

Fiscal 2010 Results Briefing



期待を超える

May 24, 2011



YAMAZEN CORPORATION

Toru Yoshii, CEO/President Yamazen Corporation

- I. Fiscal 2010 (Term 65) Earnings Highlights
- II. Progress status of
the VISTA-3S Medium-term Business Plan
- III. Fiscal 2011 Earnings Forecasts
- IV. Shareholder Returns

1. Consolidated Statement
of Income for Fiscal 2010
2. Factors Affecting Profit Performance
3. Departmental Sales (Consolidated)
4. Departmental Overview
5. Balance Sheets (Consolidated)
6. Financial Position & Cash Flow



Consolidated Statement of Income for Fiscal 2010 (1)

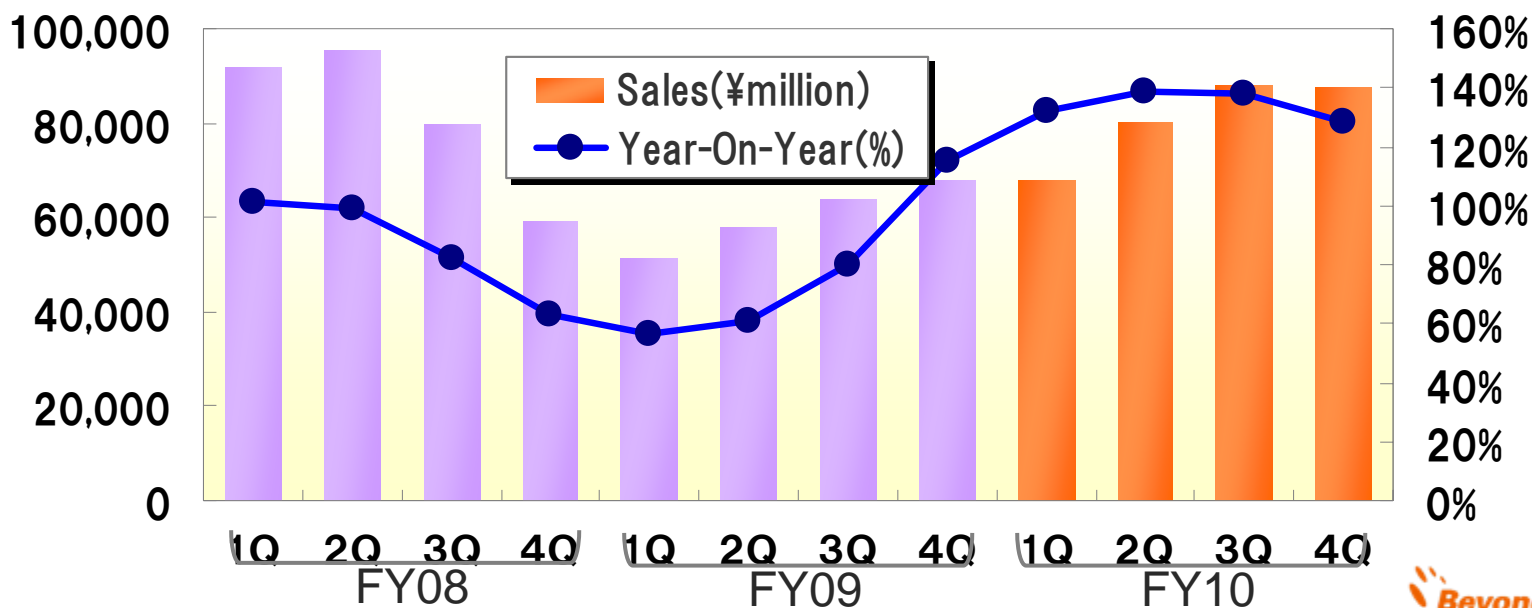
Consolidated Income Statement

(¥ millions)	Fiscal 2008 (Term 63)	Fiscal 2009 (Term 64)	YOY (%)	Published targets (adjusted)	Ratio to target
Sales	241,410	323,703	34.1	310,000	104.4
Gross margin	30,018	39,992	33.2	—	—
SGA expenses	29,182	32,576	11.6	—	—
Operating income	836	7,415	786.8	6,400	115.8
Ordinary income	955	7,623	697.7	6,500	117.3
Extraordinary profit	1	103	—	—	—
Extraordinary loss	30	951	—	—	—
Net profit	438	4,363	894.6	4,000	109.1

- Sales of producer goods in Japan and overseas grew, supported by the economic recovery in Japan and by strong demand from emerging nations for capital goods. Together with consumer goods, in which sales also remained solid, they led to higher overall sales and earnings.

Quarterly Fluctuations

(¥ millions)	1Q 2010 4-6	2Q 2010 7-9	3Q 2010 10-12	4Q 2011 1-3
Sales	67,891	80,239	88,030	87,543
Operating income	574	1,845	2,757	2,239
Ordinary income	551	1,853	2,835	2,384
Net profit	364	1,217	1,728	1,054



Factors Affecting Profit Performance

(¥ millions)

Fiscal 2009: ¥955 million

Domestic consumer goods	3,178
Housing equipment and materials	799
Home products	622
Overseas (producer goods sold to overseas)	5,329
Others	43

Higher gross profit
(a profit-boosting factor)

+9,973

Higher SG&A
(a profit-reducing factor)

Increases related to payroll	▲1,309
Increases in freight costs	▲730
Increases in fees paid	▲813
Increases in travel/transportation expenses	▲142
Other factors resulting in increase	▲397

▲3,393

Non-operating income
(a profit-boosting factor)

+87

Decreases in loss on derivative revaluation	34
Increases in interest income	240
Increases in interest expenses	▲129
Other changes affecting non-operating income	▲57

Fiscal 2010: ¥7,623 million

(YOY change: +¥6,667 million)



Departmental Sales (Consolidated)

■ Sales by department (actual results vs. published targets)

(¥ millions)	Fiscal 2009 (Term 64)	Fiscal 2010 (Term 65)	YOY (%)	Published targets (adjusted)	Ratio to target
Machine Tools	26,529	39,583	49.2	36,000	110.0
Industrial Systems	39,754	47,644	19.8	46,500	102.5
Industrial Tools	38,382	48,172	25.5	47,000	102.5
(Total producer goods)	104,667	135,400	29.4	129,500	104.6
Housing Equipment, Materials	47,751	50,645	6.1	50,000	101.3
Home Products	53,941	60,455	12.1	57,500	105.1
(Total consumer goods)	101,692	111,101	9.3	107,500	103.3
International Operations	31,876	73,697	131.2	70,000	105.3
(Total overseas producer goods)	31,876	73,697	131.2	70,000	105.3
Other departments	3,173	3,504	10.4	3,000	116.8
Total	241,410	323,703	34.1	310,000	104.4

Departmental Overview (1)

Production Equipment and Materials Business



Sales

¥135,400 M

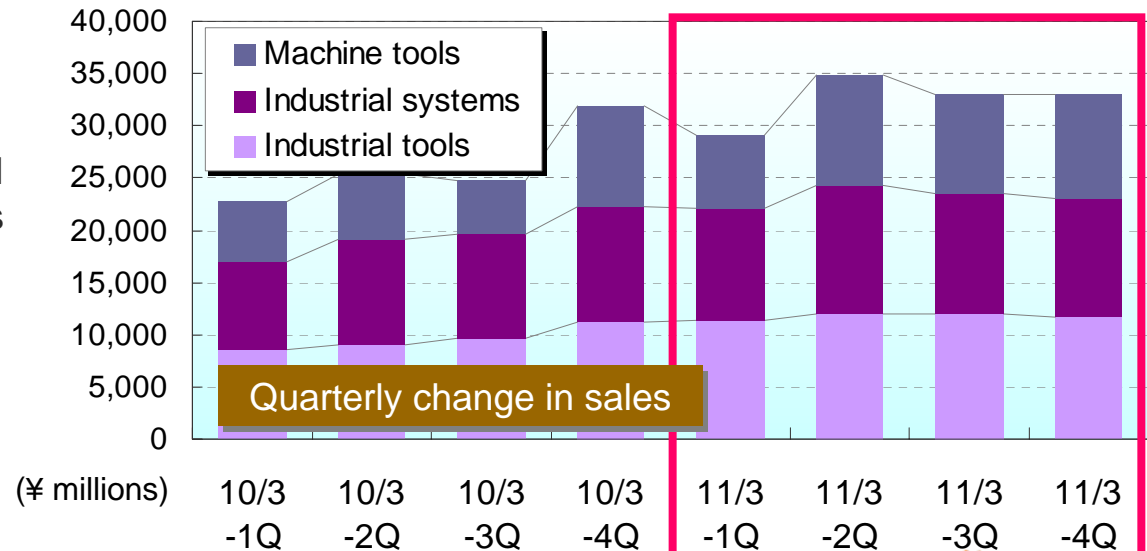
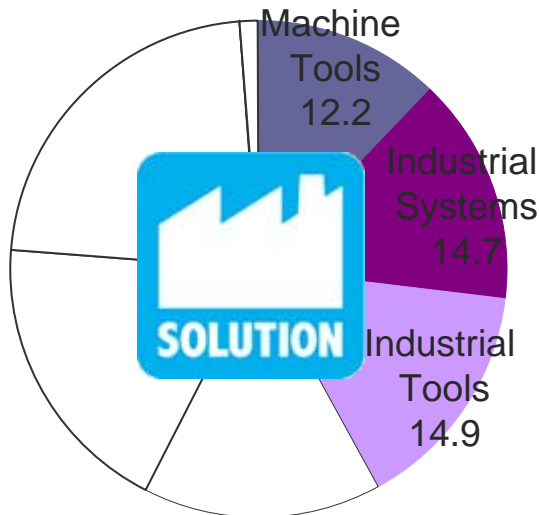
(YOY increase of)
29.4%

Operating income*

¥2,737 M

(operating margin of)
2.0%

- Demand from a broad spectrum of sectors including automotive and construction showed solid improvements especially for materials and tools processing.
 - ❑ Higher demand for machine tools led to a recovery in demand for peripherals such as cutting tools (up 136%) and machine tools accessories (up 146%)



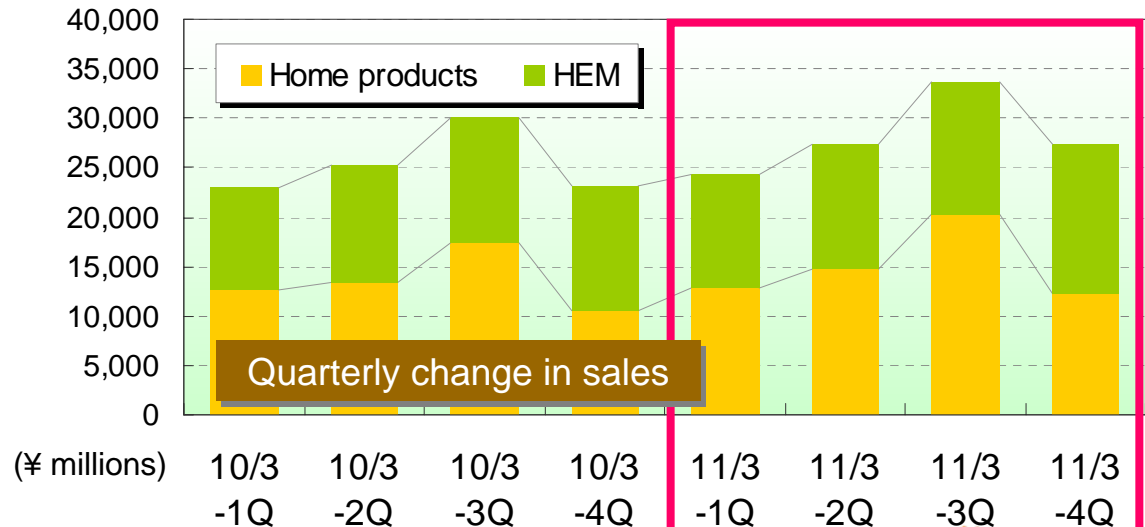
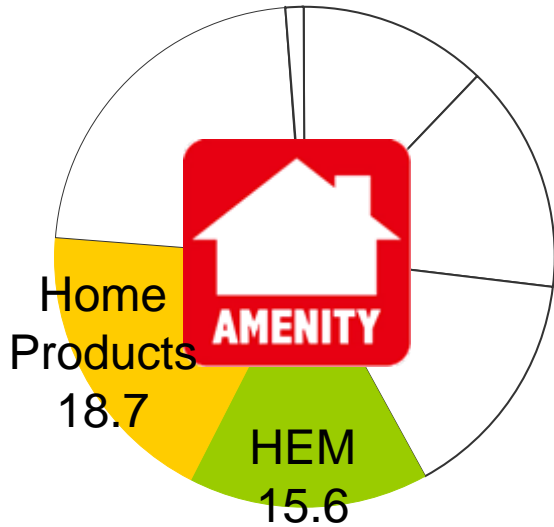
* Operating income and operating margin are based on the data given in "Segment Information" in the Financial Report.



Consumer Goods

Sales	¥111,101 M	(YOY increase of) 9.3%
Operating income	¥3,589 M	(operating margin of) 3.2%

- The market for housing equipment and materials witnessed a mild recovery. A scorching summer and stepped-up efforts to boost the sales of environmental products kept the departments on the growth trajectory.
 - ❑ Strong sales were posted for PAs and solar power generation systems.
- Record-high sales for home products fueled by strong sales of cooking appliances and health-related products in addition to seasonal merchandise.





Sales*

¥73,697 M

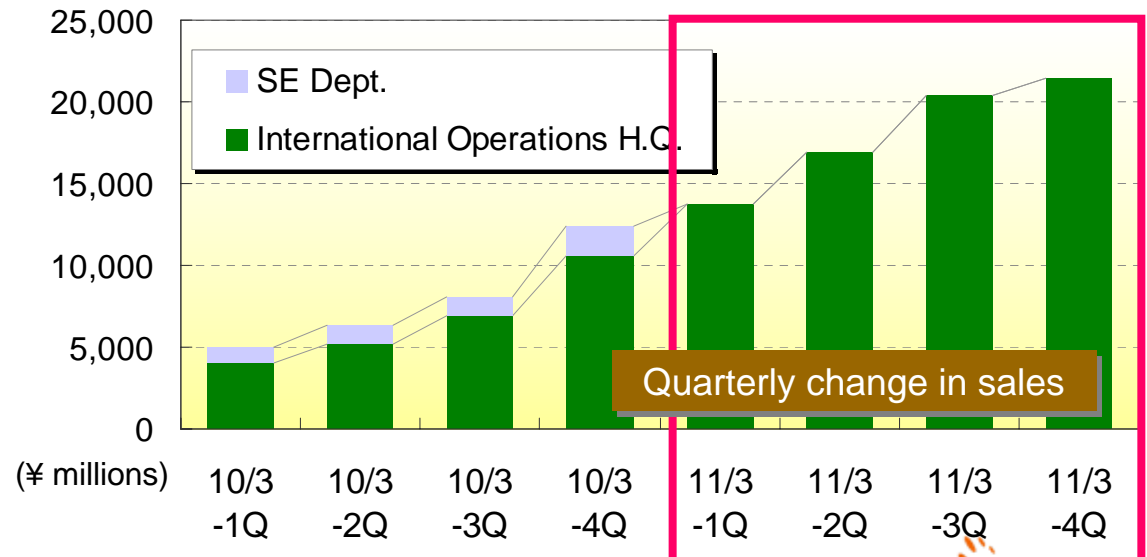
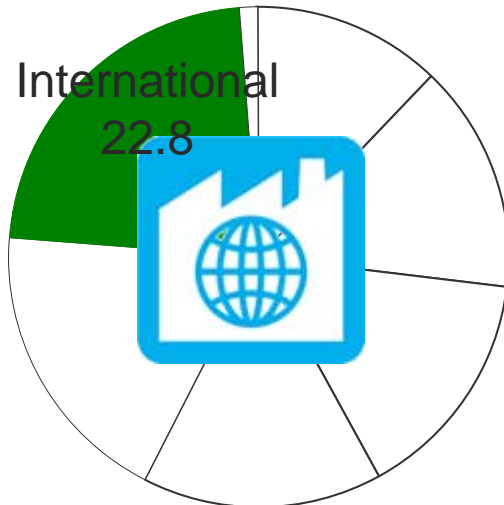
(YOY increase of)
131.2%

Operating income

¥3,634 M

(operating margin of)
4.9%

- Demand for machine tools rose especially from IT and environment-related sectors in China and ASEAN countries.
 - ❑ Record-high sales to both overseas locales (consolidated basis) and to China



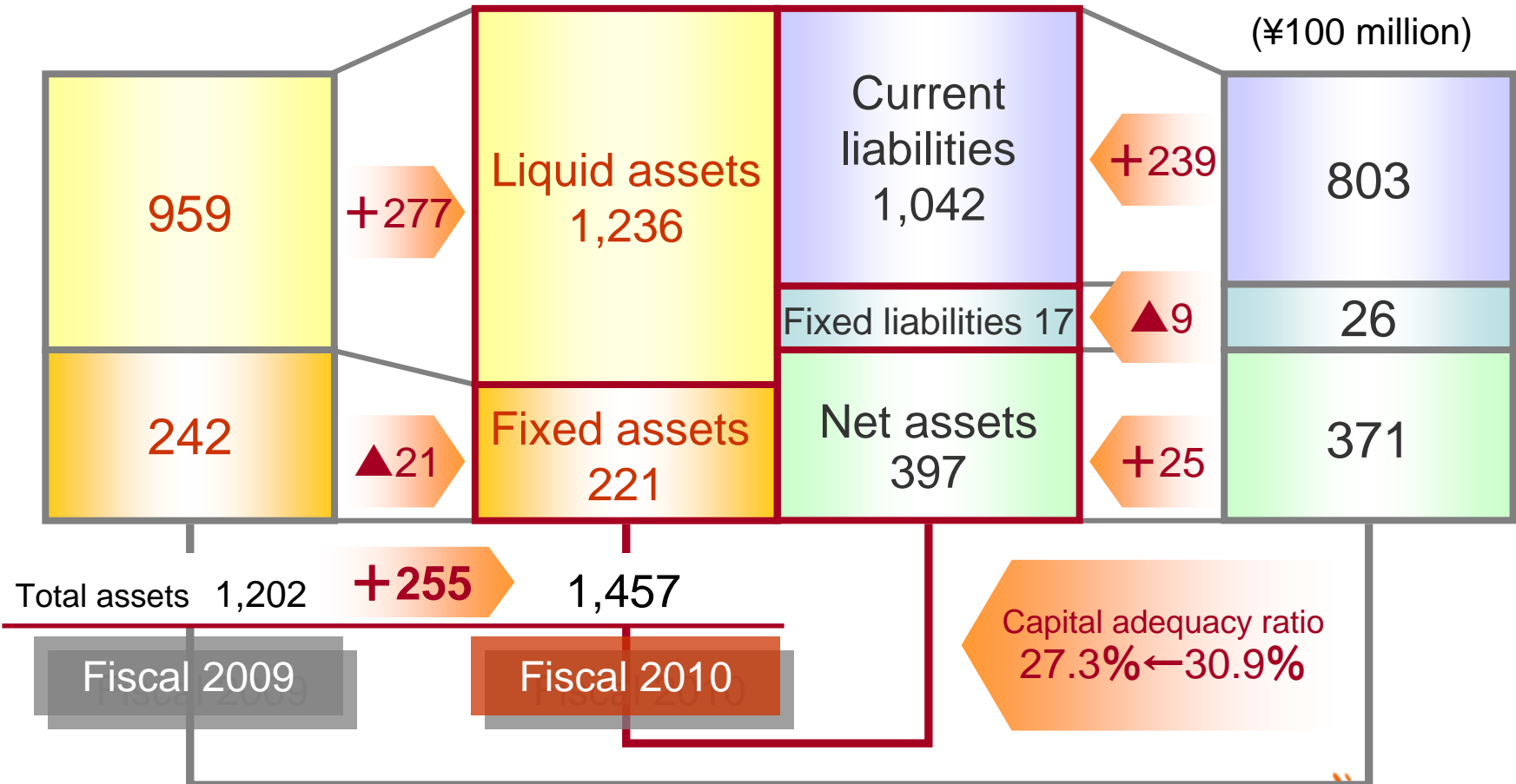
* Sales to third-party customers

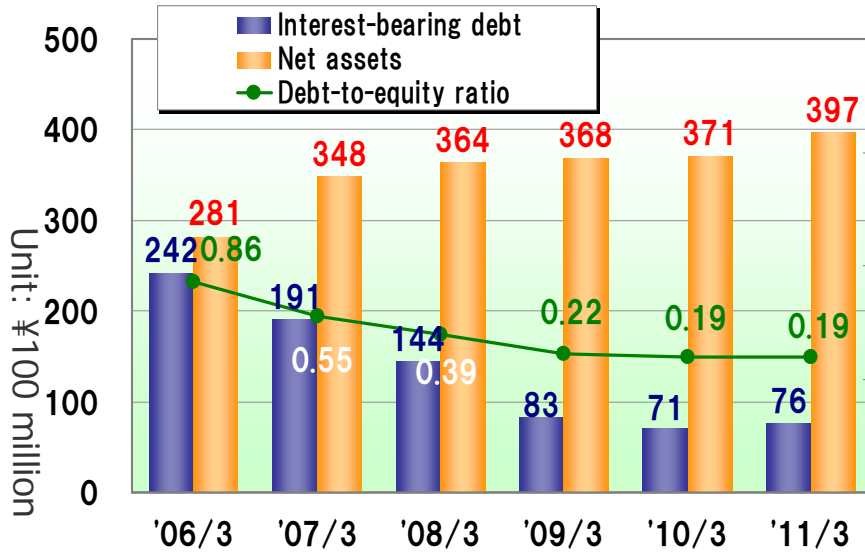
Balance Sheet (Consolidated)

- Total assets rose more than 20% on the back of business improvements. Higher trade payables were more than offset by higher trade receivables.

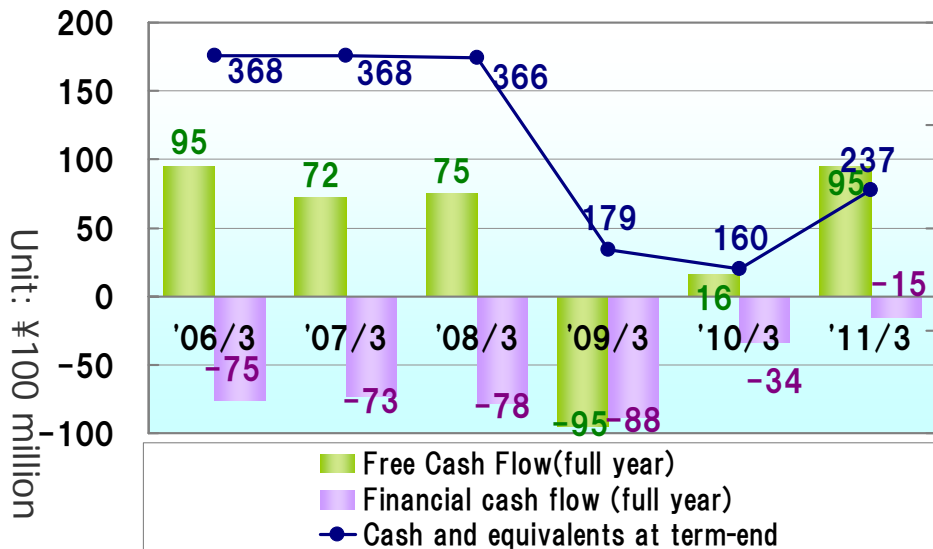
Assets

Liabilities/Total Assets





*Debt-to-equity ratio = interest-bearing debts ÷ net assets



<Financial position for operating activities>

Trade bills	25,797	(1) Trade receivables	83,190
Accounts receivable	57,393		
Bills payable	43,511	(2) Trade payables	84,966
Accounts payable	41,455		
(3) Results from operating activities ((1) - (2))			△1,776
Cash and deposits	24,114	(4) Cash and deposits net of borrowings	16,448
Borrowings	7,666		
(5) Net balance ((3) + (4))			14,672

➤ The positive net balance, even after accounting for net cash and deposits, means that Yamazen remained virtually debt-free.

* Free cash flow = operating cash flow + investment cash flow

1. Vision and Mid-Term Management Policy
2. VISTA-3S Objectives
3. Strategic Goals of VISTA-3S and Progress to Date
4. VISTA-3S 3-year Targets (consolidated)



Our goal is to become a specialized trading company that provides best-in-class products and offers customers a comfortable living environment!

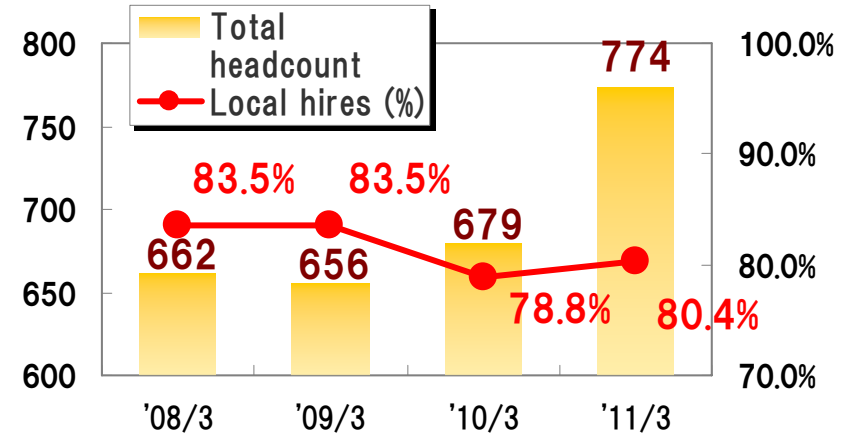


3 Strategies / 10 actions

By leveraging three key strategies, our aim is to spark innovation and to evolve into a company that combines value, impressions, specialization, technology and adaptability



Progress update for VISTA-3S (1): Strategy for Global Competitiveness



(¥00,000,000s)

Percentage of overseas sales to total sales

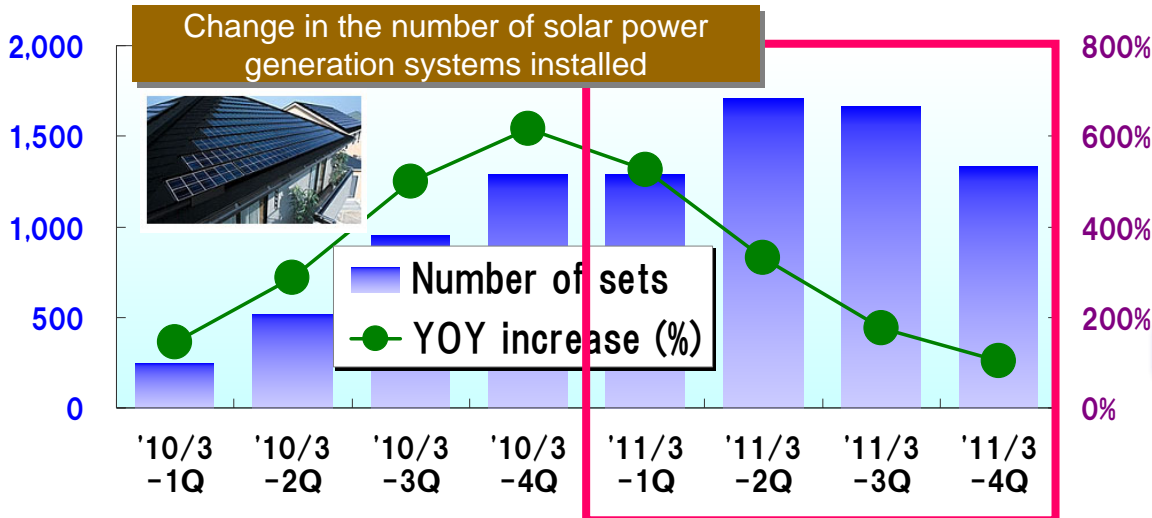
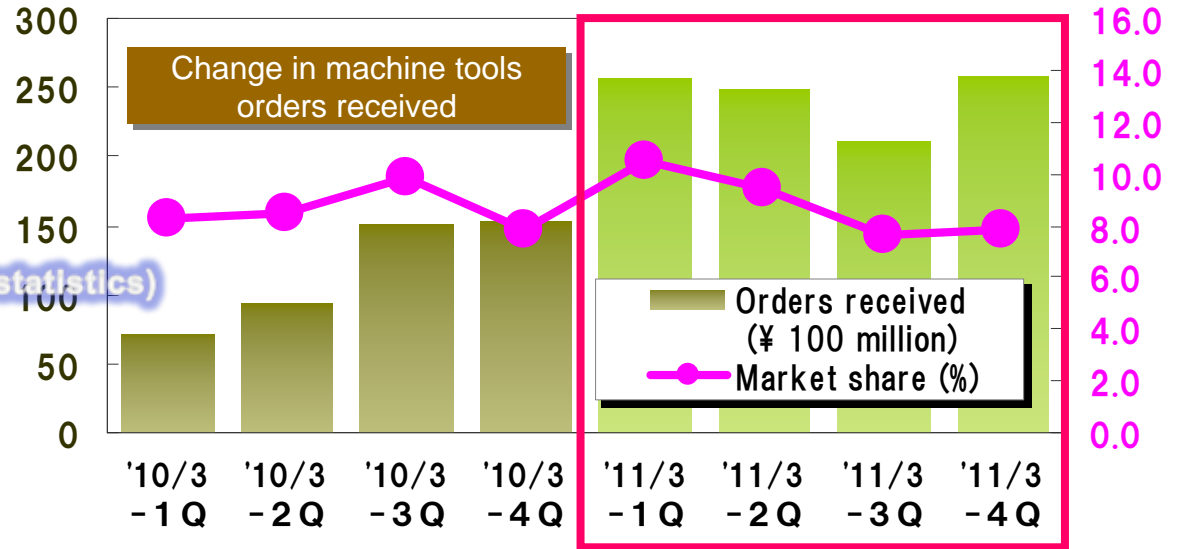
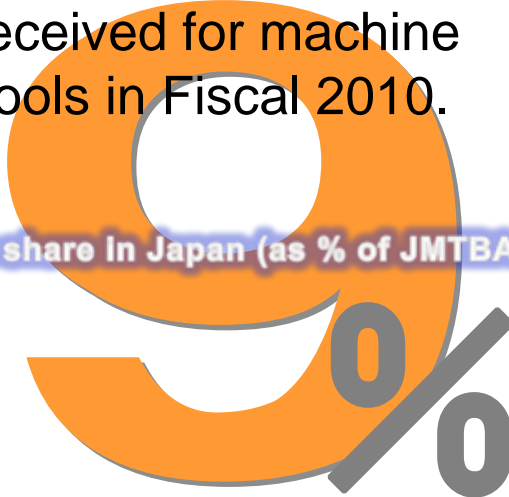
22%

- China: The Shanghai Office was relocated and expanded. New offices were set up in Kunshan and Shenyang. A local subsidiary was set up in China as a wholly owned company of Yamazen Taiwan.
 - ⇒ Ongoing efforts to develop and enhance local operations and especially the marketing structure (e.g. more locally-hired staff and the launch of a subsidiary in Vietnam) were made in a move to capture growing demand and to enhance service in Asia.

Progress update for VISTA-3S (2): Strategy for Specialization (a)

¥980 million of orders received for machine tools in Fiscal 2010.

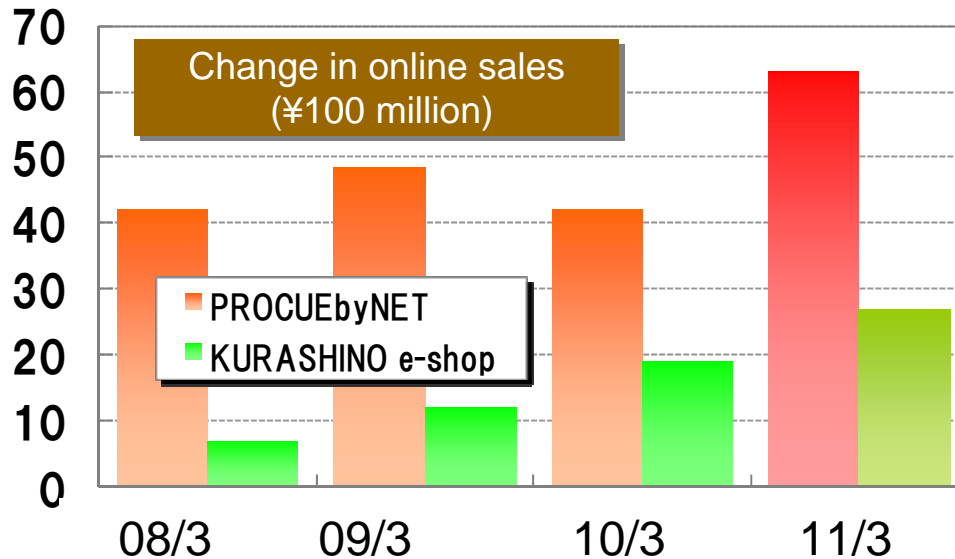
Market share in Japan (as % of JMTBA statistics)



The aggregate sales of eco-friendly products by Yamazen amounted to ¥824 million.

Market share

Progress update for VISTA-3S (3): Strategy for Specialization (b)

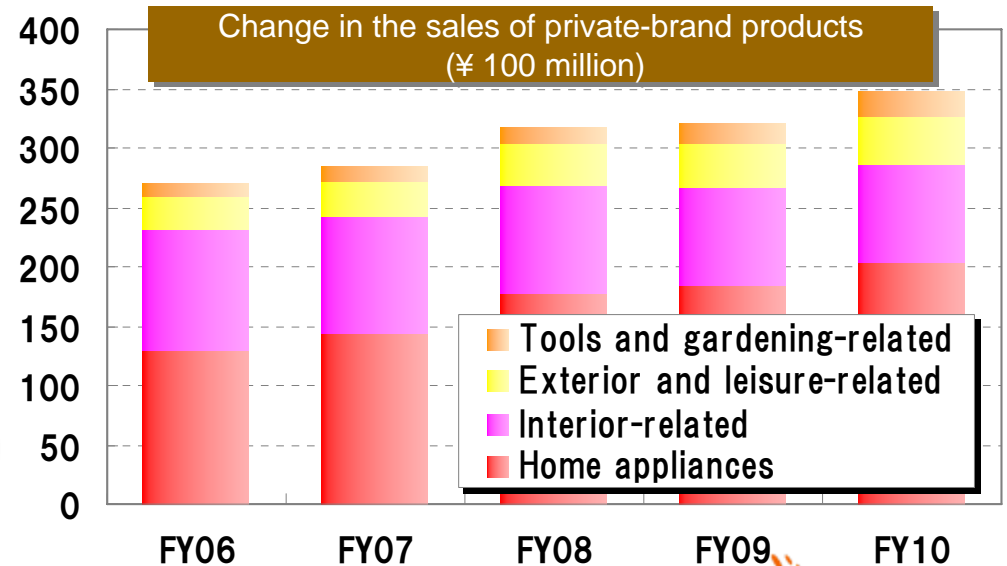


➤ Record-high sales posted by both PbN (BtoB) and KURASHINO e-shop (BtoC)

¥900M
Total Internet Sales

➤ Original products accounted for 57%, while sales of private-brand home appliance products amounted to ¥20.4 billion, a record-high year

¥3,500M
Sales of private-brand products



Progress update for VISTA-3S (4): Organizational Strength

Industrial Tools & Equipment
Division H.Q.

<New Dept.1>
(Business Supervisor)

(Sales Supervisor)

Industrial Systems
Administrative Div.

Industrial Tools
Administrative Div.

(Planning Supervisor)

Marketing
Administrative Div.

<New Dept.2>

(Area Sales)

Industrial Systems
Dept.

Industrial Tools
Dept.

<New Dept.3>

Planning Dept.

Merchandise Dept.

e-Business Dept.

Research & Development Dept.

Cooperation

Cooperation

500
Number of employees affiliated with the Industrial
Tools and Equipment Division H.Q.

➤ The industrial Tools and Equipment Division Headquarters was formed, and preparatory work is underway to complete a full merger in Fiscal Year 2012.

- We are concentrating and re-allocating business resources for more effective utilization in order to deliver higher customer satisfaction and to accelerate new market exploitation



VISTA-3S 3-Year Targets (consolidated) (1)

Profit Targets

(¥ millions)	Fiscal 2009 (Term 64)	Fiscal 2010 (Term 65)	Fiscal 2011 (Term 66)	Fiscal 2012 (Term 67)
Sales	241,410	323,703	340,000	350,000
Operating income	836	7,415	7,500	8,500
Ordinary income	955	7,623	7,700	8,500
Net profit	438	4,363	4,500	4,800

Key Financial Targets

(%)	Fiscal 2009 (Term 64)	Fiscal 2010 (Term 65)	Fiscal 2011 (Term 66)	Fiscal 2012 (Term 67)
Gross margin	0.3%	2.3% (Initial target 1.1%)	2.2% (Initial target 1.8%)	2.5%
Return on total assets	0.7%	5.6% (Initial target 2.3%)	5.0% (Initial target 3.9%)	5.5%
Cash flow margin	0.6%	2.6% (Initial target 1.0%)	1.7% (Initial target 1.7%)	2.5%



VISTA-3S 3-Year Targets (consolidated) (2)

■ Departmental Sales Targets

(¥ millions; %)	Fiscal 2009 (Term 64)	Fiscal 2010 (Term 65)	Fiscal 2011 (Term 66)	Fiscal 2012 (Term 67)
Machine Tools	26,529	39,583	45,000	58,000
Industrial Systems (1)	39,754	47,644	50,000	58,000
Industrial Tools (2)	38,382	48,172	50,500	52,500
Industrial Tools & Equipment(1)+(2)	—	95,816	100,500	110,500
(Total domestic producer goods)	104,667	135,400	145,500	168,500
Housing Equipment, Materials	47,751	50,645	53,500	57,000
Home Products	53,941	60,455	63,500	66,000
(Total consumer goods)	101,692	111,101	117,000	123,000
International Operations	31,876	73,697	71,000	54,700
(Total overseas producer goods)	31,875	73,697	71,000	54,700
Other departments	3,173	3,504	6,500	3,800
Total	241,410	323,703	340,000	350,000







VISTA-3S 3-Year Targets (consolidated) (3)

Budget for Capital Investments

(¥ millions)		Fiscal 2009 (actual)	Fiscal 2010 (actual)	Fiscal 2011 (full-year forecast)	Fiscal 2012 (full-year forecast)
Property, plant and equipment	Additional investments made during the year	302	69	100	100
Intangible fixed assets	Additional investments made during the year	959	45	200	380
Subtotal for parent only		1,261	114	300	480
Consolidated total		1,300	380	600	580
Property, plant and equipment	Depreciation	315	297	274	247
Intangible fixed assets	Amortization	437	484	285	283
Subtotal for parent only		752	781	559	530
Consolidated total		830	900	850	730

1. Operating Outlook
for Fiscal 2011 (Term 66th)
2. Numerical targets
for Fiscal 2011 (Term 66th)
3. Actions for Fiscal 2011
4. Departmental Sales Targets (Consolidated)

	Business Segment	Key Indicators	Market Outlook*	
1	Producer Goods - Domestic	<p>Industrial Production Index</p> <p>Aggregate orders published by JMTBA members</p> <p>Orders received for semiconductor manufacturing equipment</p> <p>Statistics published by JMTBA</p>	<p>Suspended manufacturing operations in quake/tsunami devastated areas are creating bottlenecks and affecting production in other regions. Sluggish production in devastated areas along with tighter power supply in eastern Japan could trigger a slowdown in nationwide production.</p>	
2	Consumer Goods– Housing Equipment & Materials	<p>Housing starts;</p> <p>Kitchen and bath shipment statistics</p>	<p>2H is expected to see a renewed level of residential and public investment in a bid to rebuild the quake-affected areas; demand for energy-efficient and energy-saving products is also expected to grow.</p>	
3	Consumer Goods - Home Products	<p>Propensity to consume</p> <p>Statistics by the Japan DIY Industry Association</p>	<p>A decline in demand in the quake-affected areas, together with self-restraint exercised by consumers throughout Japan, will depress personal consumption. Purchases of products of a non-vital/non-urgent nature are likely to be postponed.</p>	
4	Producer Goods - International	<p>National industrial production for countries outside Japan</p> <p>Diffusion indexes for countries outside Japan</p> <p>Machine tool sales statistics published by the U.S. Association for Manufacturing Technology, among others</p>	<p>Slower production of electronic parts and devices in Japan will lead to weaker exports, which in turn could have adverse impact on production in eastern Asian countries.</p>	

*Based on Yamazen's own projections



Fiscal 2011 (Term 66) Financial Targets

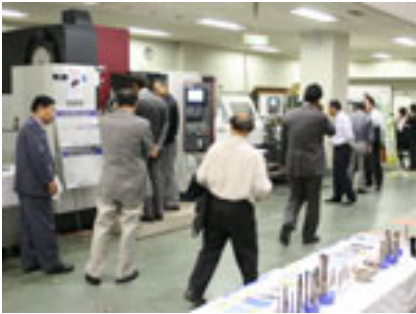
Profit Targets

- Five subsidiaries were newly added to the scope of consolidation. The Chinese subsidiaries, in which the book-closing date was different from the rest until the previous fiscal year, were realigned.

(¥ millions; %)	FY 2010 ended March 2011 (Term 65) (Full year)	Interim period ending Sept. 2011	FY 2011 ending March 2012 (Term 66) (Full year)	YOY change (%)
Sales	323,703	160,000	340,000	5.0
[Stand-alone]	306,192	151,000	320,000	4.5
Operating income	7,415	2,700	7,500	1.1
[Stand-alone]	4,654	1,700	5,000	7.4
Ordinary income	7,623	2,800	7,700	1.0
[Stand-alone]	4,837	1,800	5,200	7.5
Net profit	4,363	1,700	4,500	3.1
[Stand-alone]	2,280	1,000	2,850	25.0

Domestic (4 divisions)

- Organizational revamping (affecting human resources, organizational structures and mechanisms) is under way to achieve greater specialization and to build a stronger infrastructure



- ❑ The Industrial Tools and Equipment Division H.Q is leading actions designed to facilitate the marketing of products and product genres that suit each customer/geographical area/market category and to boost support structures for such a marketing approach.
 - ➔ Cutting tools: Sales to increase to ¥15 billion (target)
 - ➔ Greater sales of mechatronic products on PROCUEbyNET
- ❑ More exposures via exhibition channels are planned, including the *Monozukuri* Exhibition in Support of Manufacturing Firms, in order to highlight solutions offered

Overseas

- Ongoing development of service networks and market exploration to accelerate “glocalization”



- ❑ Machine Tools: Consistent sales growth for mainstay product lines and sales of new product areas including medical, LED and solar power-related products by capturing demand
- ❑ Industrial Tools and Equipment: Firmer hold on new customers and stronger market exploitation by setting in place a marketing structure for assembly/cutting tools and measuring equipment combined with mechatronic products
- ❑ A subsidiary will be launched in the Philippines. Better coordination among the branches in Asia will lead to marketing fortified by closer ties with users and enhanced service networks.

Housing Equipment and Materials (2 Divisions)

- Actions designed to allow the divisions to perform the functions of specialized trading firms, and to combine, and elevate planning, supply, and construction/installation capabilities



- ❑ Advocating the Green Ball Project, which aims at reducing CO2 emissions by 30,000 metric tons
 - ➔ To capture growing demand for solar power generation systems: The “lesora” online estimate service is offered to prospective customers, who are followed up on with special campaigns and promotions, in an attempt to gain access to prospects and revitalize existing sales channels.
 - ➔ Lines of energy-saving products and products eligible for the Eco Point incentive program are expanding
- ❑ A structure for equipment installation/construction service is devised to meet the requirements of each geographical region in an effort to function as local agents

Home Products

- Putting 3S (Simple, Slim and Speedy) into practice; the development of private-brand merchandise and stronger wholesale functionality will revitalize sales channels.



- ❑ Private-brand products are subject to quality control scrutiny to ensure safety, peace of mind and reliability. This, along with the ingenuity of products and reasonable price tags, will boost Yamazen’s brand image.
 - ➔ Target shipments of cooling fans and other fan-based home appliances this summer: 2.5 million units (target)
 - ➔ Also aiming at the expanded sales of LED light bulbs, which respond to the needs of energy conservation
- ❑ Focus on the creation of new sales channels for national-brand products and solid releases of products by new manufacturers to the market
- ❑ Accelerated efforts to open more online shops in online malls (Rakuten and others) to establish a multiple-shop online marketing structure



Departmental Sales Targets (Consolidated)

(¥ millions; %)	Fiscal 2010 (Term 65)	Ratio	Fiscal 2011 (Term 66)	Ratio	YOY (%)
Machine Tools	39,583	12.2	45,000	13.2	13.7
Industrial Systems (1)	47,644	14.7	50,000	14.7	4.9
Industrial Tools (2)	48,172	14.9	50,500	14.9	4.8
Industrial Tools & Equipment(1)+(2)	95,816	29.6	100,500	29.6	4.9
(Total producer goods)	135,400	41.8	145,500	42.8	7.5
Housing Equipment, Materials	50,645	15.6	53,500	15.7	5.6
Home Products	60,455	18.7	63,500	18.7	5.0
(Total consumer goods)	111,101	34.3	117,000	34.4	5.3
International Operations	73,697	22.8	71,000	20.9	△ 3.7
(Total overseas producer goods)	73,697	22.8	71,000	20.9	△ 3.7
Other departments	3,504	1.1	6,500	1.9	85.5
Total	323,703	100.0	340,000	100.0	5.0

1. Shareholder Returns
2. Current Term Dividends

□ Basic Policy

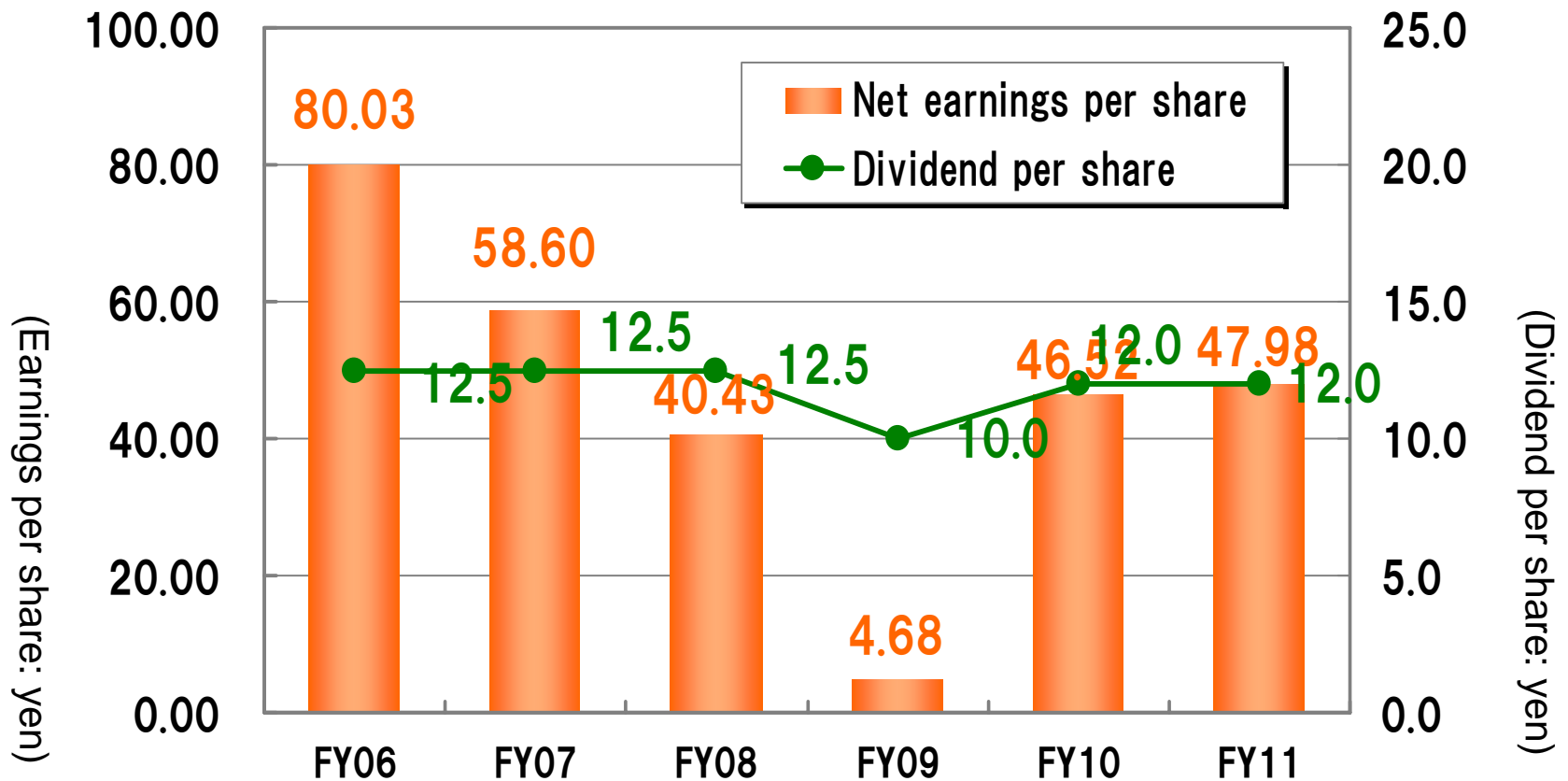
- △ Yamazen is working to strengthen and enhance our corporate culture and to raise profit levels, and we are committed to returning profits to our shareholders on a regular basis, maintaining a consolidated payout ratio of around 25% that reflects current profit levels.
- △ Retained earnings are appropriated for investment that is intended to effectively promote the sustainable development of our business and enhance shareholder equity, and by increasing our corporate value through mid- to long-term growth, to meet the expectations of our shareholders.

■ Dividend Trends

		FY07	FY08	FY09	FY10	FY11 (est.)
Consolidated payout ratio		21.3%	30.9%	213.7%	25.8%	25.0%
Cash Dividends	Interim	¥5.0	¥5.0	¥5.0	¥5.0	¥5.0
	Year-end	¥7.5	¥7.5	¥5.0	¥7.0	¥7.0

Current Term Dividends

- We aim to achieve a consolidated payout ratio of 25.0%
- Our fiscal 2011 targets are for an interim dividend of ¥5.0 and a year-end dividend of ¥7.0, or a total payout of ¥12.0 for the year





YAMAZEN CORPORATION

Inquiries

□ Contact information for inquiries relating to particular meetings

- △ Public Relations Dept., Corporate Planning Dept., Corporate Planning Headquarters
- △ E-mail: info06@yamazen.co.jp
- △ Please use the inquiry form provided on the company website for any other inquiries relating to Yamazen investor relations (<http://www.yamazen.co.jp/>).

Please note:

This document contains statements pertaining to future events and the business performance of this company. These statements are made on the basis of currently available information and the views and assumptions of management as of this time. Actual results may differ materially from those expressed or implied and this document is not intended to assure or guarantee that these results will be achieved by the company.