

YAMAZAKI Co., Ltd.
Financial Result for the Fiscal Year
Ended March 2019

June 2019

6147

YAMAZAKI CO., LTD



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(1) About Yamazaki Co., Ltd.

Beginning of the company

Founded : March 1, 1946

Established : September 1, 1960

History

- 1946** Yoshio Yamazaki founded as Yamazaki Tekkosho in Terashima Town, Hamamatsu City. Started manufacturing musical instrument parts, special machines and jigs.
- 1954** Relocated to Asada Town, Hamamatsu City, and began accepting orders for motorcycle parts.
- 1960** Reorganized into a corporation and established Yamazaki Tekkosho Ltd.
- 1964** Relocated to Aritamakita-machi Hamamatsu City (current location) and expand business.
- 1968** Started manufacturing and selling labor-saving equipment including drill units.
- 1972** Changed company name to Yamazaki Co., Ltd.
- 1987** Received the 13th Invention Grand Prize Achievement Award
- 1990** 30th anniversary of establishment. Increased the capital to ¥ 958.4 million and registered stock as over-the-counter. (currently JASDAQ, security code number 6147)
- 1991** New head office building completed.
- 1992** Completed technical center in Toda Technopolis at Hamamatsu City.
- 2000** Newly established honing department.
- 2003** Participated in Lake Hamana Purification Technology Excavation Project.
- 2004** Established YAMAZAKI TECHNICAL VIETNAM CO., LTD.
Listed on JASDAQ.

Business

- ◆ Manufacture and sales of automated equipment (FMS units, indexing tables, spindle heads, multi-spindle heads, turret heads, drilling units, tapping units, and others)
- ◆ Manufacture and sales of dedicated machine tools, machining centers and honing machines.
- ◆ Manufacture and sales of electronic equipment.
- ◆ Manufacture of motorcycle parts.

Main Customer

AICHI MACHINE INDUSTRY / ATSUMITEC / ISUZU MOTORS / KAWADA /
KEIHIN SEIMITSU KOGYO / SHANGHAI HITACHI ELECTRIC APPLIANCES /
METAL TECHNOLOGY / SUZUKI MOTOR / DAIHATSU MOTOR / TSUBAKIMOTO CHAIN /
DENSO / GKN DRIVELINE TORQUE TECHNOLOGY / TOYOTA MOTOR / NISSAN MOTORS /
HAMAMATSU PHOTONICS / PANASONIC FACTORY SOLUTIONS /
HINO MOTORS / PT ASTRA HONDA MOTOR / FUJI HEAVY INDUSTRIES / HONDA MOTORS /
HONDA FOUNDRY / MAZDA MOTOR / MIKUNI / MITSUBISHI MOTORS /
MITSUBISHI HEAVY INDUSTRIES / YAMADA MANUFACTURING / YAMAHA / YAMAHA MOTOR /
UD TRUCKS

Management Policy

◆ **Constantly execute strategies to respond to new trends in the manufacturing industry, and reform production systems.**

1. Strengthen product development that is upstream
2. Enhancing downstream inventory management
3. Optimization of production equipment according to business conditions and product characteristics

◆ **The top priority is "Optimizing customer production facilities."**

- Combine different selection elements well and build the most appropriate equipment to achieve goals.
- About two contradiction factors, efficiency improvement by mass product and high added value by high-mix low-volume production, the former is a system that highly pursues automation and labor saving, and the latter is a flexible system that can meet the individual needs in detail.
- In addition to dedicated machine tools that contribute to efficiency through mass products, we constantly maintain at least 500 types of highly versatile units that can meet the individual needs in an effort to actively propose "optimization of production facilities" to client companies.



**(2) Performance and Financial
Position for the Fiscal year
Ended March 2019**

Financial Summary

	March 2018	March 2019					
(million¥)	Full year	First quarter	Second quarter	Third quarter	Fourth quarter	Full year	Change from the previous year
Net sales	3,065	599	759	716	1,298	3,372	110%
Operating income	89	2	12	74	209	297	233%
Ordinary income	73	-19	24	77	202	284	286%
Net income attributable to parent company shareholders	46	-24	23	70	149	218	218%
Dividend (¥)	¥5					¥5	

◆ Net sales reached 110% compared to the previous year mainly due to the strong performance of the machine tool business, which implemented proposed sales on the back of solid business environment such as automobiles.

◆ Profits also increased significantly due to efforts to reduce costs (cost ratio: 78% in 2018 → 72% in 2019).

◆ As a result, the dividend per share, which was paid again in 2018, continued to be ¥ 5.00 in the fiscal year ended March 2019.

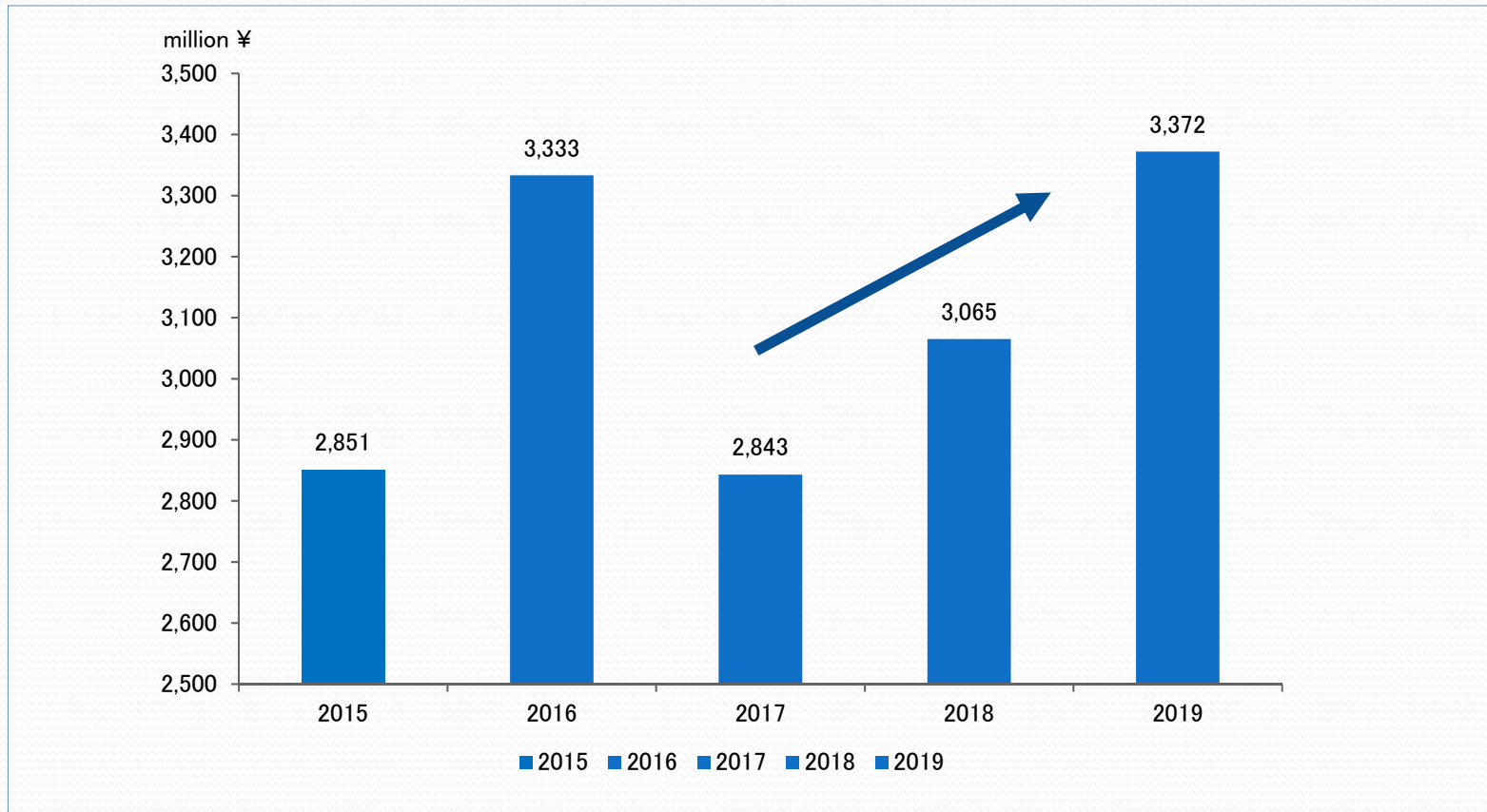
Performance Trends

(million ¥)	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019
Net sales	3,020	2,851	3,333	2,843	3,065	3,372
Operating income	214	42	198	81	89	297
Operating Income to net Sales	7.1%	1.5%	5.9%	2.8%	2.9%	8.8%
Ordinary income	243	108	134	37	73	284
Net income attributable to parent company shareholders	247	93	84	23	46	218

◆The performance that fell in the March 2015 due to the prudent sense of capital investment of machine tools, continued to increase, as proposed sales in the machine tool business such as labor-saving equipment achieved.

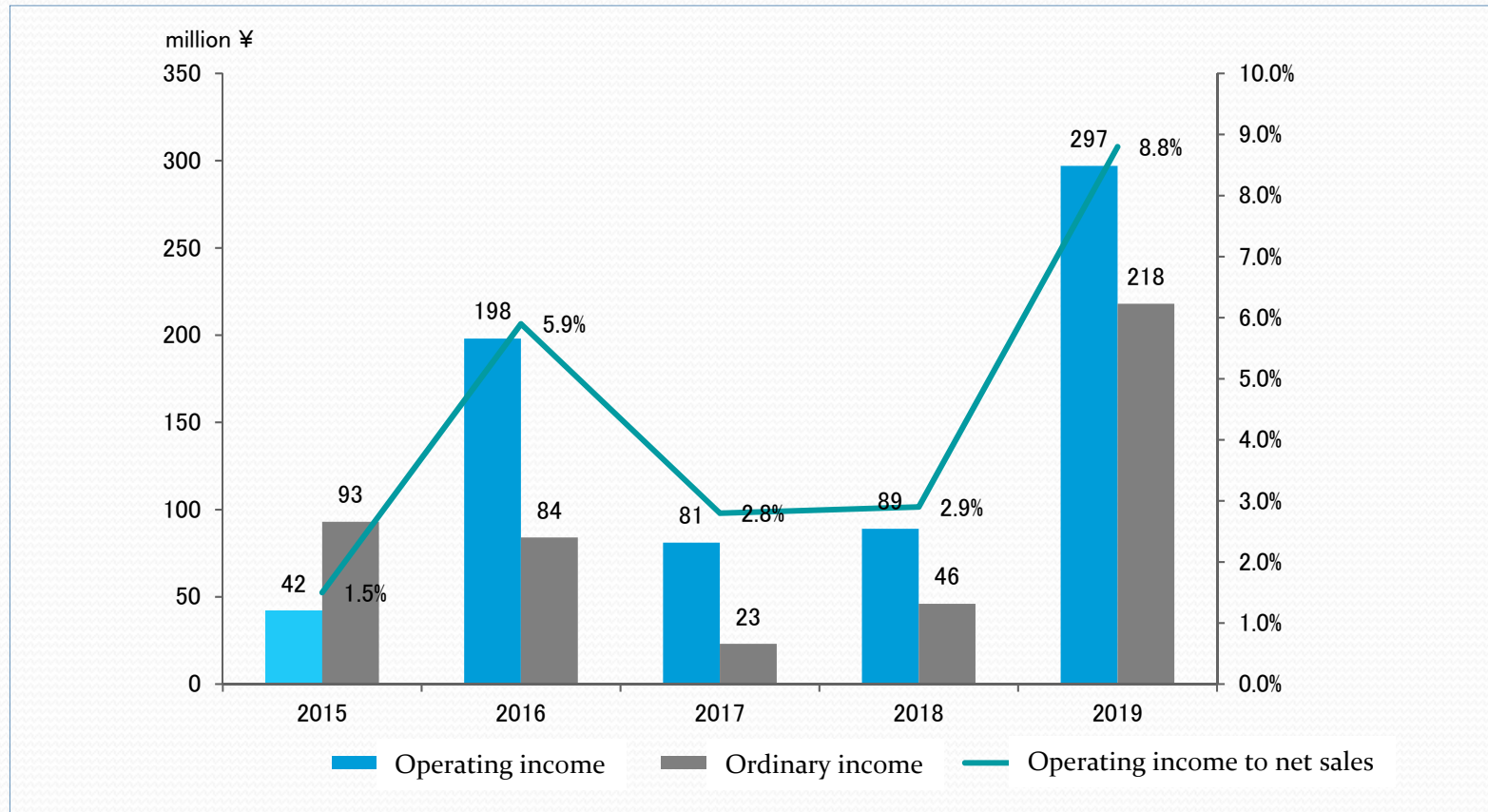
◆Operating income rose and profit margins improved as the cost reduction and other efficiency progressed.

Net Sales Trends



◆ Sales are on the rise due to increased sales of dedicated machine tools since 2017.

Income Trends



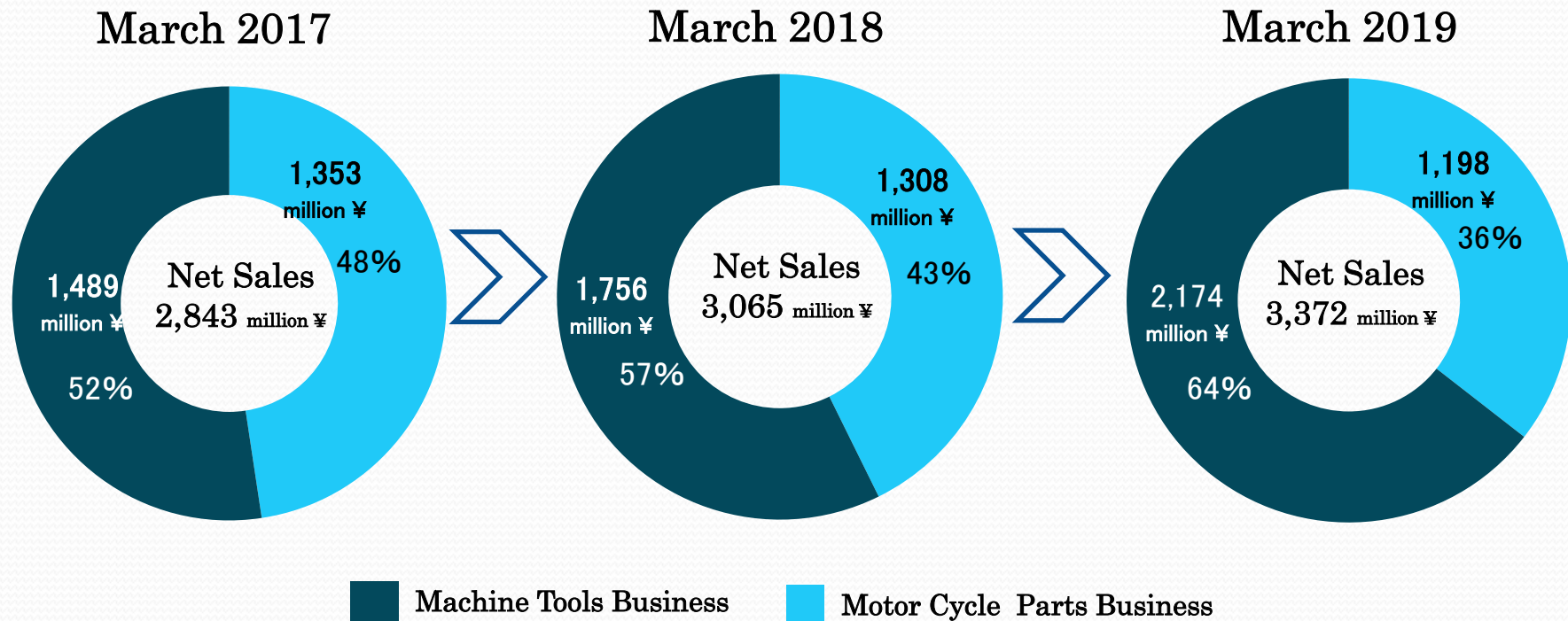
◆ Operating profit margin is also expanding due to operational efficiency improvement such as productivity improvement and cost reduction efforts (cost ratio: 80% in 2015 → 72% in 2019)

Performance Trend by Segment

	(Million ¥·%)	March 2015	March 2016	March 2017	March 2018	March 2019
Machine Tools Business	Segment Sales	1,694	2,003	1,489	1,756	2,174
	Segment Profit	12	157	0.2	18	240
	Segment Profit Margin	0.7%	7.8%	—	1.0%	11.0%
Motor Cycle Parts Business	Segment Sales	1,157	1,330	1,353	1,308	1,198
	Segment Profit	14	25	64	55	42
	Segment Profit Margin	1.2%	1.8%	4.7%	4.2%	3.5%

In the fiscal year ended March 2019, motor cycle parts business sales decreased, including the Vietnam subsidiary of the business. On the other hand, machine tool business sales increased for labor-saving equipment and special purpose machine tools, as a result, the segment profit increased and the profit margin improved.

Change in Sales by Segment



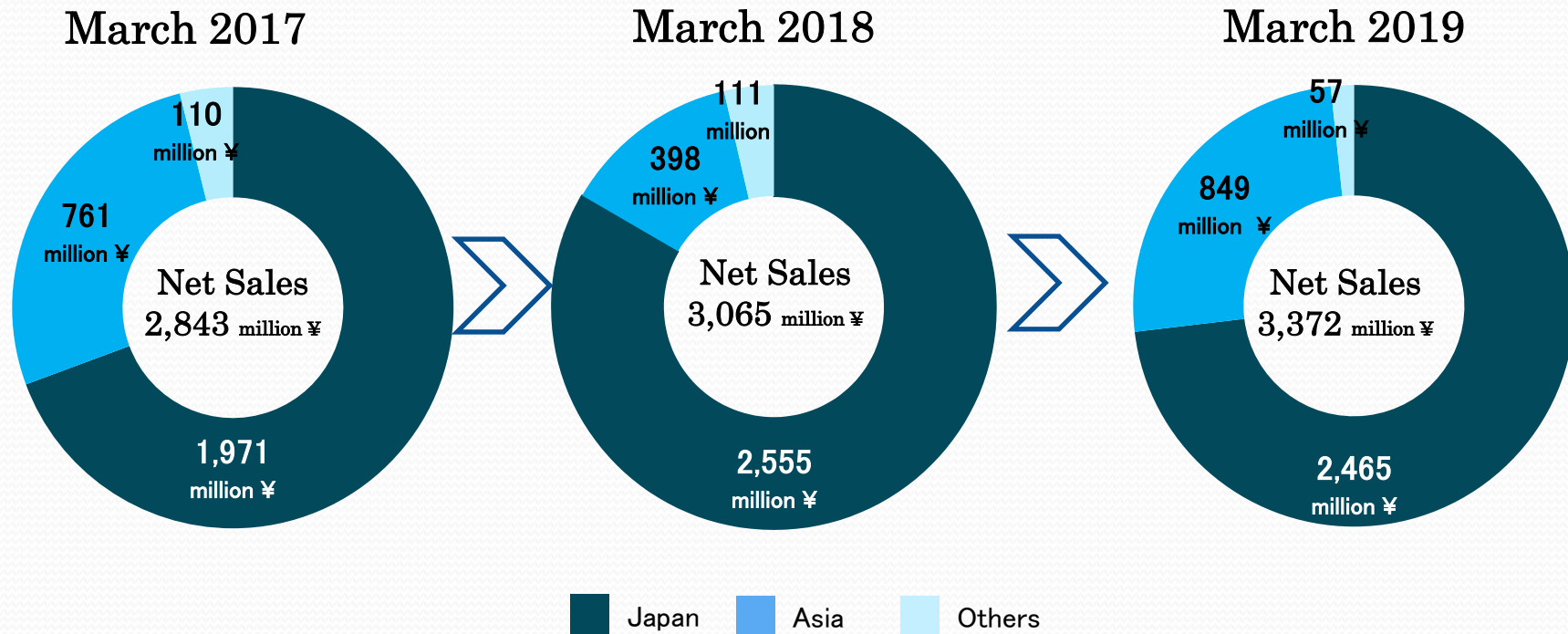
As a result of increased sales of machine tool business such as labor-saving equipment and dedicated machine tools that respond to social and customer needs, the share of sales also expanded. ~Business structure has changed.

Sales Trend by Region

(Million ¥・%)	March 2015	March 2016	March 2017	March 2018	March 2019
Japan	1,711	2,331	1,971	2,555	2,465
Japan sales share	60.0%	69.9%	69.3%	83.3%	73.1%
Asia	960	825	761	398	849
Asia sales share	33.7%	24.7%	26.8%	13.0%	25.2%
Others	180	176	110	111	57
Others sales share	6.3%	5.3%	3.9%	3.6%	1.7%

In the fiscal year ended March 2019, while sales in Japan decreased slightly, the Asian region except China expanded significantly on the back of increased demand for machine tools.

Change in Sales by Region



Japan sales have been stable, but increased machine tool demand in Asian countries except China has resulted in Asia sales. The contribution to net sales is also expanding.

Balance Sheets and Indicators

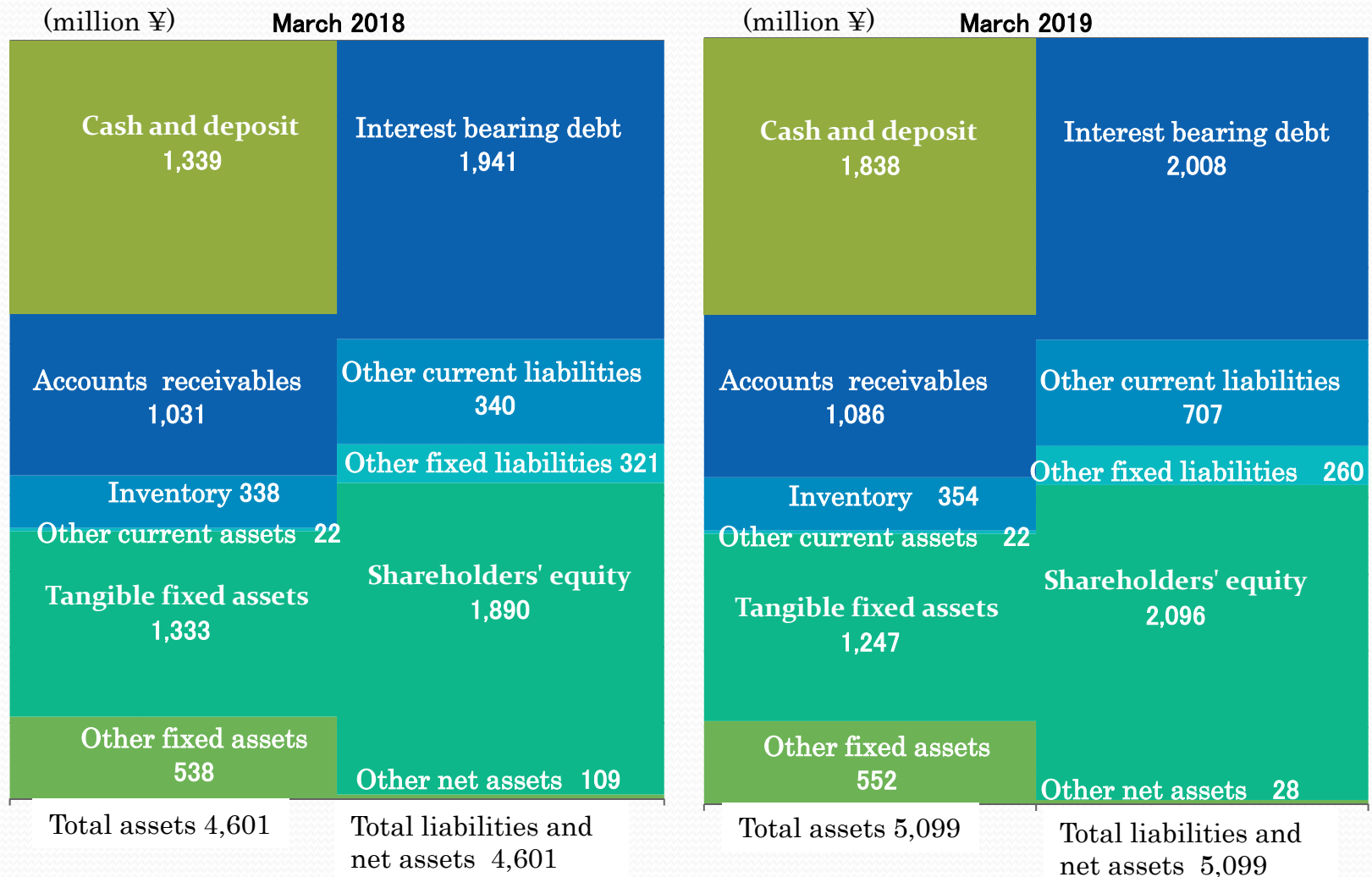
(million ¥・%)

March 2018		March 2019	
Current asset 2,729	Current liabilities 1,833	Current asset 3,299	Current liabilities 2,431
Fixed asset 1,872	Fixed liabilities 768	Fixed asset 1,799	Fixed liabilities 543
	Shareholders' equity 1,889		Shareholders' equity 2,096
	Other net asset 109		Other net asset 28
Total assets 4,601	Total liabilities and net assets 4,601	Total assets 5,099	Total liabilities and net assets 5,099

March 2018		March 2019	
Current ratio	148%		135%
ROE	2.4%		10.6%
ROA	1.0%		4.5%
Equity ratio	43.4%		41.6%

Financial soundness has been maintained, and efficiency has improved in March 2019 on the back of strong business results.

Change of Balance Sheet Structure

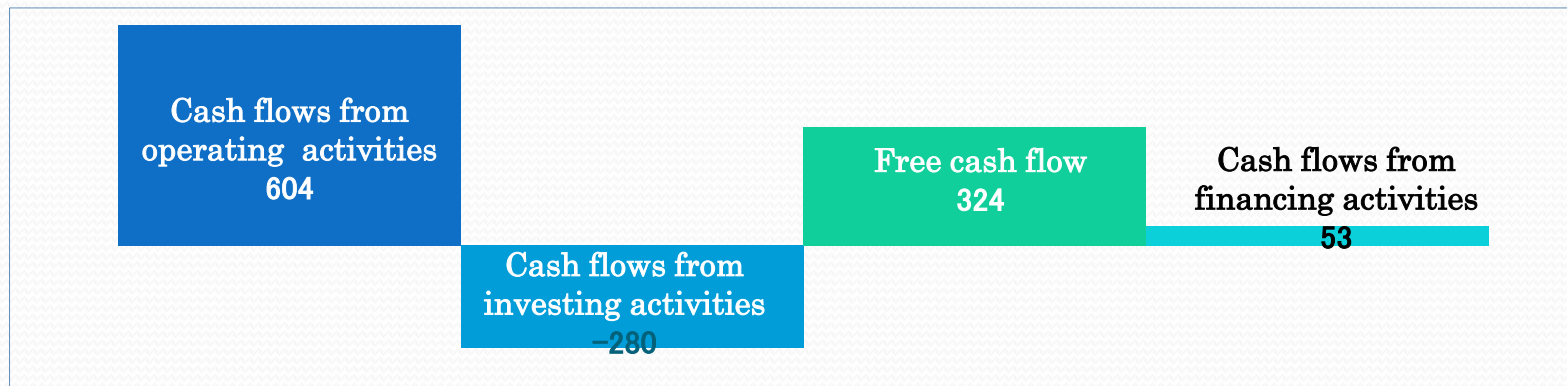


In March 2019, with strong business results, shareholders' equity increased and ROE improved.

Cash Flow Status

(million ¥)	March 2018	March 2019
Cash flows from operating activities	25	604
Cash flows from investing activities	-96	-280
Cash flows from financing activities	149	53
Free cash flow	-71	324
Cash and cash equivalent at the beginning of the year	99	176
Cash and cash equivalent at the end of the year	176	553

March 2019



In the fiscal year ended March 2019, operating cash flow increased on the back of strong business results, and free cash flow turned surplus.



(3) Market trend, Business Forecast and Strategies

Forecast of Machine Tool Market Orders

(million ¥/%)	2015	2016	2017	2018	2019 (forecast)	2020 (forecast) 2021 (forecast)
Domestic demand	5,793	5,316	6,880	7,622	-7.0~-6.0%	+4.0~5.0% +5.0~6.0%
Foreign demand	8,197	7,577	10,924	10,036	-5.0~-4.0%	+0.5~1.5% +3.5~4.5%
Total orders	13,990	12,893	17,803	17,658	-8.0~-7.0%	+7.0~8.0% +5.5~6.5%

(Material that MUFJ Bank, Ltd Strategic Research Department made in February 2019 based on "Industrial machine orders statistics" of the Japan Society of Industrial Machinery Manufacturers)

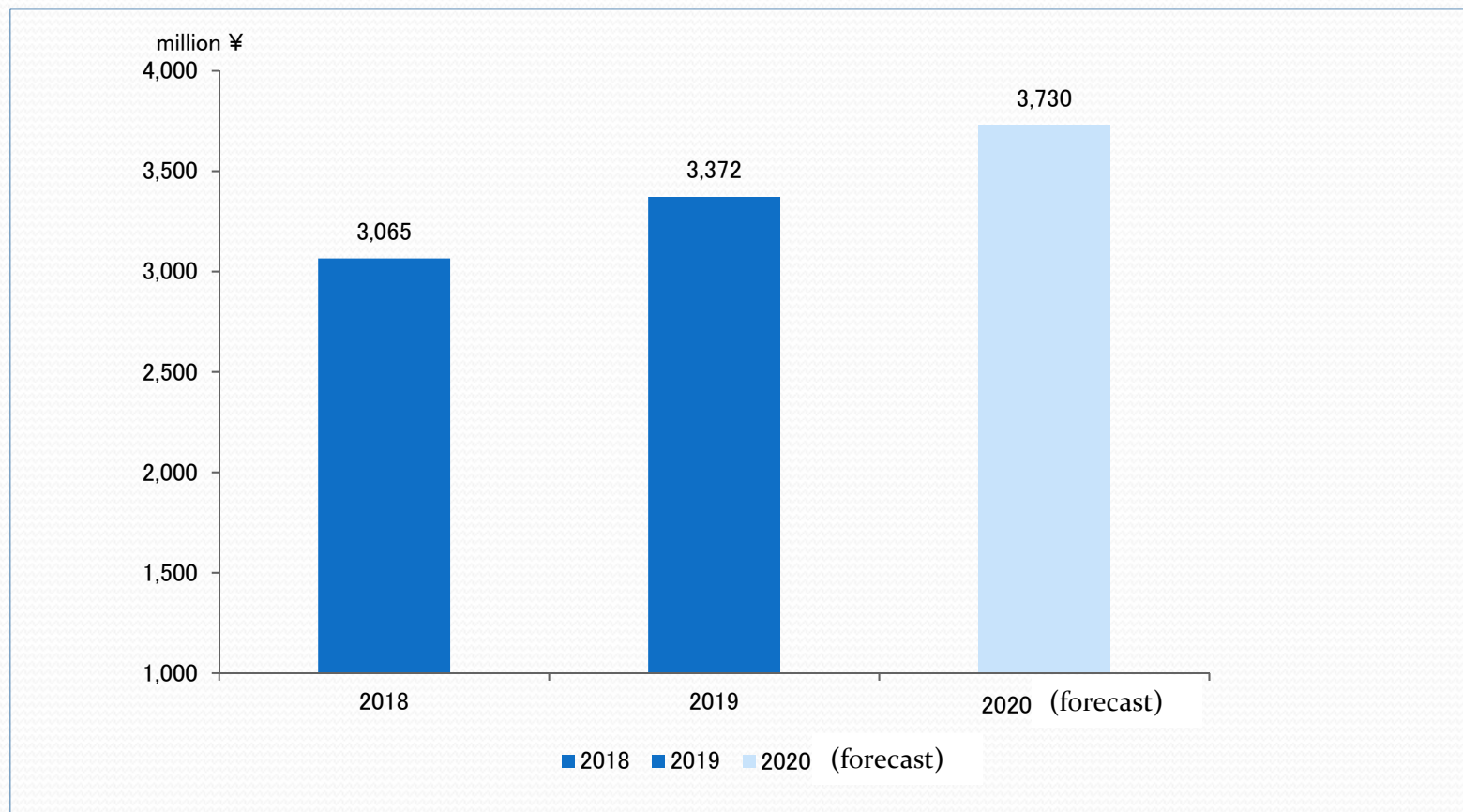
- ◆ According to the April 2019 statistics of the Japan Society of Industrial Machinery Manufacturers, the demand for machine tools is decreasing both at home and abroad. In the future, there is concern about the impact on demand for smartphones and automobiles against the backdrop of US-China trade friction.
- ◆ As both foreign and domestic demand will turn negative growth in 2019, it will be a year-on-year decrease, but it is expected to turn upward after 2020.
- ◆ And, with the 4th Industrial Revolution, full-scale investment in 5G, automatic operation and EV, and the arrival of the IoT era in 2020, there is a view that machine tools will increase substantially.

Forecast of the Fiscal year Ending March 2020

(million ¥)	March 2018 (results)	March 2019 (results)	March 2020 (forecast)	Change from the previous year
Net sales	3,065	3,372	3,730	110%
Operating income	89	297	300	101%
Operating income to net sales	2.9%	8.8%	8.0%	−0.8% point
Ordinary income	73	284	257	90.4%
Net income attributable to parent company shareholders	46	218	210	96.3%

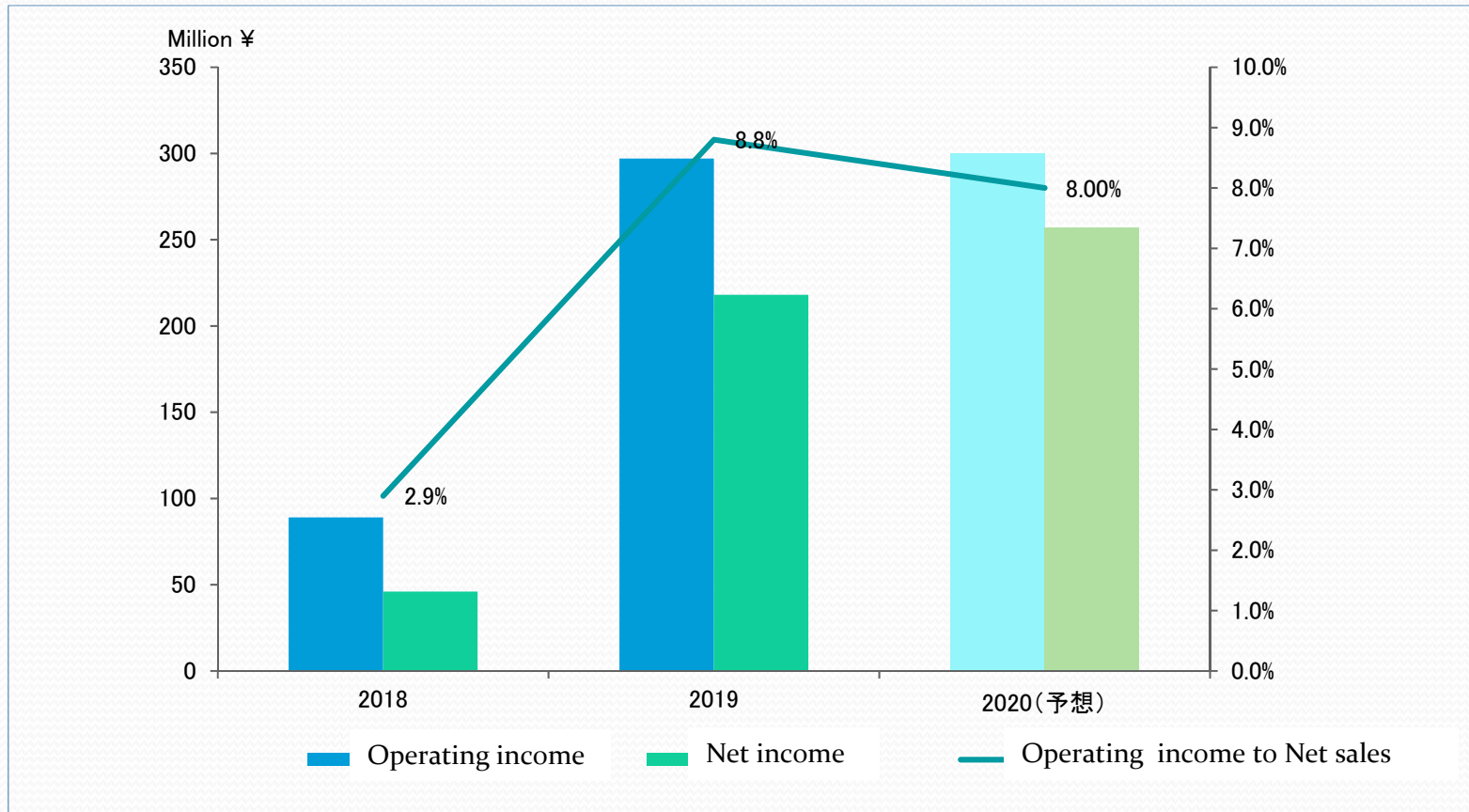
- ◆ Sales in the fiscal year ending March 2020 are expected to increase 110% over the previous year.
- ◆ Operating income is expected to increase slightly, ordinary income and net income are expected to decrease.

Sales Forecast of the Fiscal year Ending March 2020



◆ We anticipate sales increase again next year by aggressive sales activities to contribute to expansion of customers' capital investment.

Income Forecast of the Fiscal year Ending March 2020



- ◆ We plan to secure the same profit as the previous year in the next year.
- ◆ We will continue to focus on further efficiency through cost reduction activities and others.

Future Strategies

Overall strategies	<ul style="list-style-type: none">◆ Customer first principle◆ Further enhance in-house facilities◆ Development of high value-added products◆ Aim for the company based on production technology
Machine Tools Business	<ul style="list-style-type: none">◆ Enhance proposal-based sales with more than 500 units and technical expertise◆ From a dedicated processing machine maker to a precision machine maker◆ Enhancement of maintenance business
Motor Cycle Parts Business	<ul style="list-style-type: none">◆ Strengthen sales of mass produced parts other than motorcycles
Global Strategy	<ul style="list-style-type: none">◆ Strengthen Asia development based on a local subsidiary in Vietnam
Future investment policy Capital policy	<ul style="list-style-type: none">◆ Continuous improvement of ROE and ROA◆ Continuous and stable payment of dividends



(4) Diversified Businesses Corresponds to Social Issues

Diversified Businesses Corresponds to Social Issues

(1) Micro bubble business ~ Water purification with fine bubbles

◆What is the micro bubble business ?

Business to utilize bubbles with extremely fine bubble size at the time of occurrence

◆Application range

Water purification, aquaculture, parts washing, drinking water processing, medical treatment, and others.

◆Expansion of micro bubble technology

Potential is highlighted, and research institutes and private companies across the country also participated in research.

(2) Hybrid power generation system ~ Small renewable energy

◆What is a hybrid power generation system ?

Small power generation system combining wind power and solar power.

◆Scope of use

Lighting for parks, crime prevention lights using cameras, emergency power supplies for disasters, teaching materials for educational facilities such as schools, independent power supplies in places without commercial power, monuments for environmental conservation enlightenment, and others.

◆Flashing goldfish eyes show security effect

When the surroundings get dark, the eyes of the goldfish at the top of the pillars flush, demonstrating nighttime crime prevention.

◆Friendly goldfish type monument

By combining the clock and night lighting system, it can also be used as the city's monuments.