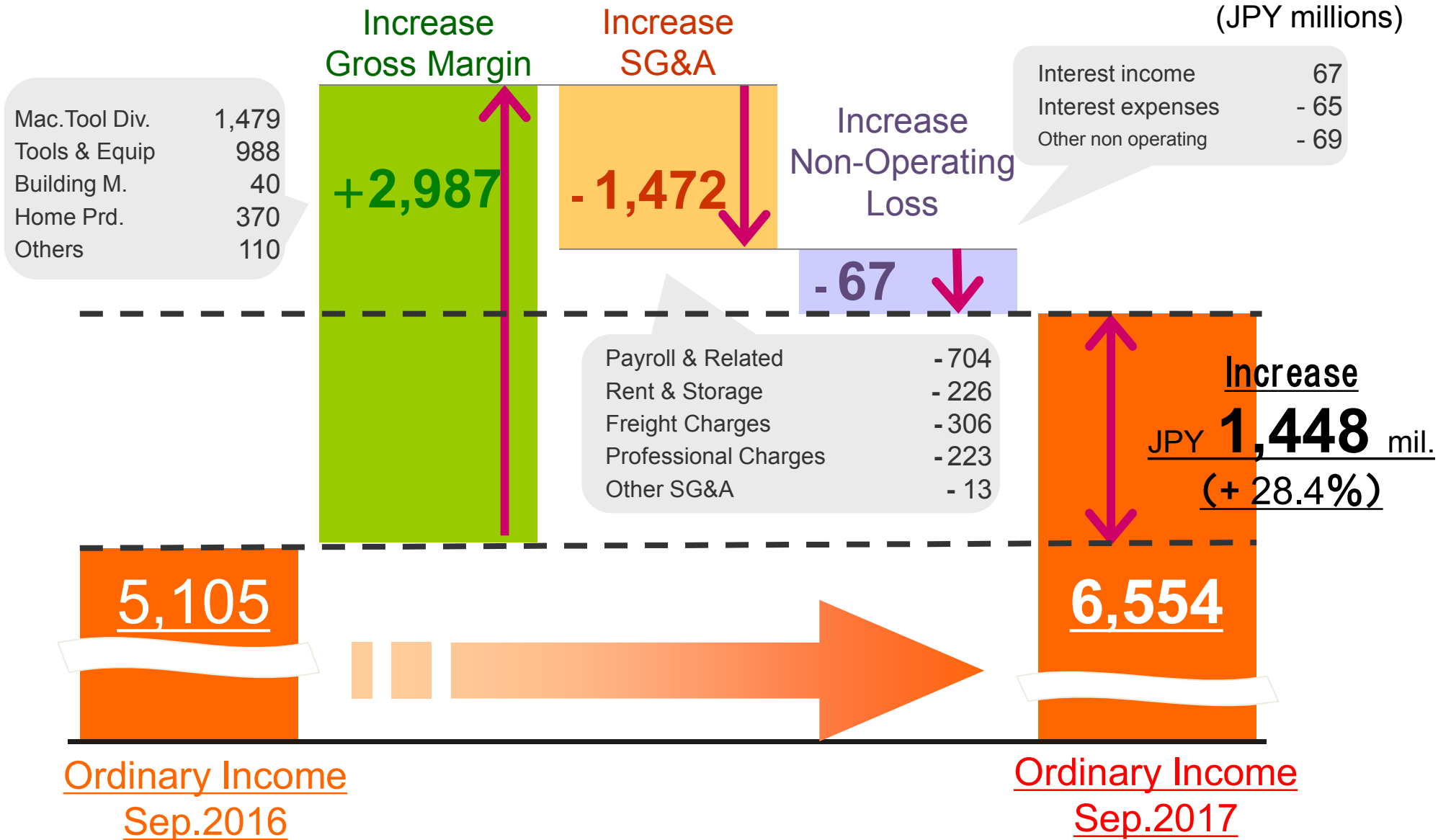
(JPY millions / %)	FY2016 (1st Half)	FY2017 (1st Half)	YoY %	Announced Plan	Ratio to Plan %
Machine Tools	57,584	79,293	37.1	69,600	113.9
Industrial Tools & Equipment	80,652	88,177	9.3	86,500	101.9
(Total) Production Equip.	138,507	167,471	20.9	156,100	107.3
Building Materials	27,910	28,379	1.7	30,500	93.0
Home Products	38,005	38,919	2.4	39,000	99.8
(Total) Consumer goods	65,916	67,299	2.1	69,500	96.8
Other	3,912	4,368	11.7	4,400	99.3
Total	208,335	239,139	14.8	230,000	104.0

- Production Equipment Business has been reorganized as of Apr. 1st, 2017.
- Results of FY2016 was recalculated based on new organization.

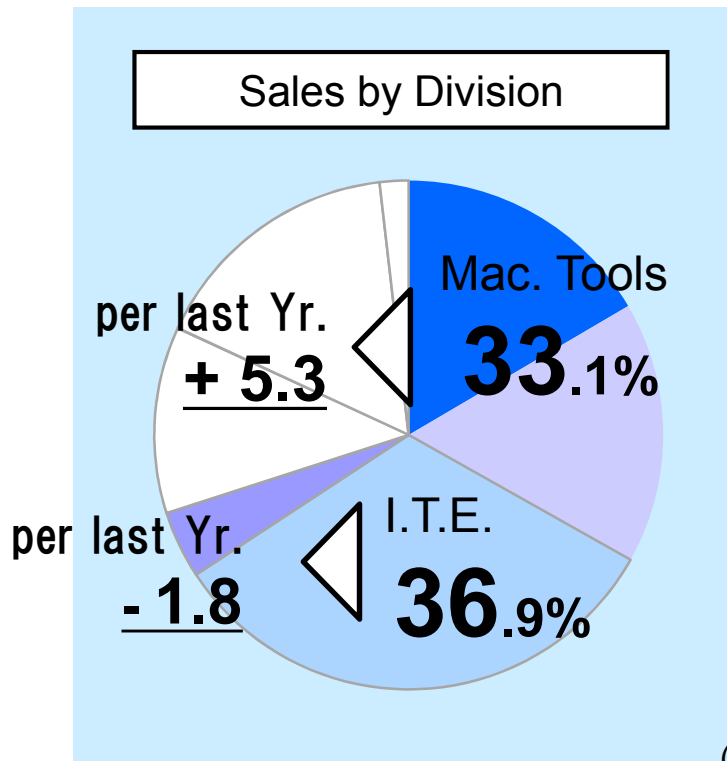


Positive/Negative factors of the ordinary income

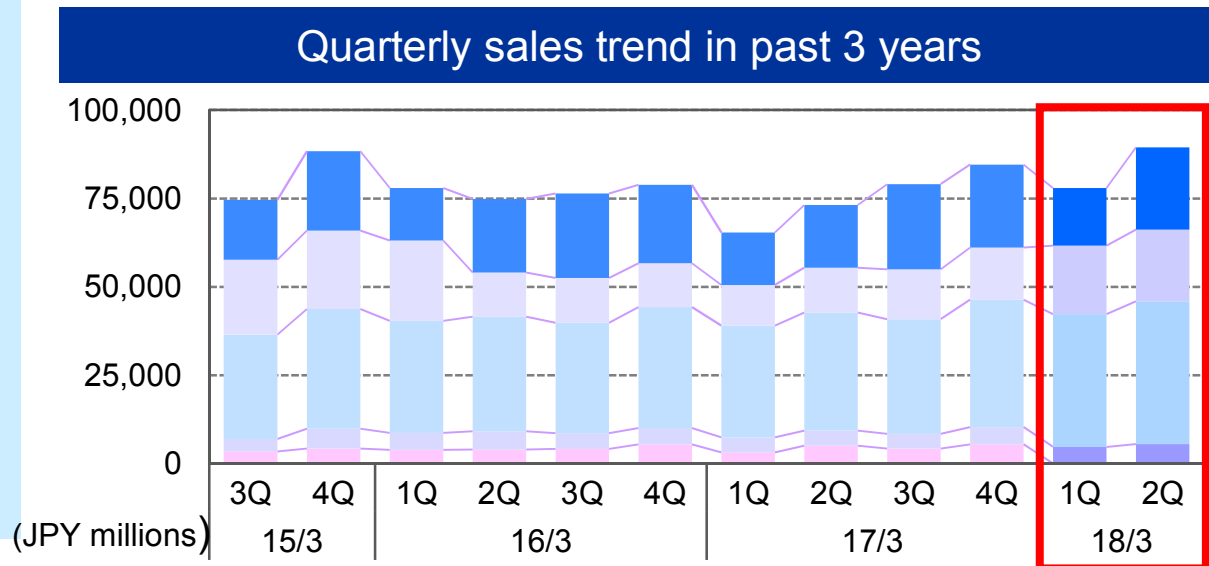
ONEX**T** **YAMAZEN**
2018 ひとつになって、この先へ。



(JPY millions)			FY2016	FY2017 (1 st Half)		
Production Equipment	Production Equipment	S a l e s	138,507	167,471	(YoY)	20.9%
		Operating Income	4,366	5,802	Profit %	3.5%



□ Adding Smart Factory Solutions Div. HQ in Apr. 2017, Total 10 Sales H.Q., 6 in Japan and 4 in Overseas.



Sales by Division

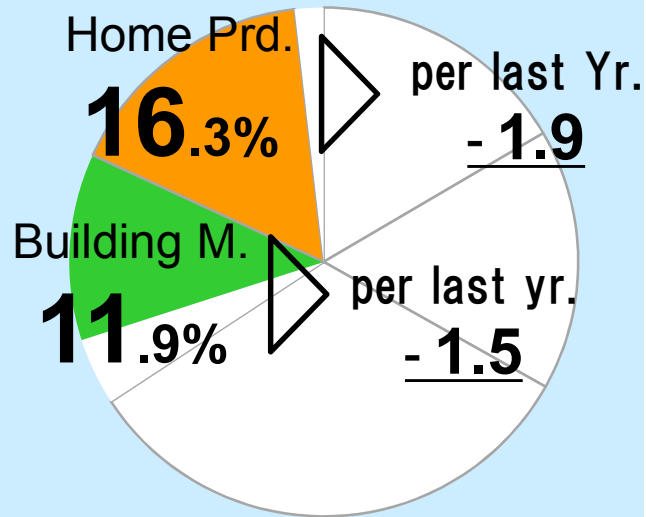
(JPY millions)			FY2016	FY2017 (1 st Half)		
Production equipment	Machine Tools	(Domestic)	33,601	39,580	(YoY)	17.8%
		(Overseas)	24,253	39,713	(YoY)	63.7%
		T o t a l	57,854	79,293	(YoY)	37.1%
	Industrial Tools & Equipment	(Domestic)	71,760	77,931	(YoY)	8.6%
		(Overseas)	8,892	10,246	(YoY)	15.2%
		T o t a l	80,652	88,177	(YoY)	9.3%
	T o t a l		138,507	167,471	(YoY)	20.9%

- ❑ Machine Tools (Domestic) ; Sales increases for strong automotive industries and semiconductor-related industries. Order receives also high based on the strong demand from wide range of industries.
- ❑ Industrial Tool & Equip (Domestic) ; Capital investment increased in a wide range of industries, orders for logistics facilities, air conditioning equipment, and automation equipment were steady. Machine tools related equipment and cutting tools remained steady owing to strong orders of machine tools.
- ❑ Machine Tools (Overseas) ; In the Chinese market, machine tools sales to EMS continued to grow, and inquiries from semiconductor-related and automotive-related industries were also strong. In the ASEAN market, sales of machine tools increased mainly from capital investment from Japanese transplants.

(JPY millions, %)	FY2016		FY2017 (1 st Half)	
	S a l e s	S a l e s	S a l e s	YoY
Osaka Regional H.Q.	26,314	28,823	110%	
Higashi Nippon Regional H.Q.	35,523	40,531	114%	
Nagoya Regional H.Q.	17,854	19,187	107%	
Kyushu Regional H.Q.	7,742	9,375	121%	
Hiroshima Regional H.Q.	6,178	6,354	103%	
Smart Factory Solutions Div. H.Q.	11,772	13,253	113%	
U.S.A. Regional H.Q.	5,445	6,488	119%	
Taiwan Regional H.Q.	6,113	13,764	225%	
China Regional H.Q.	10,286	17,182	167%	
ASEAN Regional H.Q.	10,057	12,369	123%	

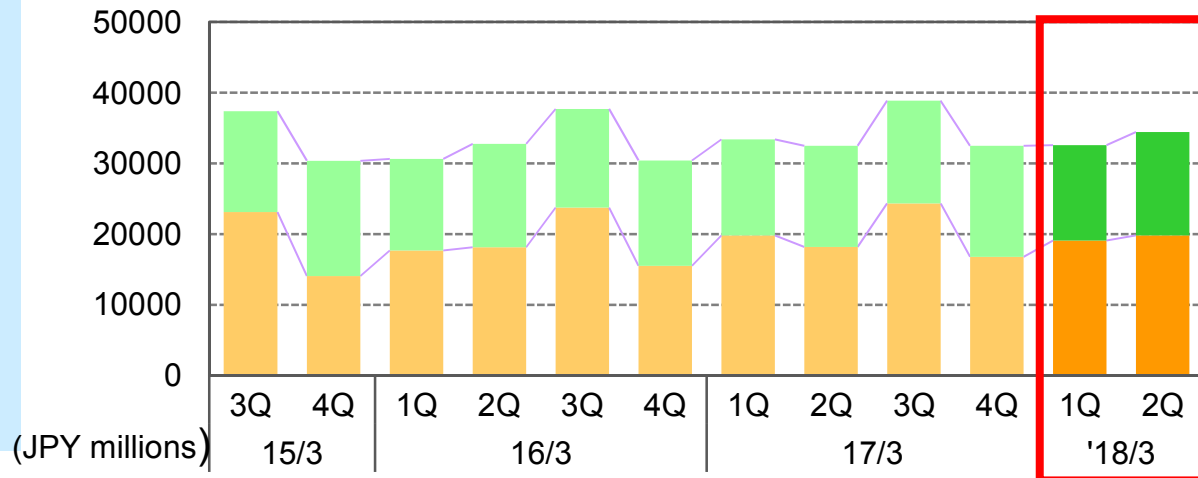
(JPY millions)			FY2016	FY2017 (1 st Half)		
Consumer Goods	Building Materials	Sales	27,910	28,379	(YoY)	1.7%
		Operating Income	627	675	Profit %	2.4%
	Home Products	Sales	38,005	38,919	(YoY)	2.4%
		Operating Income	1,162	1,100	Profit %	2.8%

Sales by Division



- Building M. : Sales improved in water related items with recovery in demand on renovations. Air conditioning systems sales also increased.
- Home Prd. : Sales of seasonal items suffers by rainy summer, but EC business and TV shopping performed well.

Quarterly sales trend in past 3 years





Production Equip.

Machine Tools Div.

Industrial Tool & Equip. Div.

Consumer Goods

Building Material Div.

Home Products Div.

Japan domestic

2 Corporate H.Q.
54 Offices
7 Subsidiaries

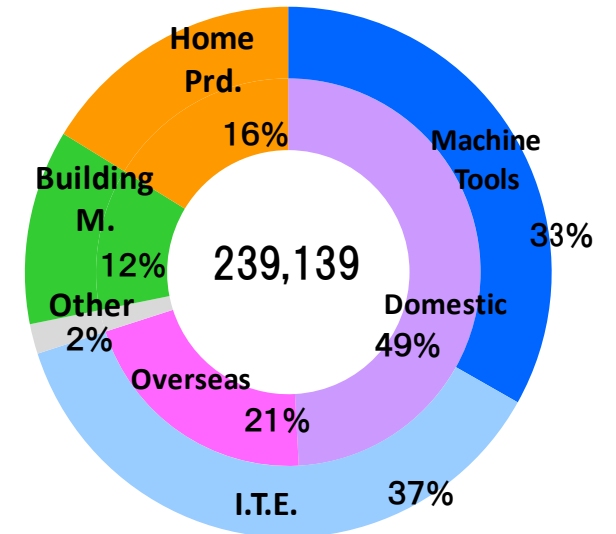


Overseas

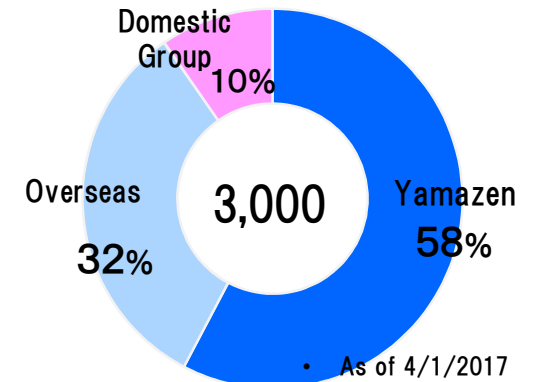
16 Countries
17 Subsidiaries
67 Offices



Share of Sales



Share of Staff



• As of 4/1/2017
• Incl. Non-Consolidated etc.

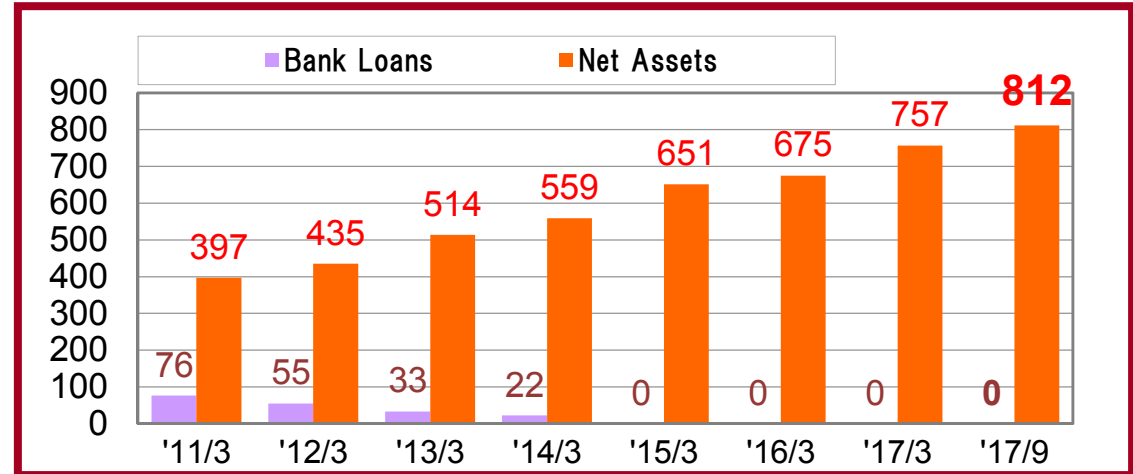
Balance Sheet

Assets	Liabilities/Net assets
Current Assets 1,944 (+40)	Current Liabilities 1,369 (+22)
Fixed Assets 333(+40)	Fixed Assets 95(+5)
Total Assets 2,277(+81)	Net Assets 812 (+55)

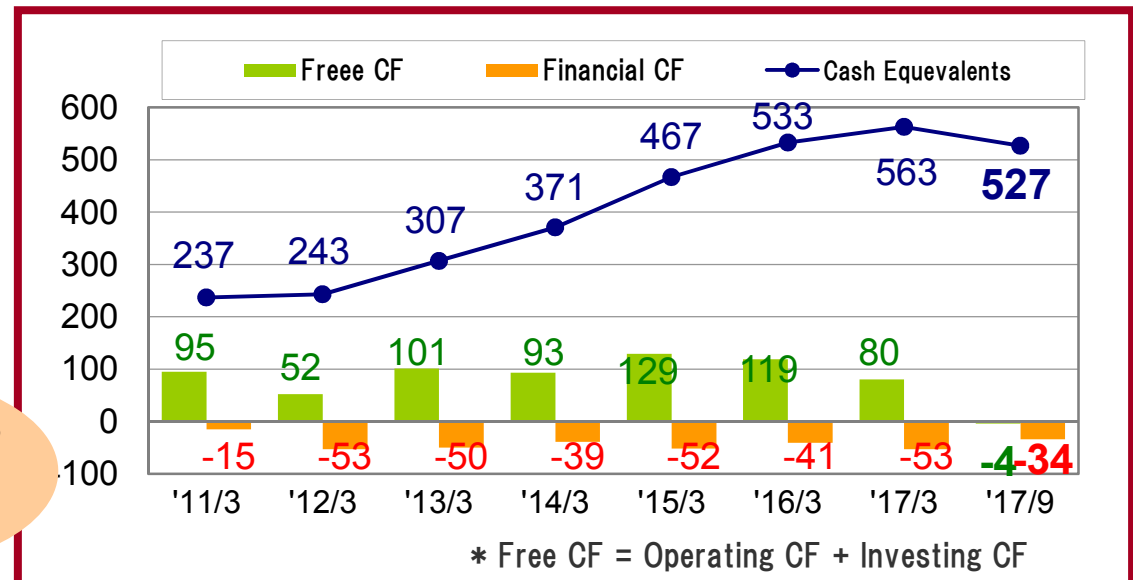
Shareholder's
Equity ratio
35.5%

(As of Sep.30 2017 / JPY 100 mil.)

Changes in bank loans and net assets



Cash Flow





Ⅱ. “**ONE**X**T** **YAMAZEN** 2018 ”

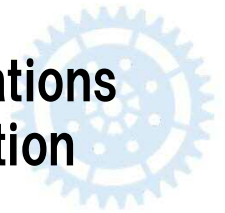
Medium-term Management Plan and Topics

ONEX**T** 2018
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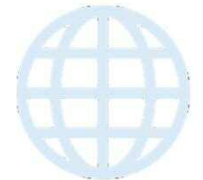
Next 1 (one) Raise productivity

- 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

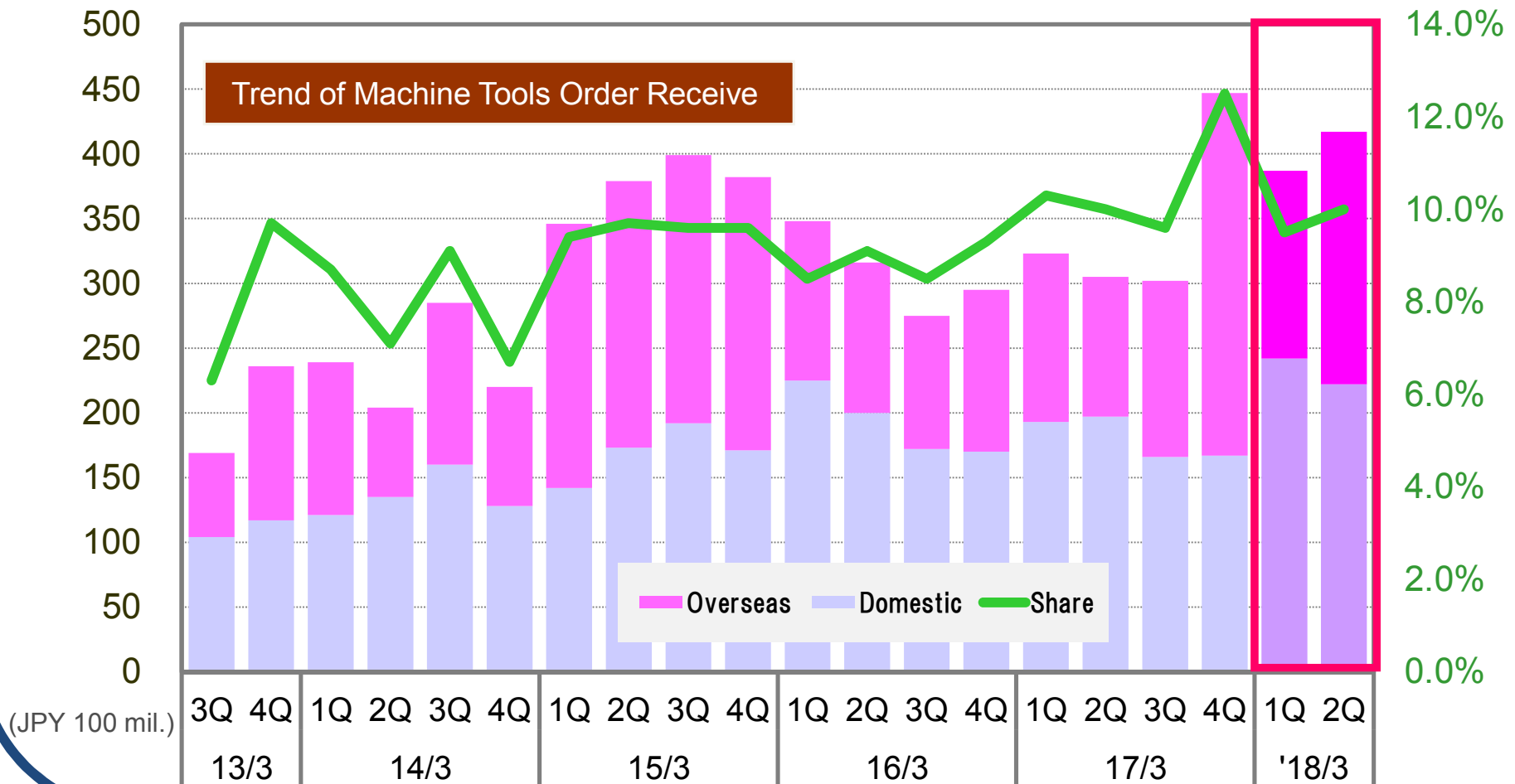


Next 3 (three) Human resource development for next generation

- 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



- Machine Tools Order Receives JPY 80 billion in 1st Half
- 10% Share with JMTBA's figure



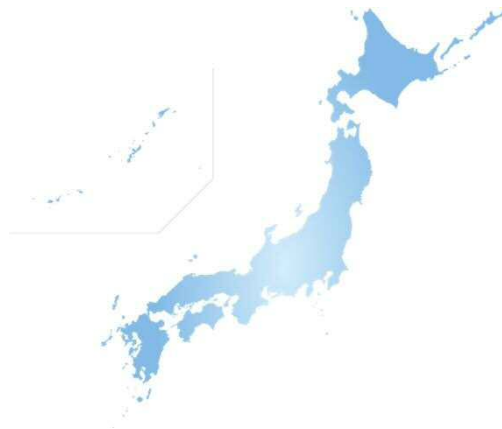
どてらい市®

- Trade show held continuous 40 years over the country with manufacturers, Yamazen, dealers cooperate as "Trinity".

“Doterai – Ichi” trade show named after “Doterai – Yatsu”, famous novel / TV drama. Because Mr. Takeo YAMAMOTO, the founder of YAMAZEN is the model of the main character of “Doterai – Yatsu”.

■ Doterai-ichi from Apr. – Sep.17

Name	Date
Tohoku	4/8~4/9
Kita-Kyushu	4/15~4/17
Tohokushin	5/20~5/21
Niigata	6/10~6/11
Chubu (Nagoya)	6/10~6/12
Kagoshima	6/10~6/12
Yonago	6/17~6/19
Osaka	6/24~6/26
Hokkaido	7/8~7/9
Nagasaki	7/29~7/30
Kagawa	9/2~9/4
Fukuyama	9/9~9/11



24 shows will be held in FY2017.
12 shows has been held in 1st Half with total 2,300 exhibitors and total 80,000 people.



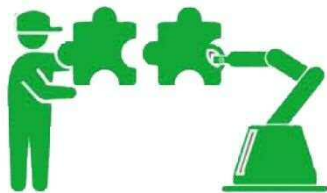
2017 Osaka Doterai – Ichi
Jun. 24-26 at Intex Osaka

Major changes in the manufacturing site
'Automation, Labor saving', 'Improve productivity', 'IoT in Factory', 'EV shift in automotive industries'

Problems at the production site
"Where do I start from?"
"How do I handle with it?"

➤ Yamazen's Strong Point

Capability of full - support with over 3,000 suppliers includes major Machine Tools & Robot Manufacturer.



Yamazen's efforts

1. Established Smart Factory Solutions Div. H.Q. as of Apr.1st 2017.
2. Wholly owned Toho Industrial Co., Ltd., the System integrator in Hiroshima on Apr.11th 2017.
3. Comprehensive proposal for automation of deburring (finishing) processes.

BCP.ERS ビーシーパース

➤ One stop services for small / medium size enterprises from BCP formulation consulting to procurement of equipment and stockpile

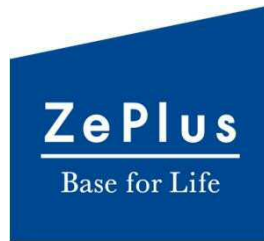
“BCP.ERS” stands for “Effective” and “Resilient” “Solution” for “BCP”. In addition, “BCP.ERS” is aiming for the whole image of BCP is made easy to understand like PERS, since the completion prediction drawing the appearance etc. of the building in a three-dimensional picture is called PERS (parse),



- Acquisition of "Resilience Certification" for the First Trading Company
- "Japan Resilience Award 2017" Winning Best Resilience Award

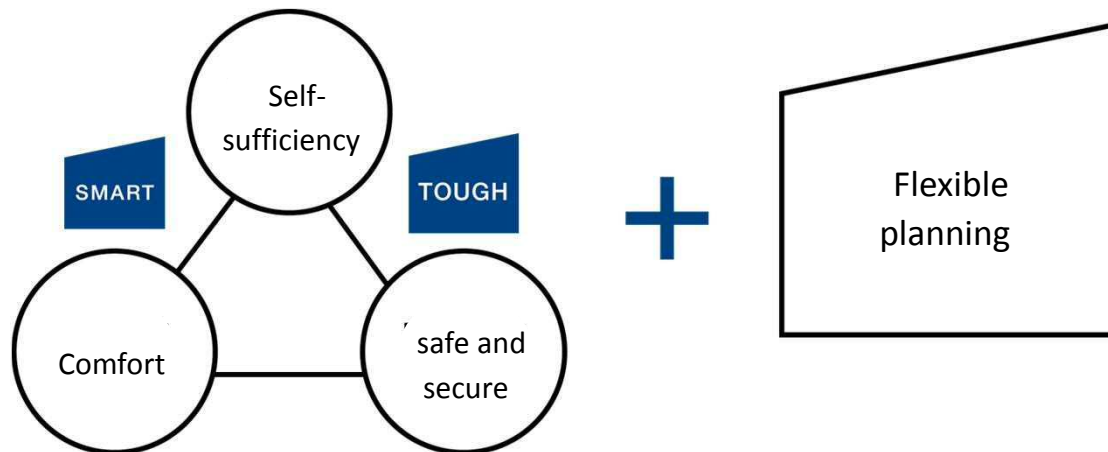


Wide range of products from for individual to offices and factories.



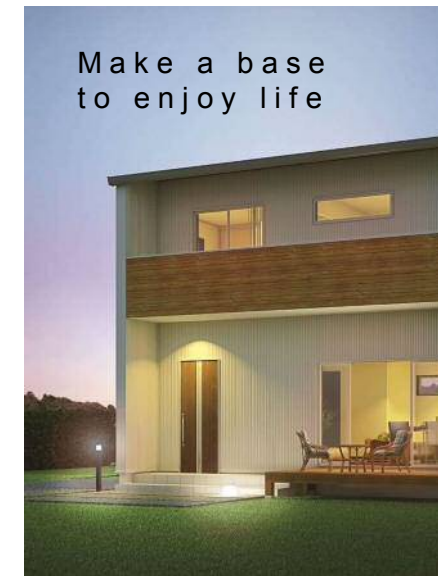
- Propose Yamazen original “ZEH” package for local builders under the name of “ZePlus”, which is a one-ranked upper house that goes on top of ZEH

The Government plans, that over 50% of new houses should be “ZEH” by 2020. But due to the difficulty of complicated energy calculation and application, about 80% of the small builders never build “ZEH” house yet, they occupies 80% of 5,600 ZEH registered builders.



The concept of “Zeplus” are

- Easy and comfortable for both environment and households.
- Tough and smart residence that keeps protecting family life while enjoying life.



■ Business Plan

(JPY millions)	FY2015 (Mar.2016, result)	FY2016 (Mar.2017, result)	FY2017 (Mar.2018, announced)	FY2018 (Mar.2019, original plan)
S a l e s	447,774	447,698	480,000	500,000
Operating Income	13,258	13,113	14,000	14,700
Ordinary Income	13,503	12,931	14,300	15,000
Profit attributable to owners of parent	9,192	8,518	9,300	10,000

■ Major Financial Ratio

	FY2015 (Mar.2016, result)	FY2016 (Mar.2017, result)	FY2017 (Mar.2018, announced)	FY2018 (Mar.2019, original plan)
Return On Assets	6.5%	6.1%	6.4%	6.5%
Capital Turnover Ratio	2.2	2.09	2.16	2.17
Cash Flow Margin Ratio	3.4%	2.5%	3.3%	3.5%



III. Fiscal Year 2017 Forecast

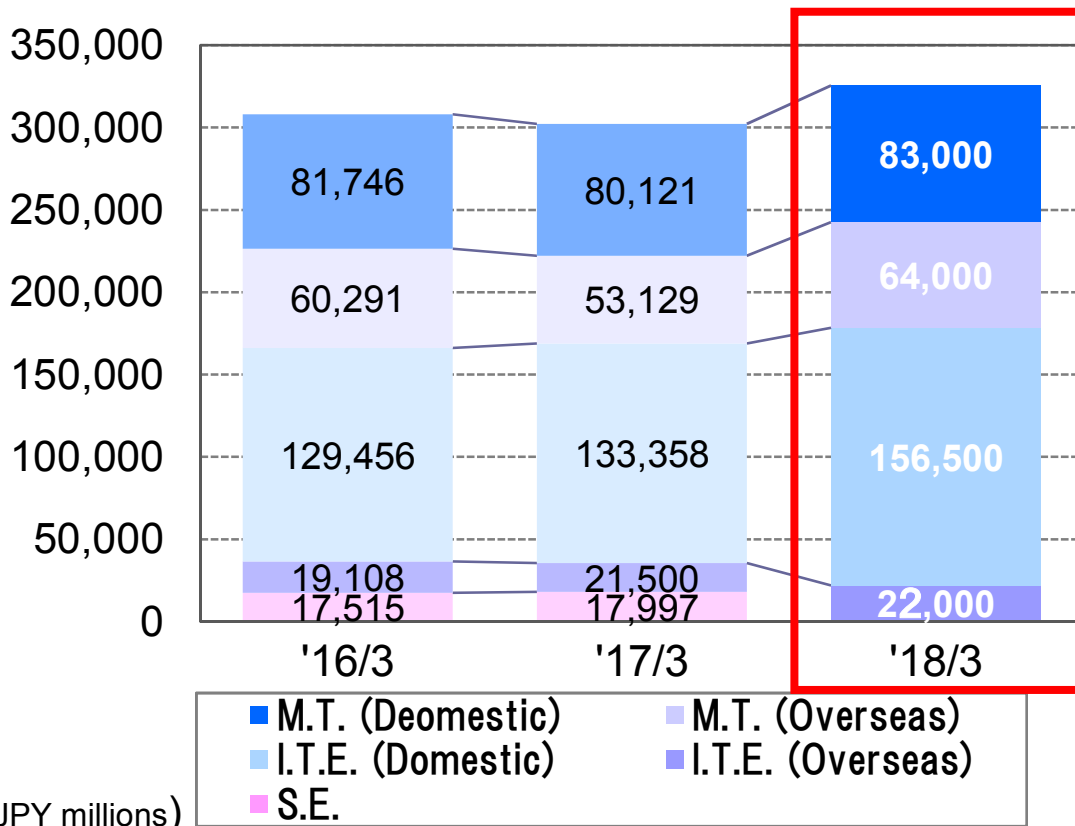


Challenge to the target as the 2nd year of “**ONEXT YAMAZEN 2018**”!

(JPY millions)	FY2016 (Mar.2017)		FY2017 (Mar.2018)			
	2Q Result	Full-Yr. Result	2Q Result	YoY %	Full-Yr. Forecast	YoY %
S a l e s	208,335	447,698	239,139	14.8	480,000	7.2
Operating Income	5,132	13,113	6,647	29.5	14,000	6.8
Ordinary Income	5,105	12,931	6,554	28.4	14,300	10.6
Profit attributable to owners of parent	3,379	8,518	4,454	31.8	9,300	9.2

(JPY millions)		Sales Plan (Y o Y)	Operating Income (Y o Y)	(Profit %)	
Production Equip.		325,500	7.7	11,300 + 8.9	3.5

Production Equip. 3 yr. Sales Trend



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

	Category	'17/9	'18/3	Achievement
①	Material handlings	6,283	12,520	50%
②	Mechatronics	6,705	14,595	46%
③	Environmental improvements	4,054	6,910	59%
④	Fluid equipment	4,048	7,490	54%
⑤	Steel Frame Process. Mac	3,123	6,390	49%
⑥	Cutting tools	7,709	15,670	49%
⑦	Tooling etc.	3,421	7,000	49%
⑧	Measuring equip.	2,637	5,570	47%
⑨	Industrial equip.	12,749	25,765	49%
⑩	Air-conditioning	1,186	1,900	62%

(JPY millions)

(JPY millions, %)	1st Half Result		Full Yr. Plan	
	S a l e s	S a l e s	S a l e s	Achievement
Osaka Regional H.Q.	28,823		59,210	49%
Higashi Nippon Regional H.Q.	40,531		82,690	49%
Nagoya Regional H.Q.	19,187		39,180	49%
Kyushu Regional H.Q.	9,375		17,880	52%
Hiroshima Regional H.Q.	6,354		13,040	49%
S F S D i v . H . Q .	13,253		27,500	48%
U.S.A. Regional H.Q.	6,488		13,622	48%
Taiwan Regional H.Q.	13,764		17,861	77%
China Regional H.Q.	17,182		29,082	59%
ASEAN Regional H.Q.	12,369		23,205	53%

(JPY millions)		Sales Plan (Y o Y)	Operating Income (Y o Y)	(Profit %)
Building Material		64,000	10.0	2.7
Home Products		82,500	4.2	3.4

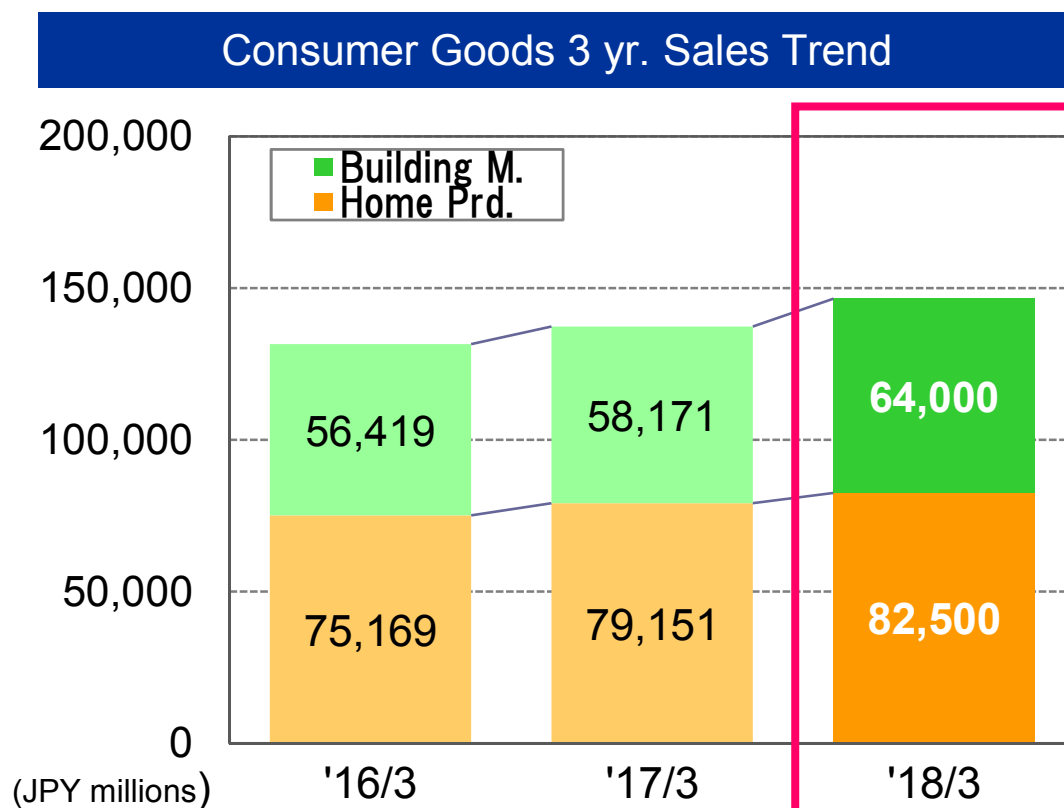
Building Material Div. / sales plan by item category

	Category	'17/9	'18/3	Achieve
①	Kitchen, bathroom	13,155	28,000	47%
②	Air conditioning etc.	9,674	23,000	42%
③	Materials etc.	5,547	13,000	43%

Home Prd. / PB sales plan

	Category	'17/9	'18/3	Achieve
①	Home appliances	11,353	26,650	43%
②	Interior	5,060	10,500	48%
③	Exterior, leisure	3,916	7,200	54%
④	Tools, gardening	2,146	3,900	55%

(JPY millions)





Fiscal 2017 Business Plan : by Segment (Summary)

ONEX**T** **YAMAZEN**
2018 ひとつになって、この先へ。

(JPY millions)		Production Equipment	Consumer Goods		Other	Total
			Building M	Home Prd.		
S a l e s	FY2016 Result	302,187	58,171	79,151	8,188	447,698
	FY2017 Plan	325,500	64,000	82,500	8,000	480,000
	(YoY)	107.7%	110.0%	104.2%	97.7%	107.2%
O p e r a t i n g P r o f i t	FY2016 Result	10,373	1,434	2,797	-1,493	13,113
	(Profit %)	3.4%	2.5%	3.5%	—	2.9%
	FY2017 Plan	11,300	1,700	2,800	-1,800	14,000
	(Profit %)	3.5%	2.7%	3.4%	—	2.9%
	(YoY)	108.9%	118.5%	100.1%	—	106.8%
	(Up / Down)	+ 0.1	+ 0.2	- 0.1	—	± 0.0

* Ex. Rate USD1 = JPY108.34 /FY2016 (AR), JPY111.04 /1st Half(AR), JPY112 / 2nd Half



V . Dividend Policy

■ Dividend Trend

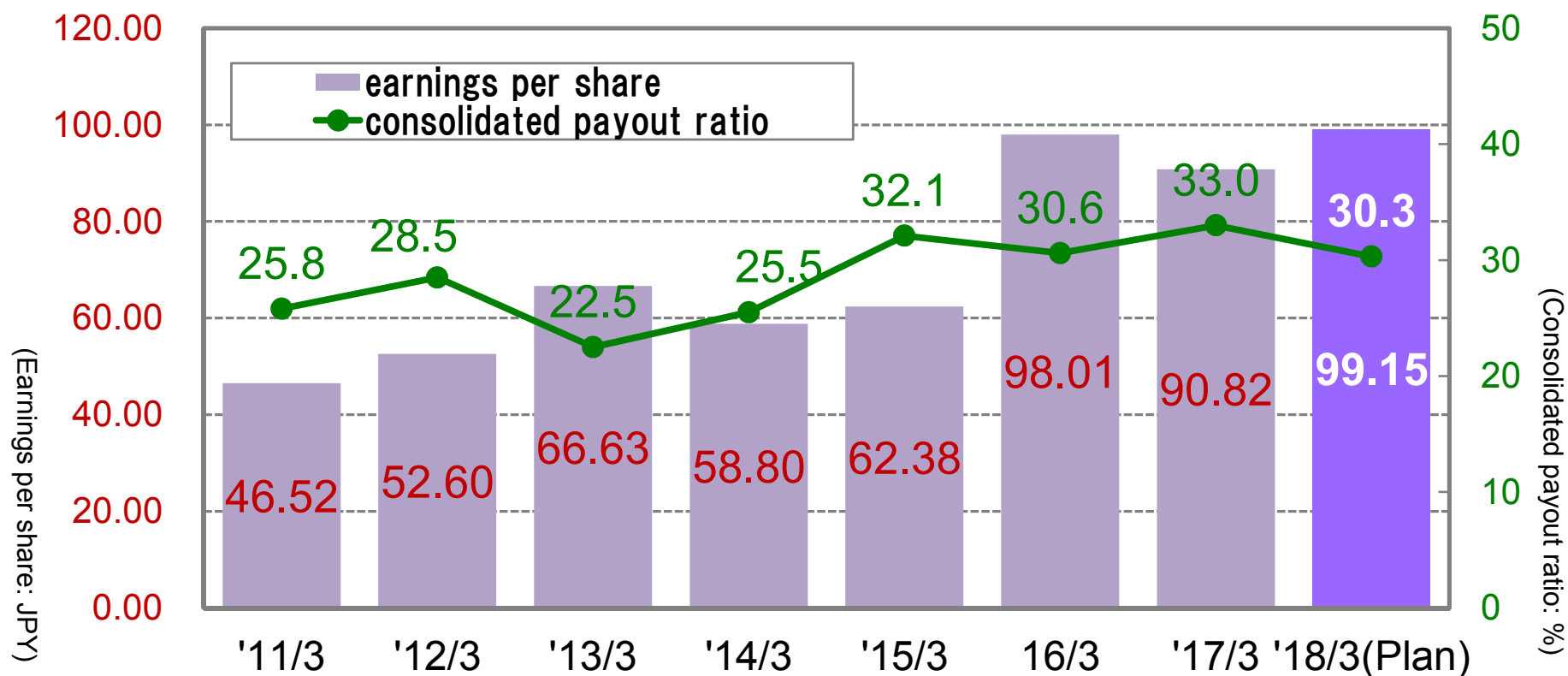
* Includes special / commemorative dividends

		'11/3	'12/3	'13/3	'14/3	'15/3	'16/3	'17/3	'18/3 (plan)
Consolidated payout ratio (%)		25.8	28.5	22.5	25.5	32.1	30.6	33.0	30.3
Cash dividends (JPY)	Interim	5.0	7.0	7.0	7.0	8.0	12.0	*13.5	13.0
	Yr.-end	7.0	8.0	8.0	8.0	12.0	*18.0	*16.5	17.0

□ Profit Distribution Policy

- △ The basic policy is to establish a stable financial base and improve profitability and to return profits taking into consideration the profit level, based on stable dividends to shareholders.
- △ In the current 3-year medium-term management plan, we will pay a dividend payout ratio of 30% and strive to further improve the dividend level.
- △ 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.

- Plan to pay a dividend of JPY 30 per share annually (interim dividend of JPY 13, year-end dividend of JPY 17) with incorporate a commemorative dividend of JPY 3 in the FY2016 (Mar.2017) into ordinary dividends.
- Plan to earnings per share JPY 99.15 and consolidated payout ratio 30.3%.



Management Philosophy

Management of Fostering Personnel

Energize personnel, while fostering self-thinking and virtuous employees.

Management of Breaking Through

To challenge, innovate and create

Management of Trust

To respond to the needs and expectations of society and contribute to team

Employee Conduct

To develop self-discipline and ability through fundamental rules and principles

To fulfill our duties, and deepen trust through teamwork and mutual responsibility

To actively encourage a bright and creative workplace



□ **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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