

1st Half Results Briefing for Fiscal Year 2018 (Apr. – Sep. 2018)

amaze!ⁱⁿ
YamazeN.
驚きは、山善の中にある。

November 20th 2018

 **YAMAZEN CORPORATION**

AGENDA

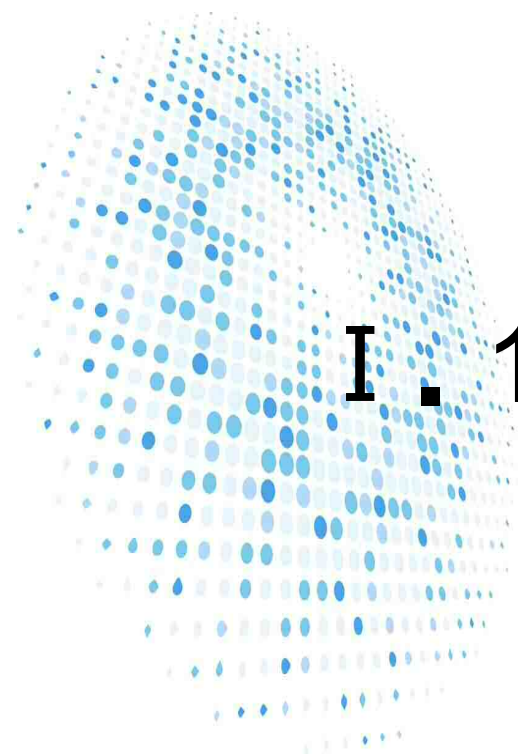
I . 1st Half Results Overview

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

Medium-term Management Plan and Topics

III . Fiscal Year 2018 Forecast

IV . Dividend Policy



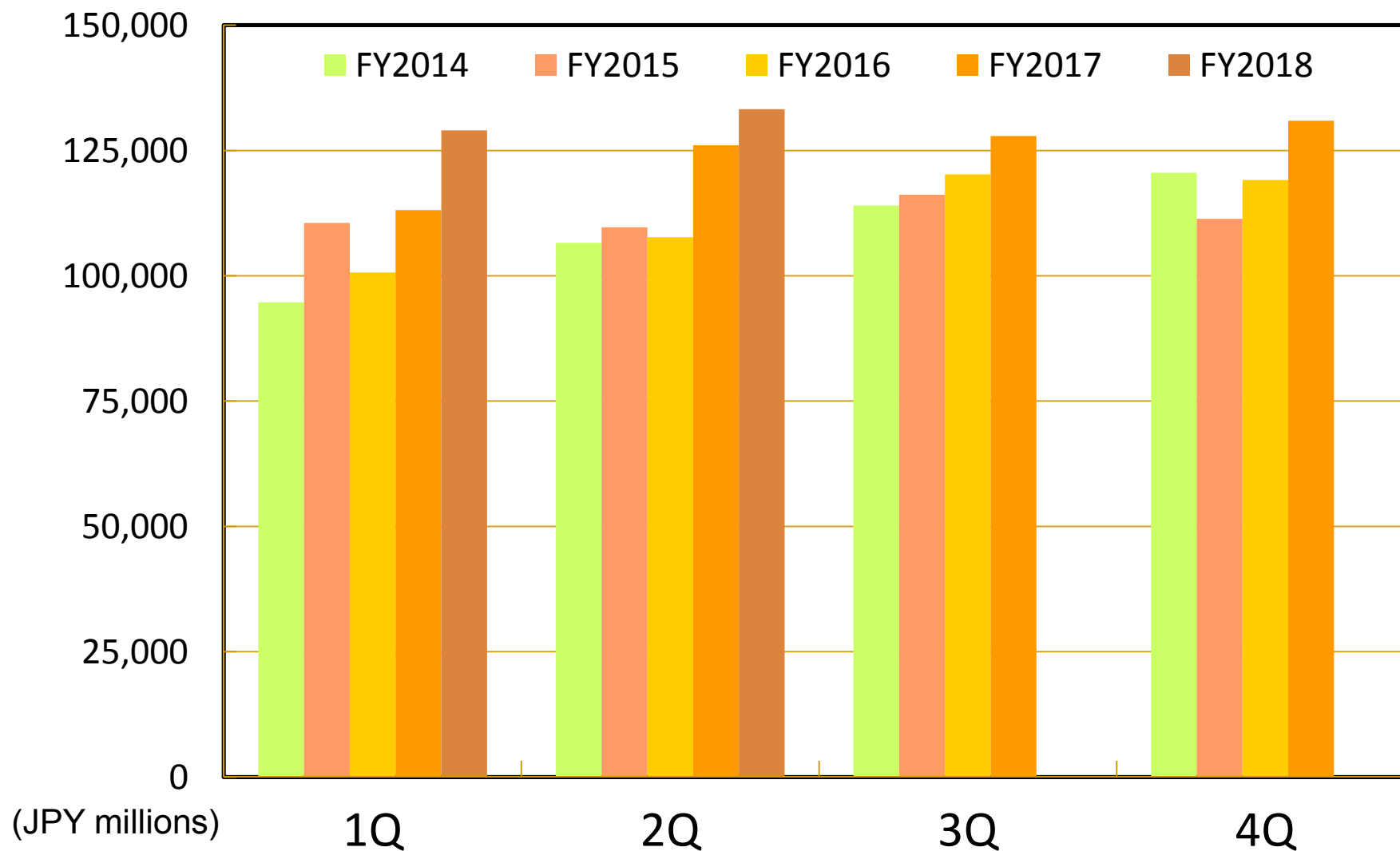
I . 1st Half Results Overview

■ Consolidated Income Statements

(JPY millions)	Apr.-Sep.2017 (FY2017)	Apr.-Sep.2018 (FY2018)	YoY %	Announced Plan in May.' 18	Ratio to Plan %
Net Sales	239,139	262,263	110%	253,000	104%
Gross profit	30,369	34,177	113%	—	—
<Gross Profit %>	12.7%	13.0%	+ 0.3		
SGA expenses	23,721	25,645	108%	—	—
Operating income	6,647	8,531	128%	6,700	127%
Non-operating Income	- 92	23	—	—	—
Ordinary income	6,554	8,555	131%	6,700	128%
<Ordinary Income %>	2.7%	3.3%	+0.5	2.6%	+0.6
Extraordinary Income	1	3	—	—	—
Profit attributable to owners of parent	4,454	5,703	128%	4,600	124%

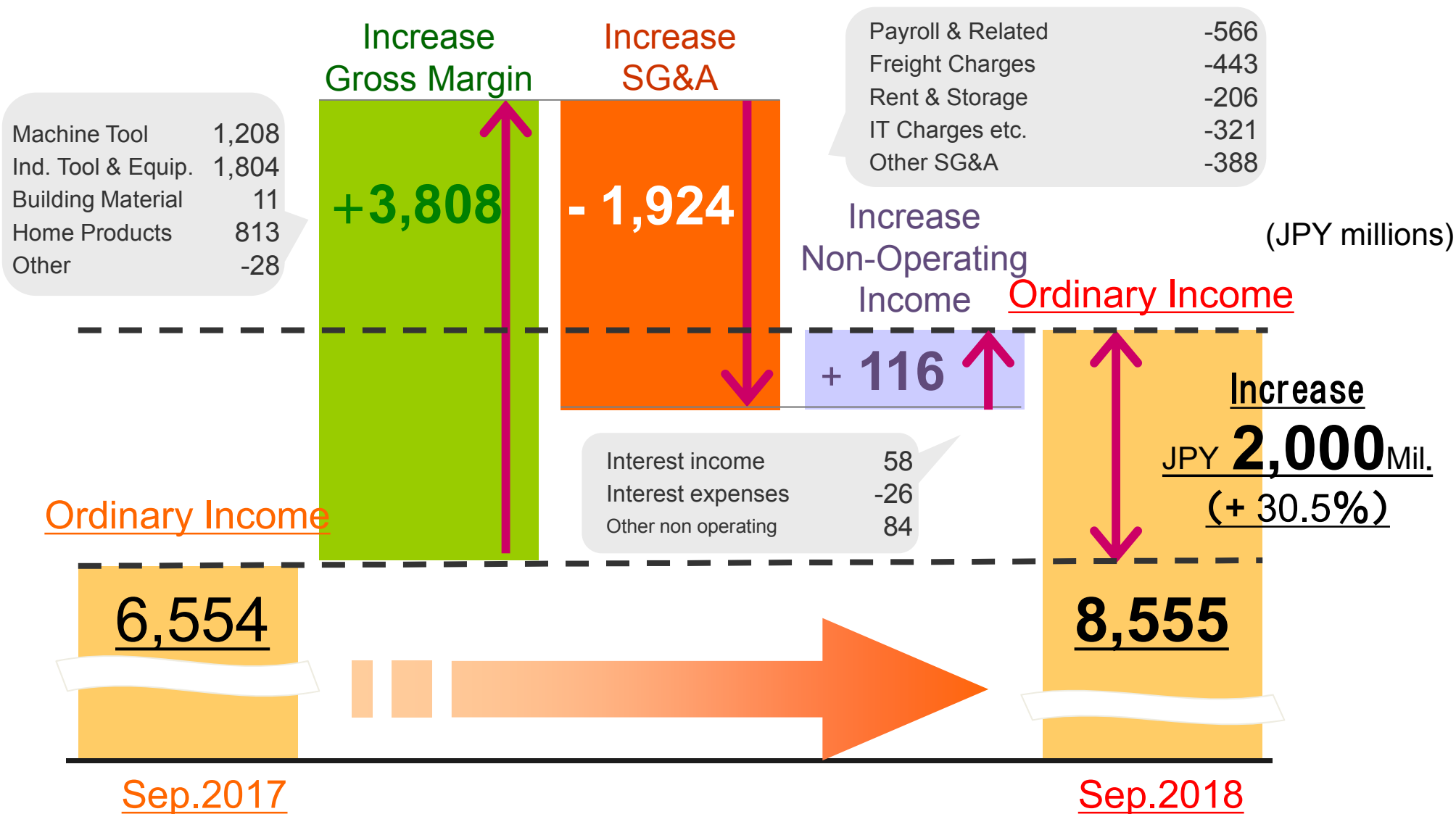
➤ Records high as 1st Half for all Sales through Net Income.

■ Trend of sales (past 5 years)

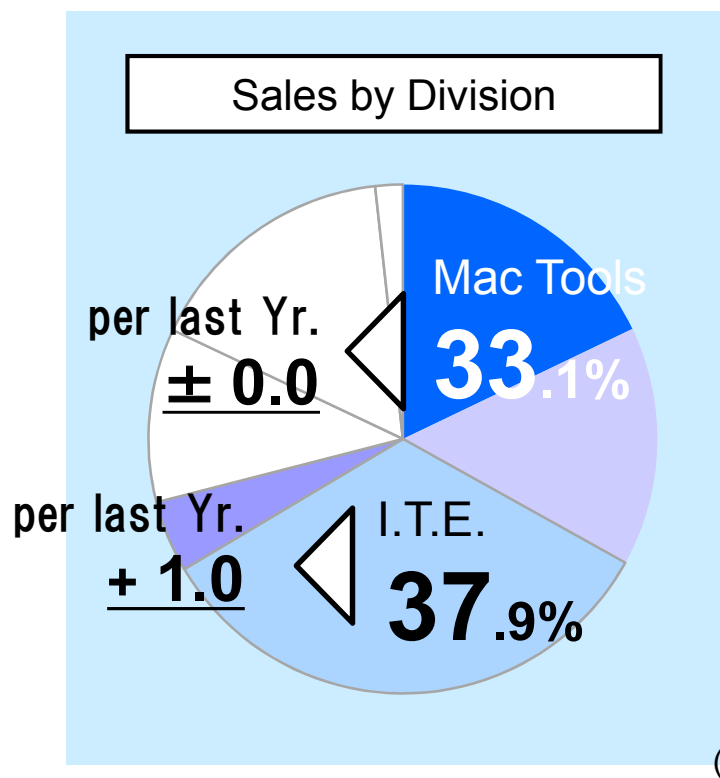


■ Sales by division / vs announced plan

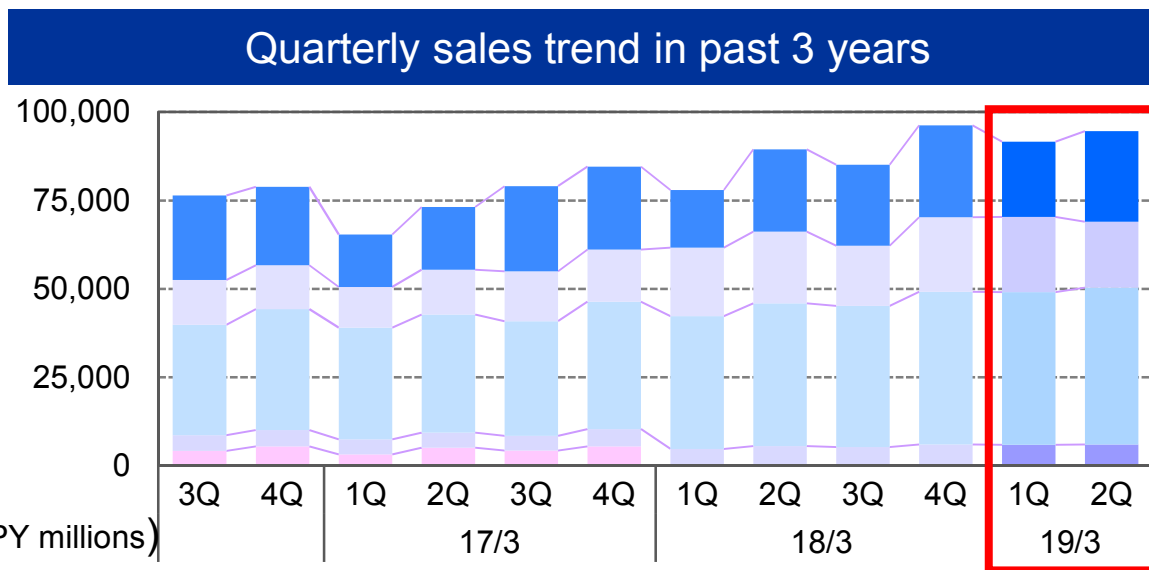
(JPY millions / %)	Apr.-Sep.2017 (FY2017)	Apr.-Sep.2018 (FY2018)	YoY %	Announced Plan in May.' 18	Ratio to Plan %
Machine Tools Div.	79,293	86,769	109%	85,000	102%
Industrial Tools & Equipment Div.	88,177	99,447	113%	95,000	105%
(Total) Production Equip. Business	167,471	186,216	111%	180,000	103%
Building Materials	28,379	28,948	102%	29,000	100%
Home Products	38,919	42,535	109%	40,000	106%
(Total) Consumer Goods Business	67,299	71,484	106%	69,000	104%
Other	4,368	4,562	-	4,000	-
Total	239,139	262,263	110%	253,000	104%



(JPY millions)		FY2017	FY2018(1 st Half)		
Production Equipment	Sales	167,471	186,216	(YoY)	11.2%
	Operating Income	5,802	7,831	Profit %	4.2%



□ In domestic MT Div., orders from a wide range of industries, such as proposals for combinations of machine tools and robots, increased. Domestic ITE Div. also orders in all areas is strong. In overseas operations, some concerns were felt in China due to fears of trade friction between the US and China.

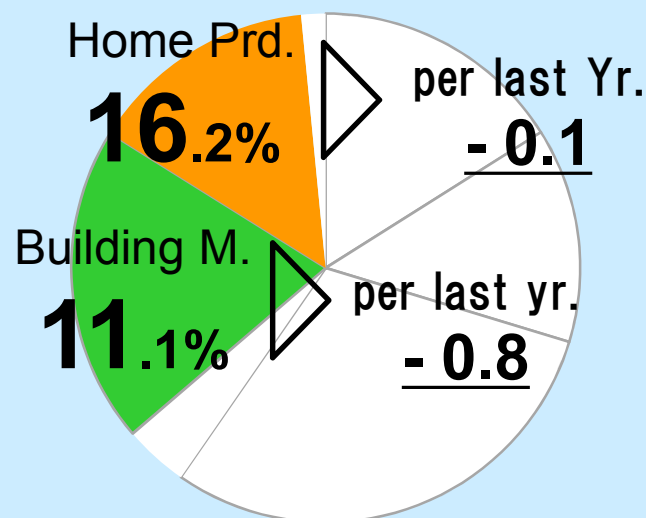


Sales by Division

(JPY millions)			FY2017	FY2018(1 st Half)		
Production equipment	Machine Tools	(Domestic)	39,580	46,887	(YoY)	18.5%
		(Overseas)	39,713	39,881	(YoY)	0.4%
		Total	79,293	86,769	(YoY)	9.4%
	Industrial Tools & Equipment	(Domestic)	77,931	87,514	(YoY)	12.3%
		(Overseas)	10,246	11,932	(YoY)	16.5%
		Total	88,177	99,447	(YoY)	12.8%
	Total		167,471	186,216	(YoY)	11.2%

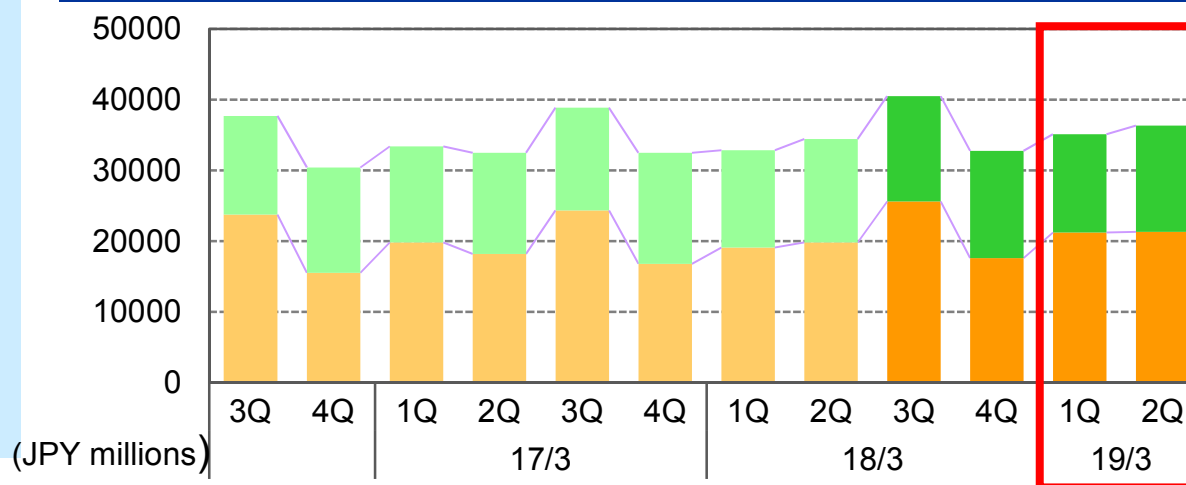
(JPY millions)			FY2017	FY2018(1 st Half)		
Consumer Goods	Building Materials	Sales	28,379	28,948	(YoY)	2.0%
		Operating Income	675	672	Profit %	2.3%
	Home Products	Sales	38,919	42,535	(YoY)	9.3%
		Operating Income	1,100	1,277	Profit %	3.0%

Sales by Division



- Building Materials ; Actively promoted for commercial air conditioning systems and sales of water related items were increased.
- Home Prd. ; Due to the extreme heat summer, shipment of heat-resistant products are high. Sales of disaster prevention related items were well.

Quarterly sales trend in past 3 years





Production Equip.

Production Equipment
Business HQ.

Machine Tools Div.

Industrial Tool & Equip. Div.

Consumer Goods

Building Material Div.

Home Products Div.

Japan domestic

2 Corporate H.Q.
53 Offices
7 Subsidiaries



<7 Regional H.Q.>

Osaka, Tokyo,
Kita-Kanto/Tohoku,
Nagoya, Kyushu,
Hiroshima Regional H.Q
SFS Div. H.Q

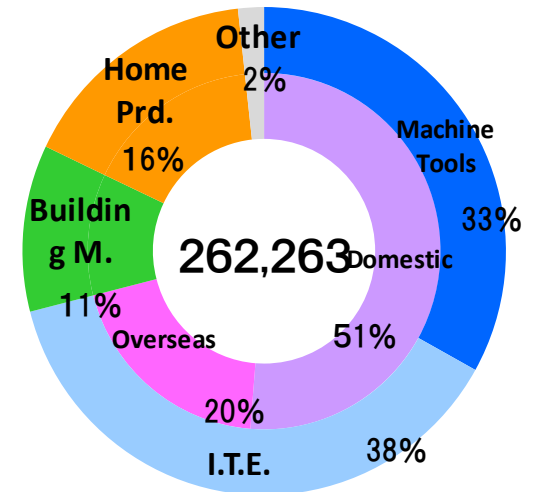
Overseas

16 Countries
17 Subsidiaries
67 Offices

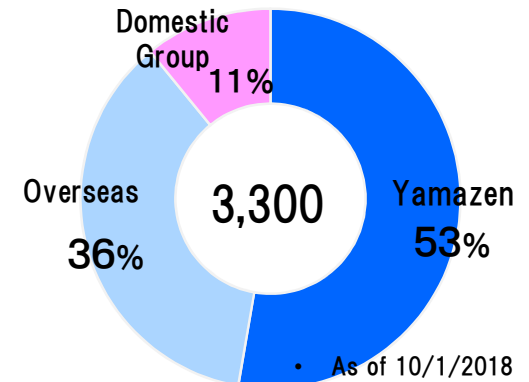


<4 Regional H.Q.>
North America
Taiwan
China
ASEAN Regional H.Q.

Share of Sales



Share of Staff



• As of 10/1/2018
• Incl. Non-Consolidated etc.

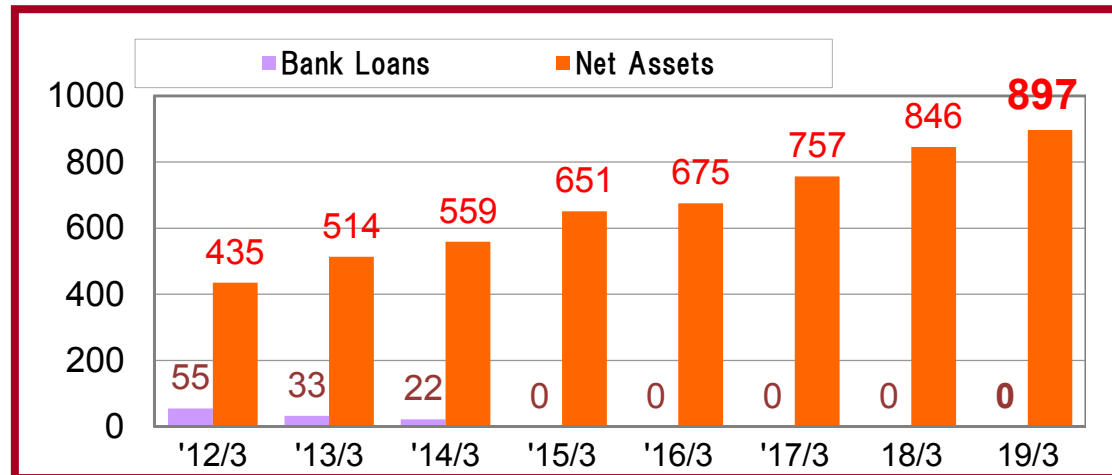
Balance Sheet

Assets	Liabilities/Net assets
Current Assets 2,088 (-52)	Current Liabilities 1,422 (-100)
Fixed Assets 320(+3)	Fixed Assets 88(± 0)
Total Assets 2,408(-49)	Net Assets 897 (+51)

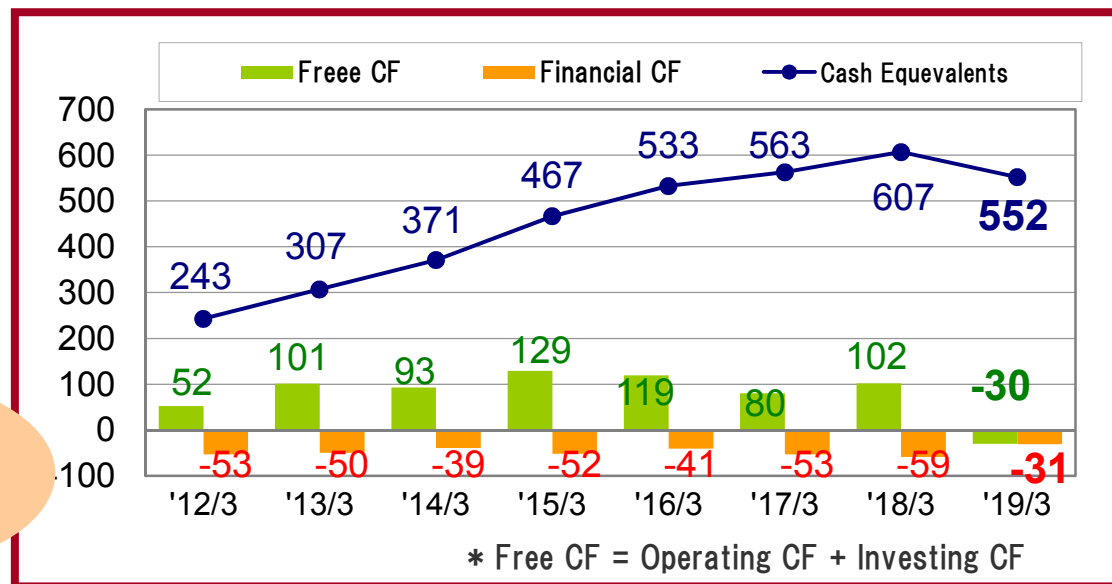
Shareholder's
Equity ratio
37.1%

(As of Sep.30 2018 / JPY 100 mil.)

Changes in bank loans and net assets



Cash Flow





Ⅱ. “ONEXT YAMAZEN 2018”

Medium-term Management Plan and Topics



■ Business Plan

(JPY millions)	FY2016 (Mar.2017, result)	FY2017 (Mar.2018, result)	FY2018 (Mar.2019, original plan)	FY2018 (Mar.2019, announced in May)	FY2018 (Mar.2019, revised in Oct.)
Sales	447,698	497,963	500,000	515,000	520,000
Operating Income	13,113	15,383	14,700	15,500	17,000
Ordinary Income	12,931	15,152	15,000	15,500	17,000
Profit attributable to owners of parent	8,518	10,205	10,000	10,500	11,000

■ Major Financial Ratio

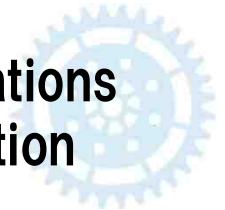
	FY2016 (Mar.2017, result)	FY2017 (Mar.2018, result)	FY2018 (Mar.2019, announced in May)
Return On Assets	6.1%	6.6%	6.5%
Capital Turnover Ratio	2.09	2.13	2.17
Cash Flow Margin Ratio	2.5%	2.6%	3.0%

ONEX**T** 2018
YAMAZEN
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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



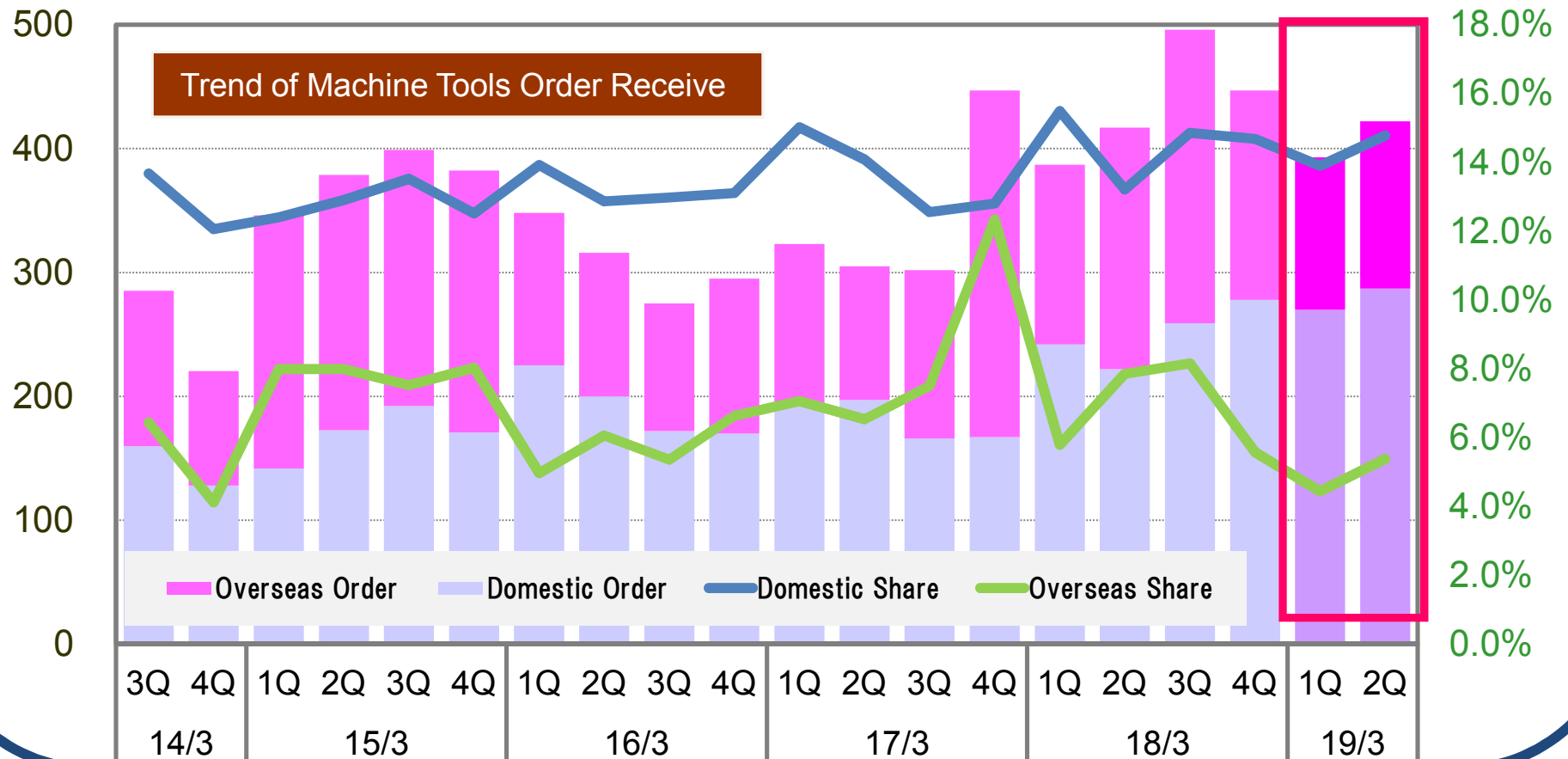
Next 3 (three) Human resource development for next generation

- 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



Trend of Machine Tools Order Received

- Machine Tools Order Receives JPY 81.6 billion in 1st Half
- 9% Share with JMTBA's figure



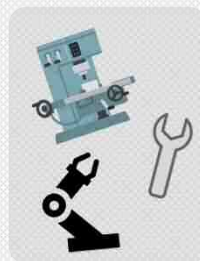
Enhance Engineering capabilities 1

➤ What Yamazen did...

1. Established Smart Factory Solutions Div. H.Q. in Apr. 2017.
2. Wholly owned Toho Industrial Co., Ltd., the System integrator in Hiroshima in Apr. 2017.
3. Established Factory Automation and Engineering Sales Department in Apr. 2018.

Smart Factory Solutions Div. H.Q.

- Offers One-Stop Solution with wide ranges of merchandises from over 3,000 vendors
- Propose Globally utilizing seamless organization



Vendors



Yamazen



Factories

Solutions
for factories

Enhance Engineering capabilities 2

Factory Automation & Engineering Sales Dept.

- Needs for automation / labor saving needs.
- Offers Solutions with Robots etc.

World market for Industrial Robots will be
USD 30 bil. in 2025



Yamazen's Robot Booths at various trade show

Expand Overseas Operations

<Overseas Operations>

Region	H.Q.	Country	Company	Offices
North America	Chicago	2	3	15
Taiwan	Taipei	2	2	8
China	Shanghai	2	3	19
ASEAN	Bangkok	8	7	20
Other	(EU, Korea)	3	2	4

- Yamazen Machinery & Tools India Pvt. Ltd.
 - Delhi (HQ), Chennai, Pune, Bangalore, Ahmedabad, Coimbatore

* Bangalore Office will move to bigger office in December 2018.



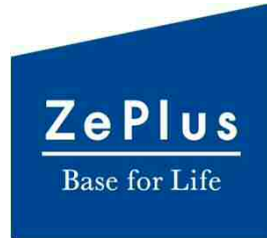
- Organization Reform at China as of October 2018
 - Yamazen (Shanghai) Trading
 - Shanghai Area
 - Chongqing Area
 - Dalian Area
 - Tianjin Area
 - Yamazen (Shenzhen) Trading
 - Shenzhen Area
 - Guangzhou Area

* Divide market to 6 area, more regional strategy for each area.

YAMAZEN SHANGHAI TRADING ⇒
 ⇐ YAMAZEN INDIA Delhi HQ

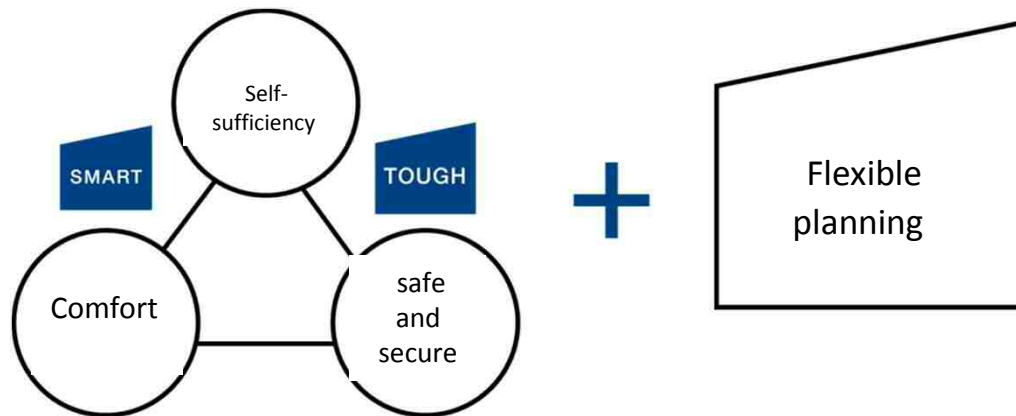


Yamazen original ZEH House : “ZePlus”



- 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, most of the ZEH registered builders (mostly the small builders) never build “ZEH” house yet.



Model House in Awaji Island

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.

40th Year Anniversary

➤ History of Home Products Business

1978	Going into Home Products Business.
1981	Established Home Products Div. as independent business unit.
1991	Established 'Import Dept.'
1992	Launch 'KID System' as online trading system with Home centers.
1996	Established 'Merchandise Dept.' to develop original brand items.
2001	Established 'Quality Control Dept.' for better service.
2004	Launch 'Kurashi no e-shop' as original e-commerce shop
2007	'Rakuten Shop of the Year' 1 st time
2012	Promoted to 'Home Product Division H.Q'
2016	Tough Light Table prizes 'Good Design Award 2016'
2018	'Rakuten Shop of the Year' 11 consecutive years



Famous Yamazen original fans



'Rakuten Shop of the Year' 11 consecutive years



GOOD DESIGN
AWARD 2016



Tough Light Table prizes 'Good Design Award

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 & 2018



“Disaster prevention bag 30” for individual



BCP.ERS web site

<E = Environments>

Management

Acquire ISO14001 in 2000.
Promote environmental management



Business

The 10th anniversary of the Green Ball Project. Total CO2 reduction for 10 years is 337,050 tons.



Environment improvement campaign for factories.

<G = Governances>

June 2016

Transition to Company with Audit and Supervisory Committee

June 2018

Adding 1 more outside director.
Total outside director comes to 3.

<S = Social as a good corporate citizen>



"Yamamoto Takeo Memorial Scholarship Fund" has exceeded 25 years.



Since 2008, the official sponsor of the professional basketball team 'San-En Neophoenix'.



Co-sponsored "Skill Olympics / Abilympics" since 2006. Donated handbook to junior high school students in the prefecture.

Purpose of the project

- Increase productivity and increase profitability
- Challenge to work style reforms aiming for company growth



Aiming effect

- Contribute to "productivity improvement"
- Contribute to "further strengthening sales force"
- Resistant to "change response" due to external and internal factors
- Respond to 'further expansion of overseas expansion'
- Construct a mechanism with high "reliability and stability"

Will introduce ERP as the IT infrastructure for fighting at the next stage, along with BPR efforts.





Ⅲ. Fiscal Year 2018 Forecast

(JPY millions)	FY2017 (Mar.2018)		FY2018 (Mar.2019)			
	2Q Result	Full-Yr. Result	2Q Result	YoY %	Full-Yr. Forecast (Revised on Oct.15)	YoY %
Sales	239,139	497,963	262,263	110%	520,000	104%
Operating Income	6,647	15,383	8,531	128%	17,000	111%
Ordinary Income	6,554	15,152	8,555	131%	17,000	112%
<Ordinary Income %>	2.7%	3.0%	3.3%	+ 0.5	3.3%	+ 0.3
Profit attributable to owners of parent	4,454	10,205	5,703	128%	11,000	108%

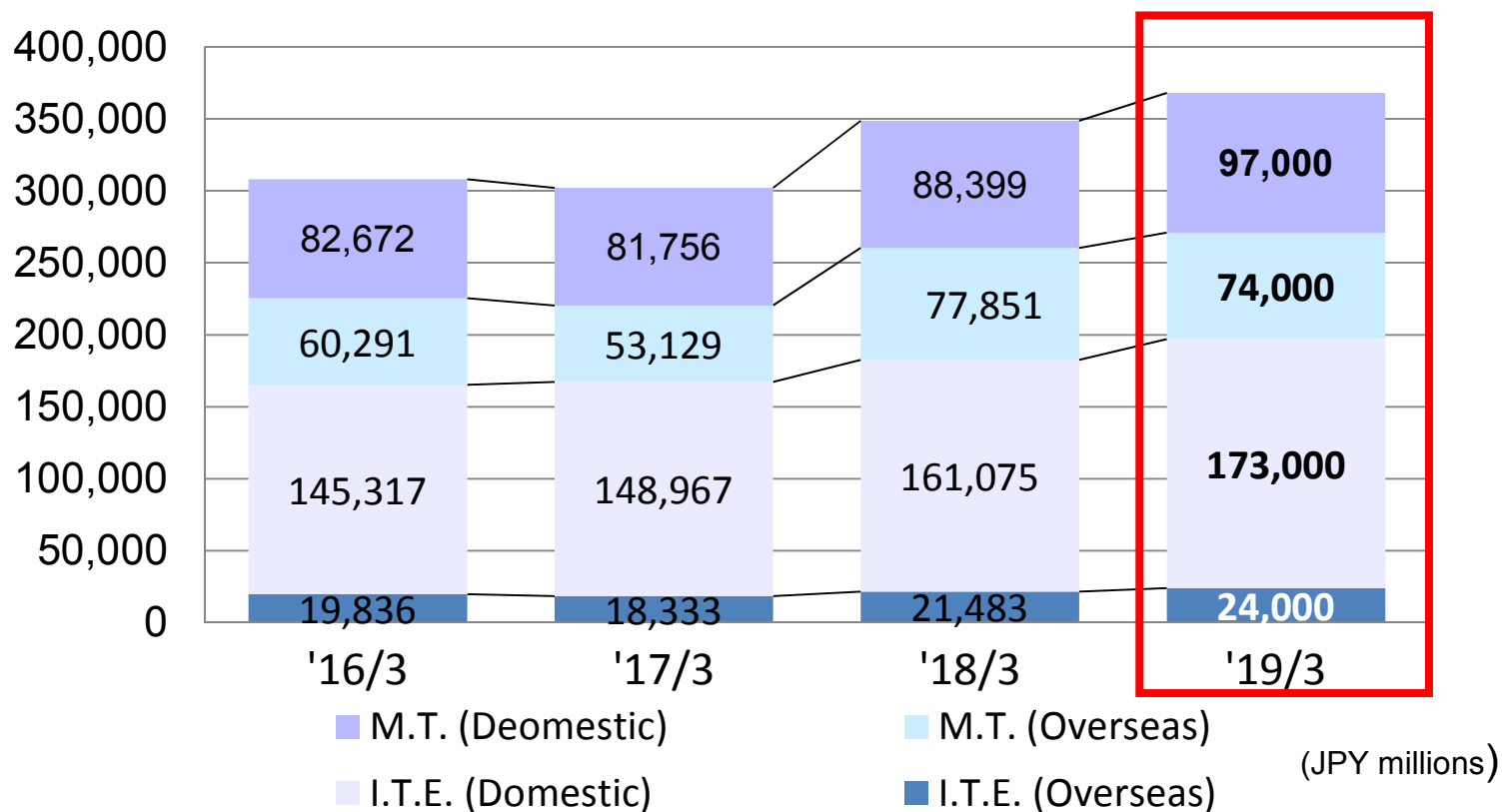
 Challenge to the higher target as the last year of “**ONEXT YAMAZEN 2018**”!



Fiscal 2018 Business Plan : Production Equipment

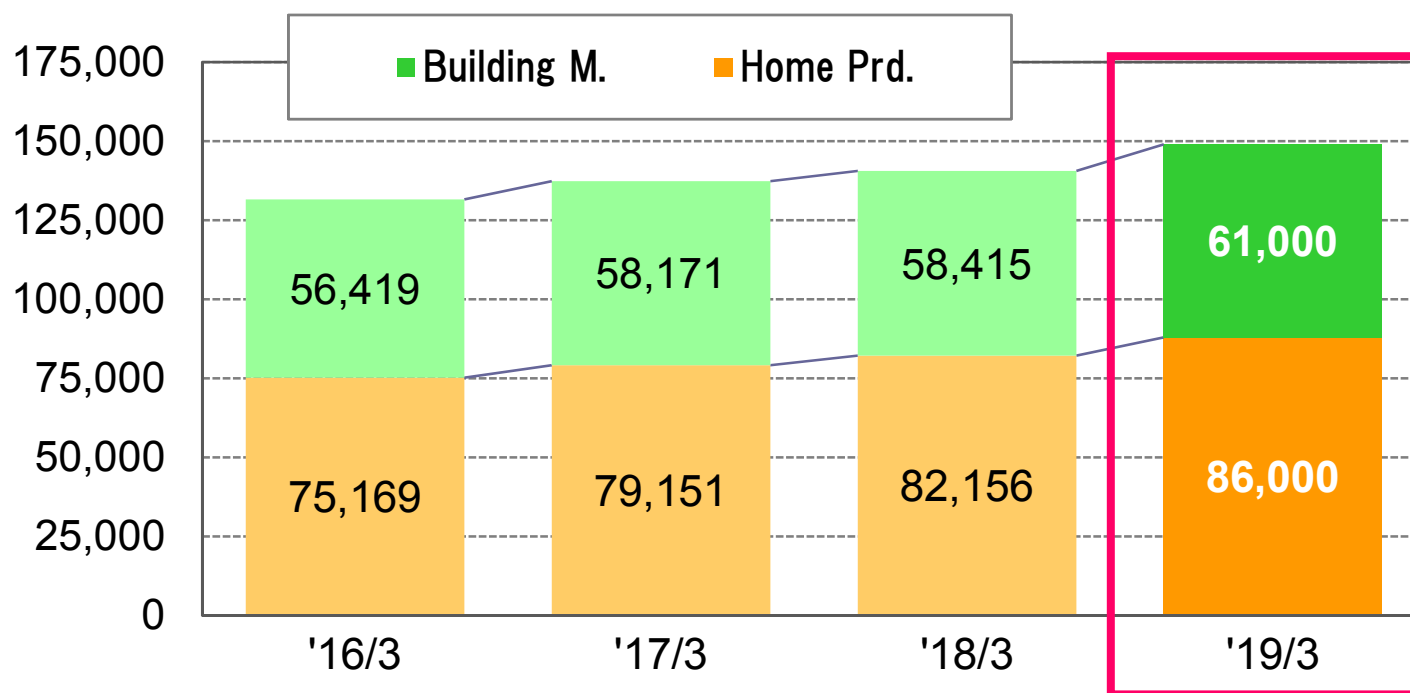
(JPY millions)	Sales Plan (Y o Y)	Operating Income (Y o Y)	(Profit %)
Production Equip.	368,000	14,500	3.9

Production Equip. 3 yr. Sales Trend & Plan



(JPY millions)		Sales Plan	(Y o Y)	Operating Income	(Y o Y)	(Profit %)
Building Material		61,000	4.4	1,400	- 1.5	2.3
Home Products		88,000	7.1	3,000	12.1	3.4

Consumer Goods 3 yr. Sales Trend & Plan



(JPY millions)



Fiscal 2018 Business Plan : by Segment (Summary)

ONEXT **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.		
Sales	FY2017 Result	348,810	58,415	82,156	8,581	497,963
	FY2018 Forecast	368,000	61,000	88,000	3,000	520,000
	(YoY)	105.5%	104.4%	107.1%	—	104.4%
Operating Profit	FY2017 Result	13,010	1,422	2,677	-1,726	15,383
	(Profit %)	3.7%	2.4%	3.3%	—	3.1%
	FY2017 Forecast	14,500	1,400	3,000	- ,900	17,000
	(Profit %)	3.9%	2.3%	3.4%	—	3.3%
	(YoY)	111.5%	98.5%	112.1%	—	110.5%
	(Up / Down)	+ 0.2	- 0.1	+ 0.2	—	+ 0.2

※Exchange Rate USD1 = JPY 110.26 for result (AR), JPY110 for 2nd Half plan



V . Dividend Policy

□ 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 an average 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.

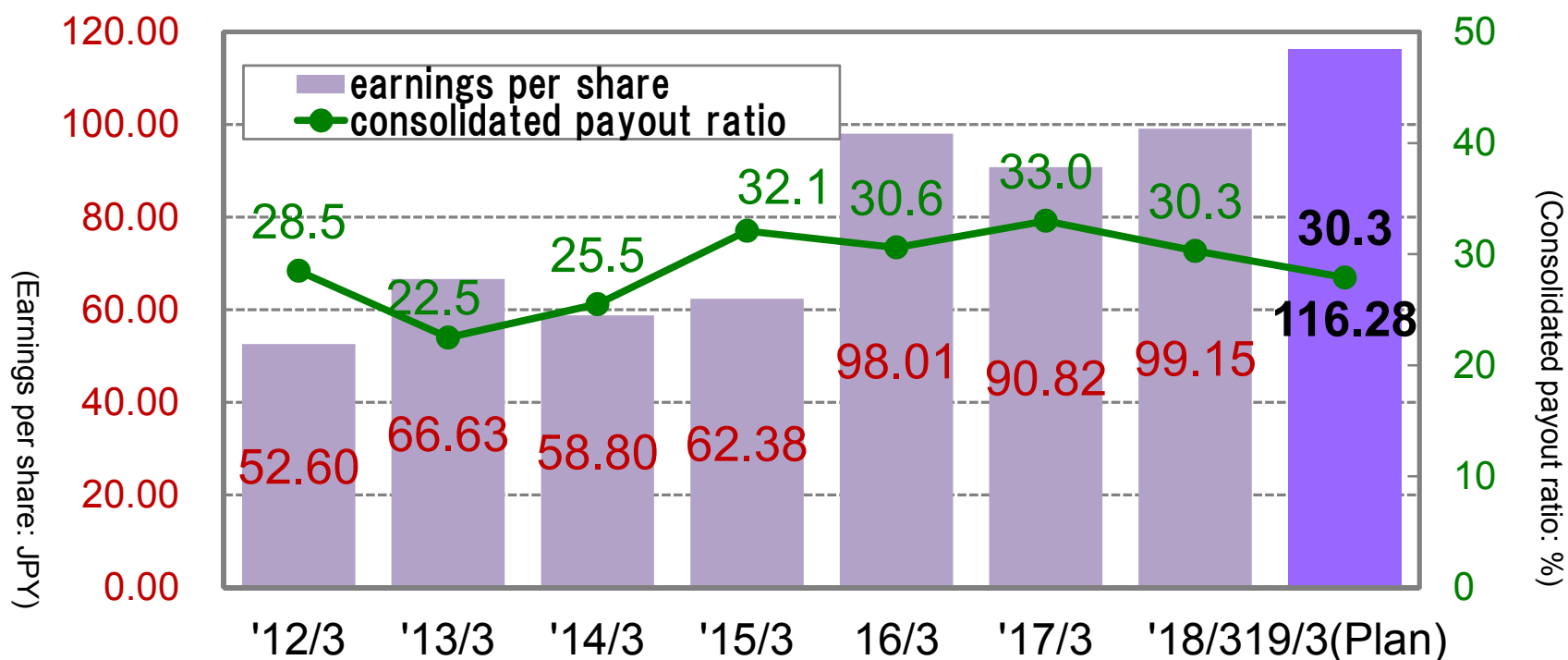
■ Dividend Trend

* Includes special / commemorative dividends

		'11/3	'12/3	'13/3	'14/3	'15/3	'16/3	'17/3	'18/3	'19/3 (plan)
Cash dividends (JPY)	Interim	5.0	7.0	7.0	7.0	8.0	12.0	*13.5	13.0	15.0
	Yr.-end	7.0	8.0	8.0	8.0	12.0	*18.0	*16.5	*19.5	17.5
	Total	12.0	15.0	15.0	15.0	20.0	*30.0	*30.0	*32.5	32.5

- FY2018 (ended Mar.2019)
Plan to pay a dividend of JPY 32.5 per share annually (interim dividend of JPY 15, year-end dividend of JPY 17.5) with incorporate a special dividend of JPY 2.5 in the FY2017 (ended Mar.2018) into ordinary dividends.

- FY2017 (ended Mar.2018)
Total JPY32.5 per share annually and consolidated pay out ratio is 30.2%



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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