



YAMAZEN

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O u t l i n e

AGENDA





- I . Overview of accounts for the fiscal year ended March 2008
- II . Earnings forecasts for fiscal 2008
- III . Progress on GVP re15,
Yamazen's mid-term management plan
- IV . Fiscal 2008 Initiatives
- V . Corporate governance and shareholder returns

I. Overview of accounts for the fiscal year ended March 2008

1. Operating environment at account closing
2. Financial results highlights
3. Factors in ordinary income growth/decline
4. Departmental breakdown of sales results
5. Outlook for respective departments
6. Balance sheet
7. Financial position and cash flow

1. Operating environment at account closing

- The slowdown in the domestic economy is being propped up by strong foreign demand.

	Business segment	Trend indicators	Market overview ※	
1	Production equipment and materials — Domestic	Industrial production index JMTBA machine tool orders Semiconductor production equipment orders JAMA statistics	While the economic plateau remained static during the first half of the year, the sub-prime loan crisis and rising crude oil prices increased the pressure on corporate earnings, causing a slowdown in domestic capital spending from the second half.	
2	Consumer durables — Building materials & Materials	New housing starts Kitchen / bath shipment statistics	Revisions to the buildings standards law have caused housing / building investment to stall. The rural-urban demand gap is widening.	
3	Consumer durables — Home products	Consumer trends Japan DIY Industry Association statistics	Wage recovery remains weak, limiting the impact of positive factors such as the pickup in employment. Consumer sentiment is worsening on the back of rising prices and a flagging stock market.	
4	Production equipment and materials — Foreign	Local industrial output statistics Local diffusion indices US Association for Manufacturing Technology sales results statistics	As the US economic slowdown gains momentum, the economies of emerging countries in Asia and Eastern Europe remain buoyant, meaning that capital spending in the automobile and IT industries continues to be steady.	

2. Financial results highlights (consolidated) (1)

- The scope of consolidation has been expanded to enhance information on the performance of Yamazen's operations in China.
- Transfer of the Fukuoka building marks Yamazen's total withdrawal from the tenant business (extraordinary loss of ¥2.4 billion).
- Yamazen recorded ¥638 million in losses on derivative valuations and write-down losses of ¥133 million of securities.

(Unit: ¥ millions;%)	Fiscal 2006 (61st accounting period)	Fiscal 2007 (62nd accounting period)	Percentage change	Published targets (modified)	Ratio to target
Net sales	377,610	376,852	△ 0.2	387,000	△ 2.6
Gross profit	42,688	43,078	0.9	—	—
Selling, general and administrative expenses	30,370	31,559	3.9	—	—
Operating income	12,317	11,518	△ 6.5	12,600	△ 8.6
Ordinary income	12,913	11,405	△ 11.7	13,000	△ 12.3
Extraordinary profit	32	175	—	—	—
Extraordinary loss	92	2,571	—	—	—
Net profit	7,506	5,496	△ 26.8	6,100	△ 9.9

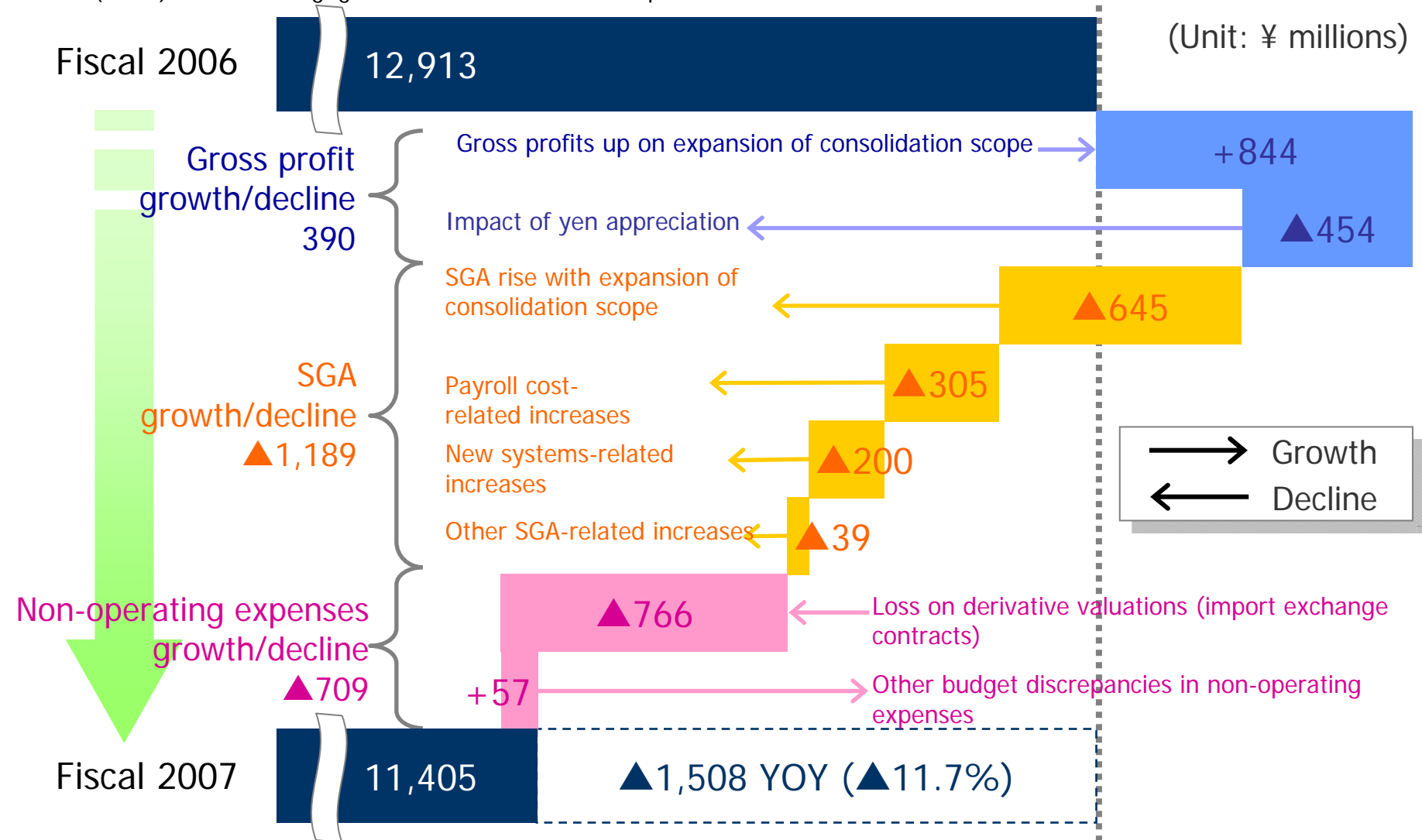
2. Financial results highlights (consolidated) (2): Quarterly fluctuations

- The slowdown that commenced in the 3Q and exchange rate fluctuations in the 4Q (yen appreciation) affected profits.

Unit: ¥ millions (cumulative total)	FY	1Q	2Q	3Q	4Q
Net sales	2005	79,464	86,394 (165,858)	86,943 (252,801)	88,984 (341,785)
	2006	89,580	95,695 (185,275)	98,259 (283,534)	94,076 (377,610)
	2007	90,144	95,864 (186,008)	97,322 (283,330)	93,522 (376,852)
Ordinary income	2005	2,106	2,583 (4,689)	2,565 (7,254)	2,582 (9,836)
	2006	2,642	3,443 (6,085)	3,522 (9,607)	3,306 (12,913)
	2007	2,680	3,206 (5,886)	3,005 (8,891)	2,514 (11,405)

3. Factors in ordinary income growth/decline

(note) SGA: Selling, general and administrative expenses



4. Departmental breakdown of sales results (consolidated) (Unit: ¥ millions; %)

Department	Fiscal 2006 (61st accounting period)	Fiscal 2007 (62nd accounting period)	% change	Published targets (modified)	Ratio to target
Machine tools	95,480	89,491	△6.3	91,800	△ 2.5
Industrial systems	65,453	64,547	△ 1.4	67,000	△ 3.7
Industrial tools	65,293	65,757	0.7	67,500	△ 2.6
System engineering	12,219	10,500	△ 14.1	11,200	△ 6.3
(Production equipment & materials total)	238,447	230,297	△ 3.4	237,500	△ 3.0
Housing equipment & materials	51,583	50,160	△ 2.8	53,500	△ 6.2
Home products	47,049	47,278	0.5	48,400	△ 2.3
(Consumer durables total)	98,633	97,438	△ 1.2	101,900	△ 4.4
International operations	36,256	44,701	23.3	43,300	3.2
Other departments	4,273	4,414	3.3	4,300	2.7
Total	377,610	376,852	△ 0.2	387,000	△ 2.6

5. Outlook for respective departments (1)

Production equipment and materials business (Machine tools, Industrial systems, Industrial tools, System engineering)

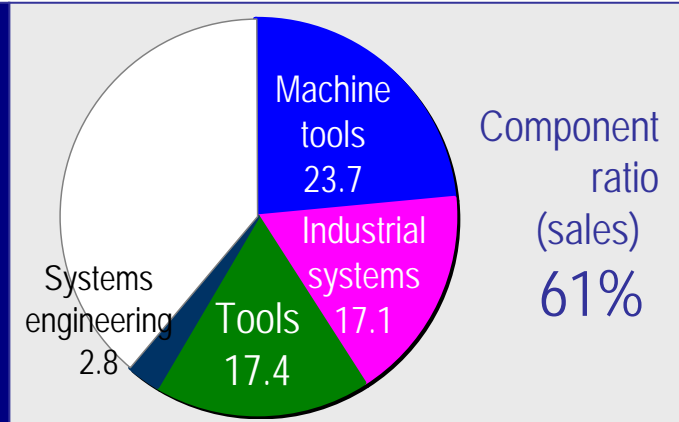


Net sales

¥230,297 million (-3.4% YOY)

Operating income (%)

¥9,375 million (4.1%)



➤ Domestic production equipment and materials departments saw a decline in revenues on the slowdown in capital spending in the second half, with their sales share slipping to 61% (versus 63% a year earlier).

- ❑ Domestic machine tool orders (for the year) were down slightly from a year earlier on sluggish mold orders.
- ❑ More exhibits at trade fairs aligned to market needs (parts processing equipment, environmental products, etc.).
- ❑ Online orders (PROCUEbyNET) rose by 150% over a year earlier.



5. Outlook for respective departments (2)

Consumer durables business

(Housing Equipment & Materials, Home Products)

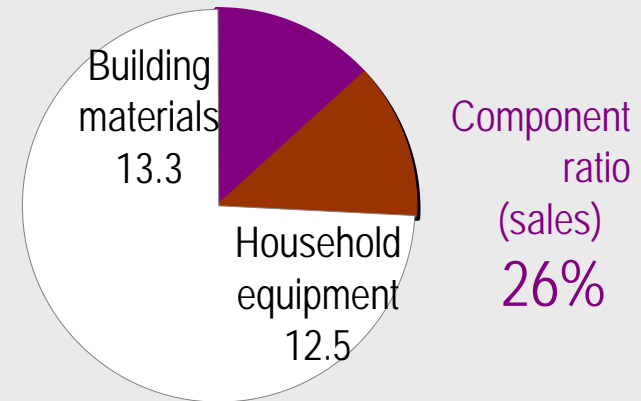


Net sales

¥97,438 million (-1.2% YOY)

Operating income (%)

¥2,213 million (2.3%)



- The building materials department fought a year-long battle over sales of core kitchen and bathroom products on an unforeseen slump in the housing market, and revenues fell as conditions in regional markets remained harsh.
 - ❑ Growth in eco-friendly products drove/shored up results.
- The household equipment department maintained its sales figures on out-of-season growth in electrical appliance sales.
 - ❑ "Kurashi no e-Shop" won the Rakuten Shop of the Year award.



5. Outlook for respective departments (3)

International Operations

(production equipment & materials)



Net sales
¥44,701 million (+23.3% YOY)
 Operating income (%)
¥1,833 million (4.1%)



Component
ratio
(sales)
12%

➤ Foreign production equipment and materials sales (international operations dept) performed steadily throughout the year and revenues increased by a wide margin.

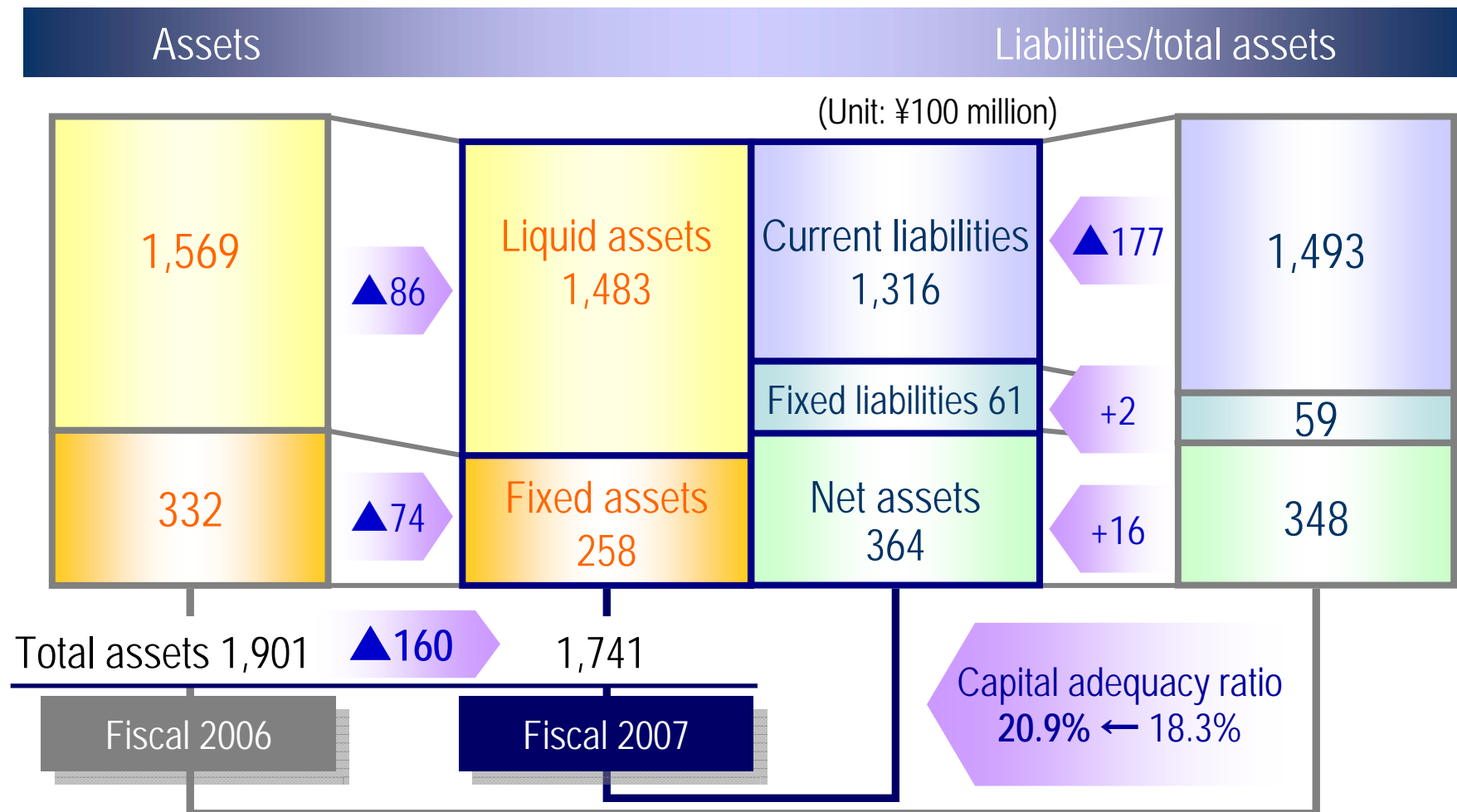
- ❑ There was notable growth in China-bound sales to Europe led by machinery demand. Large-scale China-bound orders from Taiwanese companies resulted in a substantial increase in Asia branch revenues.
- ❑ Exhibiting at foreign trade fairs (16 exhibitions in 9 countries) and open house events strengthened company presentation abilities.
- ❑ Staff increases (52 new recruits) served to enhance company service systems.



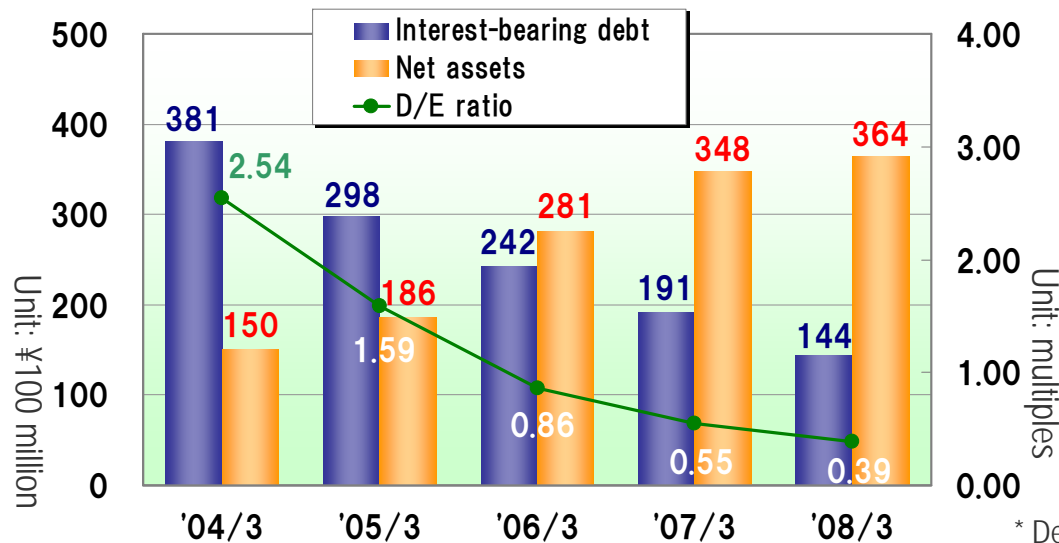
HQ staff	67
Expatriate staff	42
Local staff	553
(engineers)	162
Total	662

6. Balance sheet (consolidated)

- Our capital adequacy ratio increased to 20.9% up 2.6% from a year earlier.
- Combined assets were down ¥16 billion indicating an improvement in asset efficiency.



7. Financial position and cash flow



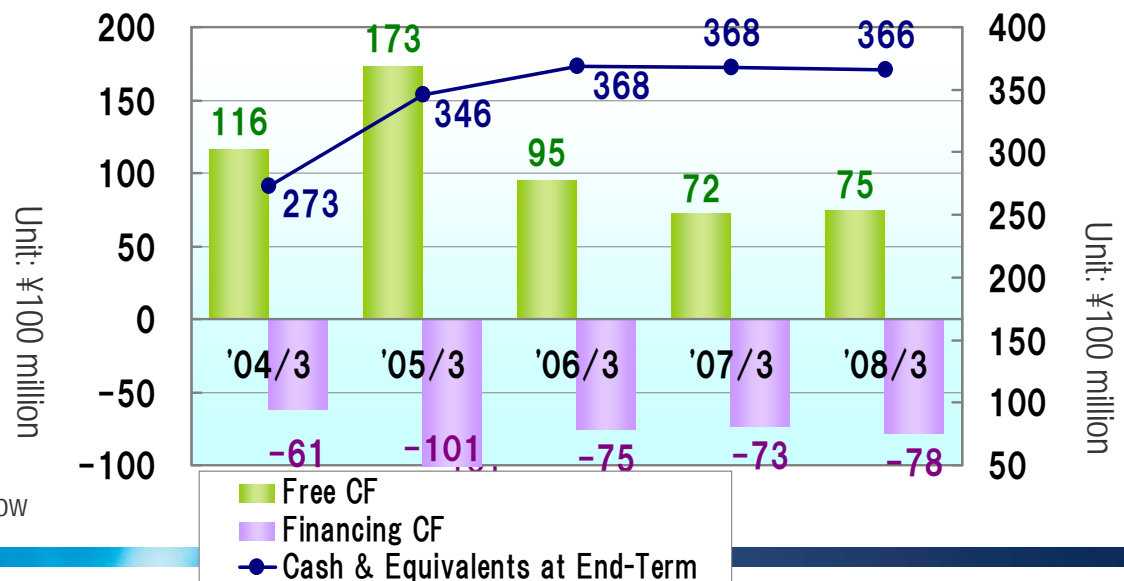
➤ Headway made on efforts to improve our financial position

- ☞ Interest-bearing debts are less than one-third of fiscal 2003 levels; net assets are up by a multiple of 2.4
- ☞ Our debt-to-equity ratio is up by a multiple of 0.39 (-0.63 fold when adjusted for cash and deposits)

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

➤ Cash flows are stabilizing

- ☞ On a 5-year average, free cash flow stands at ¥10.6 billion, financial cash flow at -¥7.8 billion



*Free cash flow = operating cash flow - financial cash flow

II. Earnings forecasts for fiscal 2008





1. Operating environment outlook
2. Earnings forecasts for fiscal 2008
3. Departmental sales targets

Nagoya branch to
celebrate its 50th
anniversary in
November



1. Operating environment outlook for fiscal 2008

➤ Though the domestic economy is likely to enter a period of adjustment, the economy is expected to begin rallying mid-year.

	Business segment	Focal indicators	Market environment outlook※	
1	Production equipment and materials — Domestic	Industrial production index JMTBA machine tool orders Semiconductor production equipment orders JAMA statistics	Auto sales forecasts suggest that demand will be down from a year earlier, though new demand from aircraft, etc. is expected to increase. Chances of a slowdown in capital spending during the first half of the year are high, though it is expected to rally in the second half.	
2	Consumer durables — Building materials & Materials	New housing starts Kitchen / bath shipment statistics	The decline in housing / building investment due to delays in construction starts is expected to pick up from around the middle of the year.	
3	Consumer durables — Home products	Consumer trends Japan DIY Industry Association statistics	Prospects for a dramatic recovery in consumer spending remain poor due to anxiety over rising prices, pensions and employment, etc.	
4	Production equipment and materials — Foreign	Local industrial output statistics Local diffusion indices US Association for Manufacturing Technology sales results statistics	While economic slowdown in the US and throughout the world is expected to continue during the first half of the year, corporate capital investment for export to emerging countries (demand) is forecast to remain steady.	

※ Based on Yamazen assessments

2. Earnings forecasts for fiscal 2008 (consolidated)

- Our second attempt to achieve GVP15 first year targets.

(Unit: ¥ millions; %)

Item	Fiscal 2007 (62nd accounting period)	Sept. 30, 2008 (2Q closing)	Fiscal 2008 (63rd accounting period)	% change
Net sales	376,852	187,000	381,000	1.1
[Unconsolidated]	360,554	178,000	363,000	0.7
Operating income	11,518	5,700	11,600	0.7
[Unconsolidated]	9,630	4,800	9,800	1.8
Ordinary income	11,405	5,900	12,000	5.2
[Unconsolidated]	9,364	4,900	10,000	6.8
Net profit	5,496	3,400	6,950	26.4
[Unconsolidated]	4,013	2,700	5,550	38.3

3. Departmental sales targets (consolidated)

(Unit: ¥ millions; %)

Department	Fiscal 2007 (62nd accounting period)	Component ratio	Fiscal 2008 (63rd accounting period)	Component ratio	% change
Machine tools	89,491	23.7	85,000	22.3	△5.0
Industrial systems	64,547	17.1	67,000	17.6	3.8
Industrial tools	65,757	17.4	67,000	17.6	1.9
System engineering	10,500	2.8	12,000	3.1	14.3
(Production equipment & materials total)	230,297	61.1	231,000	60.6	0.3
Housing Equipment & Materials	50,160	13.3	50,500	13.3	0.7
Home Products	47,278	12.5	48,500	12.7	2.6
(Consumer durables total)	97,438	25.9	99,000	26.0	1.6
International operations	44,701	11.9	46,000	12.1	2.9
Other departments	4,414	1.2	5,000	1.3	13.3
Total	376,852	100.0	381,000	100.0	1.1

III. Progress on **GVP re15**, Yamazen's mid-term management plan

1. Our vision and mid-term growth strategies
2. An overview of the **GVP re15**
3. Key **GVP re15** topics
4. Quantitative **GVP re15** targets



Yamazen hosted a party on May 10, 2007 to celebrate 60 years in business

1. Vision and Medium-term Management Policy

- Aiming to be a trading firm that contributes to manufacturing, and provides comfortable life spaces



2. An overview of the **GVP re15**

April 1, 2007 to March 31, 2010



- ◆ Increase the share of machine tools to **15%** of domestic demand
- ◆ Increase the foreign sales ratio to **15%**
- ◆ Bring interest-bearing debts to within **¥15 billion**
- ◆ Departmental, subsidiary, employee goals related to the **#15** ...etc.

- In striving towards and focusing on goals that are referenced to the #15, our aim is to develop exhaustive solutions (products and services) proposals, marry customer satisfaction with our accomplishments and, in doing so, to establish our competitive edge in the areas in which we do business.

3. Key topics (1): Expansion in the Chinese market

- As a region for strategic priority, Yamazen is building up human and physical resources in China.
 - ➡ Demand, primarily for machine tools, continues to expand. Interregional exchange with neighboring countries is also gaining momentum.
 - ➡ Opened satellite office in Chengdu, Wuxi and Yantai.

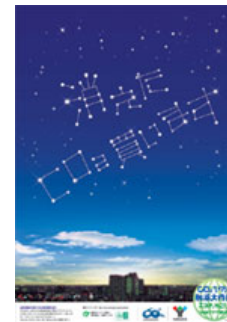


■ Current status of trade with China

(Unit: ¥ millions)	FY 2004	FY 2005	FY 2006	FY 2007
3 Chinese Subsidiaries	5,772	6,159	8,263	10,329
Taiwanese subsidiary	2,654	3,673	3,709	9,796
Singapore and Korea	214	106	287	281
Total	8,640	9,938	12,259	20,406

3. Key topics (2): Our eco-brand campaign

- Yamazen is stepping up its efforts to secure a competitive edge in the eco-business market.
 - ➡ Since fiscal 2005, we have been developing our Eco-Brand Campaign under which consumers who purchase designated environmentally-friendly products are refunded an amount equivalent to the CO₂ savings achieved by the purchase.
 - ➡ In October last year, Yamazen hosted a meeting for its leading suppliers to propose the introduction of photovoltaic power generation (particularly for plants) as the most efficient way to decrease CO₂ emissions. Our aim is to develop a supply chain that unites consumers (buyers) and suppliers.



Progress on CO₂ reduction targets during FY07 (as of March 31, 2008; all figures relate to devices installed)

Segment	Target reduction	Cumulative reductions	Achievement rate
Plants	15,000 tons	6,627 tons	44.2%
Consumer goods	15,000 tons	13,532 tons	90.2%
Total	30,000 tons	20,159 tons	67.2%

4. Qualitative GVP re15 targets (consolidated & revised)

■ Bottom-line targets

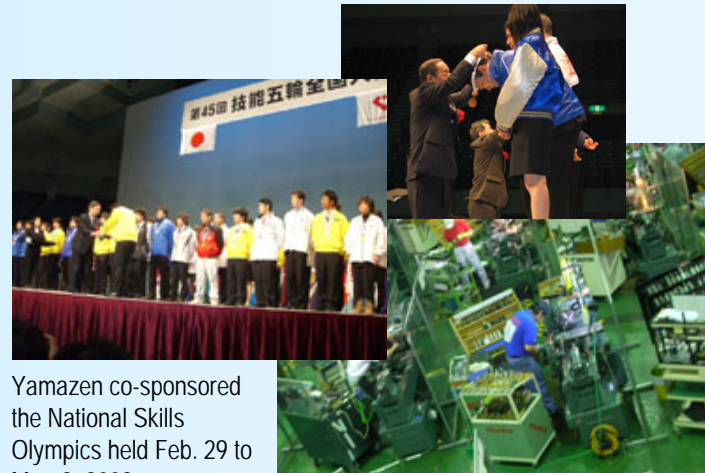
(Unit: ¥ millions)	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Net sales	377,610	376,852	381,000	400,000
Operating income	12,318	11,518	11,600	13,500
Ordinary income	12,913	11,405	12,000	14,000
Net profit	7,506	5,496	6,950	8,000

■ Key financial indicators

(Unit: %)	Fiscal 2006	Fiscal 2007	Fiscal 2009
Recurring profit margin	3.4	3.0	3.5
Capital adequacy ratio	18.3	20.9	25.0
Return on assets	6.9	6.3	7.5

IV. Fiscal 2008 Initiatives

1. Mid-term operating policy, FY08 initiatives
2. Key challenges for the year ahead
3. IT investment targets



Yamazzen co-sponsored
the National Skills
Olympics held Feb. 29 to
Mar. 3, 2008

1. Mid-term operating policy (1)

Production equipment and materials business

(Machine tools, Industrial systems, Industrial tools, System engineering)



Our goal is to propose solutions that cater to the procurement and production needs of the manufacturing industry, and in doing so help our customers to become more competitive.



- Yamazen is seeking to become the market leader in the production equipment and materials sector, beginning with machine tool sales. We are leveraging our needs-responsive systems and information provision capabilities to provide meaningful solutions.
 - ❑ Sales resources are being centralized at sales ace/association meetings to develop integrated, personal service portfolio
 - ❑ We are expanding e-commerce (PROCUEbyNET) transactions to increase productivity and market share

FY08 Initiatives



- ❑ Deployment of regional managers and area leaders to strengthen product/genre sales tailored to customers, areas, markets
- ❑ Wider participation in application-specific trade fairs: parts processing equipment fair, forging / sheet metal processing exhibition, plant environment exhibition, mechatronics fair, etc.
- ❑ Second attempt to meet our 10,000-ton CO₂ reduction target with eco-brand goods for the industrial sector

1. Mid-term operating policy (2)

Consumer durables business

(Housing Equipment & Materials)



As a housing advisory service provider that contributes to “creating satisfied home owners and comfortable homes”, our goal is to provide comprehensive support in the creation of living spaces that will inspire our customers.

Housing equipment and materials



- This is being developed as a sub-user strategy. Our sales and proposal capabilities are trusted by both consumers and suppliers and give us the leverage we need to expand this business.
 - ❑ Offer added value and information tailored to the needs of major national construction firms and well-rated builders operating in specific regions
 - ❑ Make effective use of door-to-door delivery systems to expand our range of orderable items

FY08 Initiatives



- ❑ Attempt to meet our 16,000-ton CO₂ reduction target with eco-brand consumer products ⇒ Start issuing “Estimated CO₂ reductions certificates”
- ❑ Launch an “extended repair warranty service system”
- ❑ Review city-based offices
- ❑ Increase numbers of regional sales managers and qualified personnel

1. Mid-term operating policy (3)

Consumer durables business

(Home Products)



As a market leader in “creating rich, dream-inspiring lives”, our goal is to satisfy and inspire our customers with safe and secure products.



- Yamazen is seeking to expand this business by concentrating our proposal and sales energies on offering a higher grade of product so as to secure the initiative in the distribution industry.
 - ❑ Strengthen our sales capabilities by narrowing down our target market, consolidating our product strategy, and training personnel
 - ❑ Build a trustworthy brand by creating high quality (safe, secure) products that inspire

FY08 Initiatives



- ❑ Conclude a product advisory contract with comedian Kuniaki Shimizu and ramp up leisure and DIY product development and promotion operations
- ❑ Augment our Net business personnel and systems and achieve annual sales of ¥1 billion
- ❑ Improve our overseas offices: strengthen local quality inspection systems, cultivate existing manufacturers and local staff, develop links with new manufacturers

1. Mid-term operating policy (4)

International operations (production equipment & materials)



Our goal is to become a global corporation with a tangible presence in all of the countries in which we operate through rigorous customer relationship management and the expansion of our engineering function and service portfolio.



- We will continue to invest actively in human resources and to improve our overseas operating bases with the aim of achieving a sales share of 15% from our international operations.
 - ❑ Promote greater differentiation by strengthening our range of engineering (after-sales services, applications) and services
 - ❑ Exhibit at key international trade fairs and host open house events

FY08 Initiatives



- ❑ Ramp up efforts to reach a larger customer base in respective countries (regions) ⇒ targeting 700 companies per year
- ❑ Open an office in Manila to expand our market in the Philippines
- ❑ Increase staff numbers by around 50, primarily in emerging countries
- ❑ Strengthen technical training to improve the skills of local staff

2. Key challenges for the year ahead (1)

- With business sentiment likely to remain poor for some time to come, Yamazen will employ a unified approach to the implementation of its various operating policies (single-year policies) and will focus on three priority initiatives as follows.

■ Key challenges [Fastidiousness]

(1) Increase turnover

Become the market leader in machine tools and peripheral equipment

- └ Increase staff numbers, encourage internal-external exchanges, add new operating bases, and strengthen engineering functions targeting comprehensive proposals/solutions that cut across areas and departments.

(2) Enhance added value

Expand eco-business, Internet orders

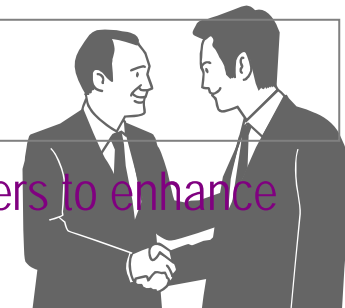


- └ Promote the eco-brand campaign and photovoltaic generation, hold environmental exhibitions and promote PbN to trigger the expansion of the industrial systems business.

(3) Enhance management base

Encourage communication

- └ Improve manager skills and prioritize "interaction" with customers to enhance communication and technical skills levels.

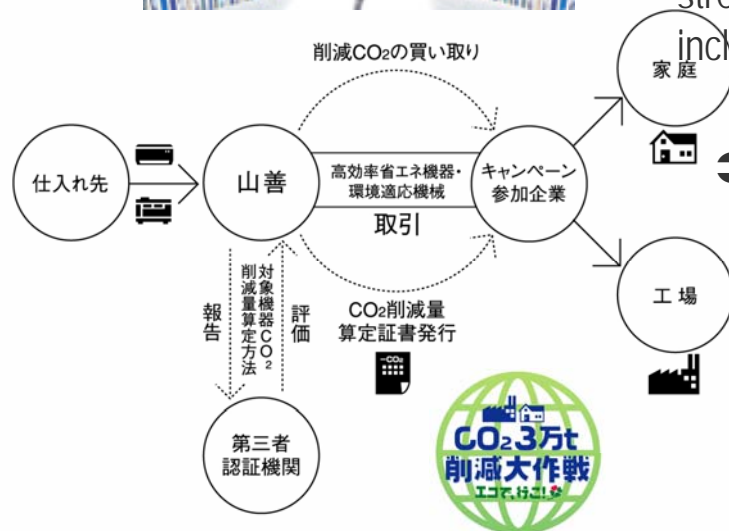


2. Key challenges for the year ahead (2): Sales promotion planning

- Yamazen is developing a distinctive promotion campaign under the “we’ll give it a try” catch phrase



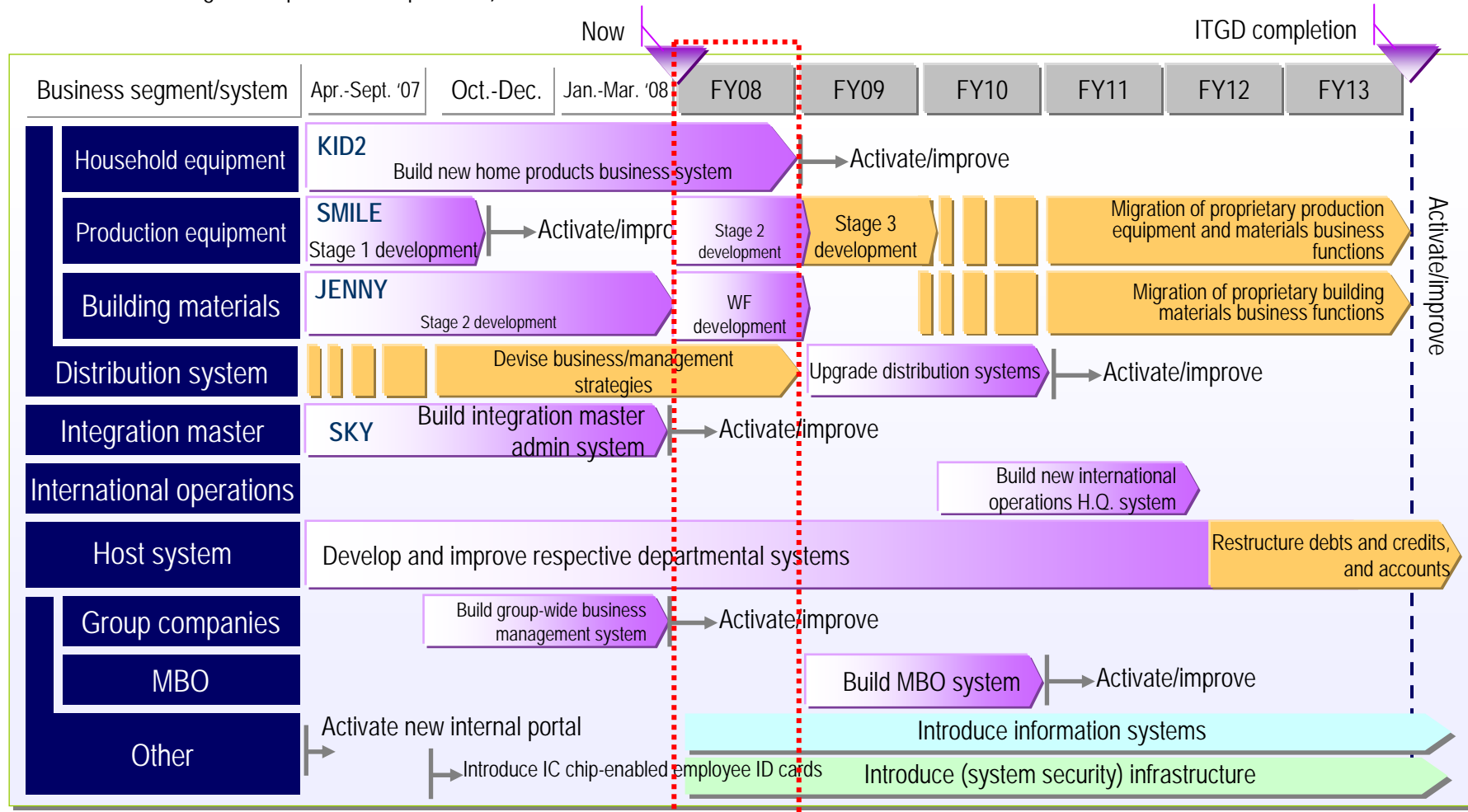
- There are plans to hold “Doterai Ichi” events in 30 locations during the coming fiscal year, and we are also developing exhibition/business negotiation plans that are tailored to local information/needs, including the parts processing equipment and mechatronics fairs, etc.
- PROCUEbyNET is Japan’s largest MRO website and has data on 4 million products. Our goal is to achieve a 25% increase in product numbers and double sales during the coming year. We are streamlining system use operations to develop value-added operations, including proposals, sales and technical support.



- Our “CO2 reduction campaign (eco-brand campaign)”, as a response to predicted environmental regulation (to curb greenhouse gas emissions) and a CSR activity, is intended to promote widespread use of environmentally friendly equipment. We purchase the CO2 savings made and issue highly objective “estimated CO2 reduction certificates”.

3. IT investment targets -- a roadmap

- Yamazen will launch a new “group-wide business management system (for consolidated results management) this financial year.
- We are also embarking on the development of “household equipment sales management” and “contractor management” systems (which are due to go into operation in April 2009).



V. Corporate governance and shareholder returns

1. CSR and corporate governance at Yamazen
2. Shareholder returns
3. Current term dividends

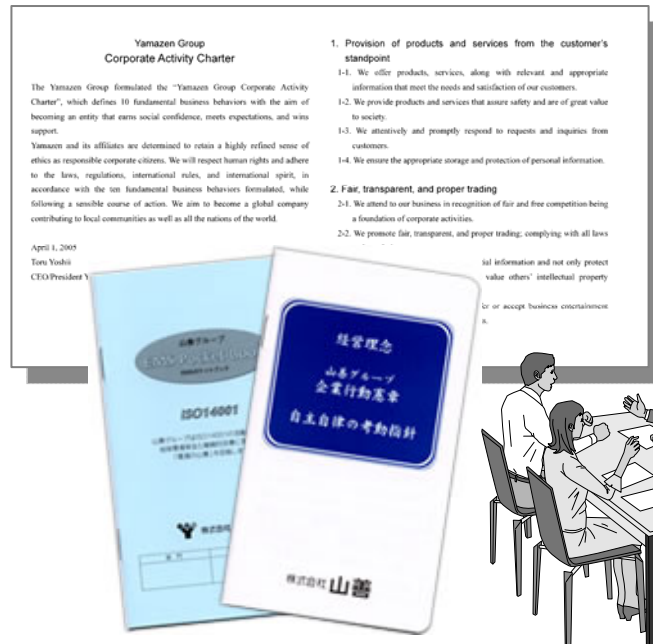
In October 2007, old school uniforms belonging to female employees were donated overseas via an NPO



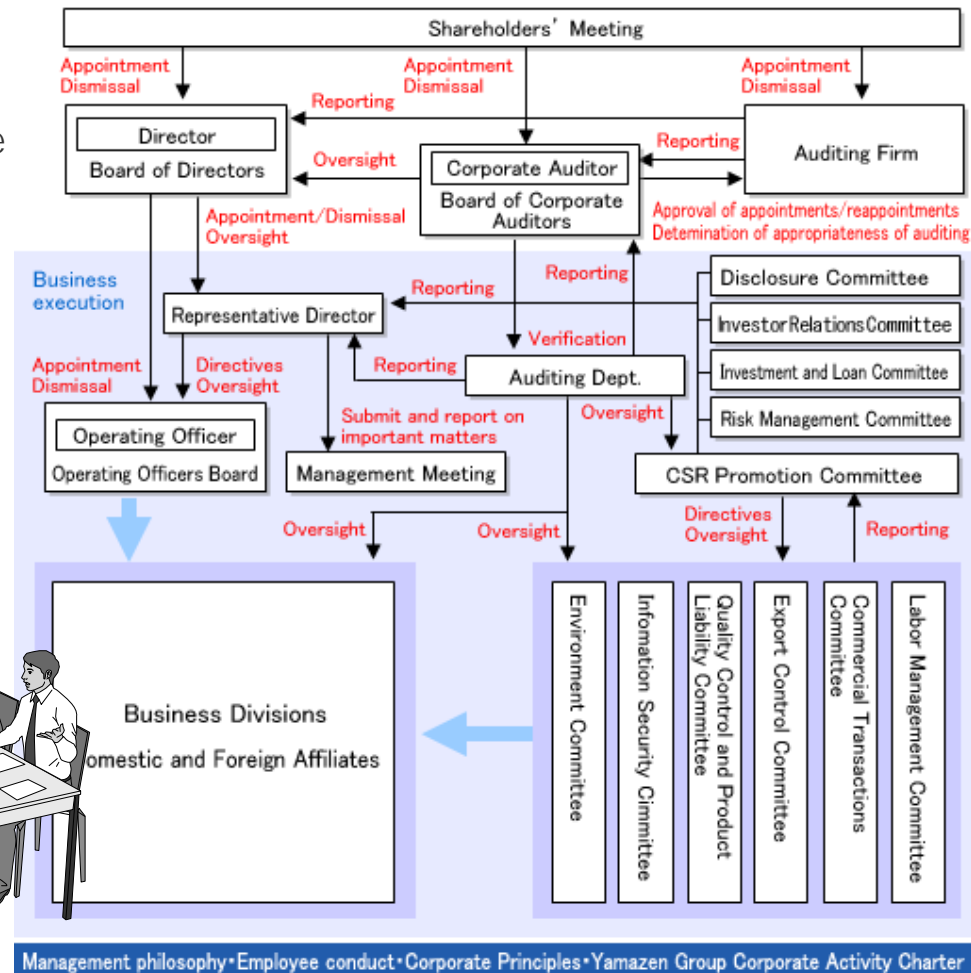
1. CSR and corporate governance initiatives

➤ In fulfilling our responsibilities as a corporation (CSR), i.e. observing the norms and ethics of society, we seek to improve our brand image and attain continuous and stable earnings growth.

- Our corporate activity charter is distributed to all group employees both at home and abroad.
- Yamazen sees CSR as a risk management issue and is strengthening its efforts in this area.



Yamazen Group's Corporate Activity Charter Pocket Book



Management philosophy • Employee conduct • Corporate Principles • Yamazen Group Corporate Activity Charter

2. Shareholder returns

□ Basic policy

△ Yamazen is working to strengthen its financial structure and its management base over the mid- to long-term and is committed to returning profits to our shareholders on a regular basis and in an amount that is commensurate with our performance as a company.

□ Dividend policy

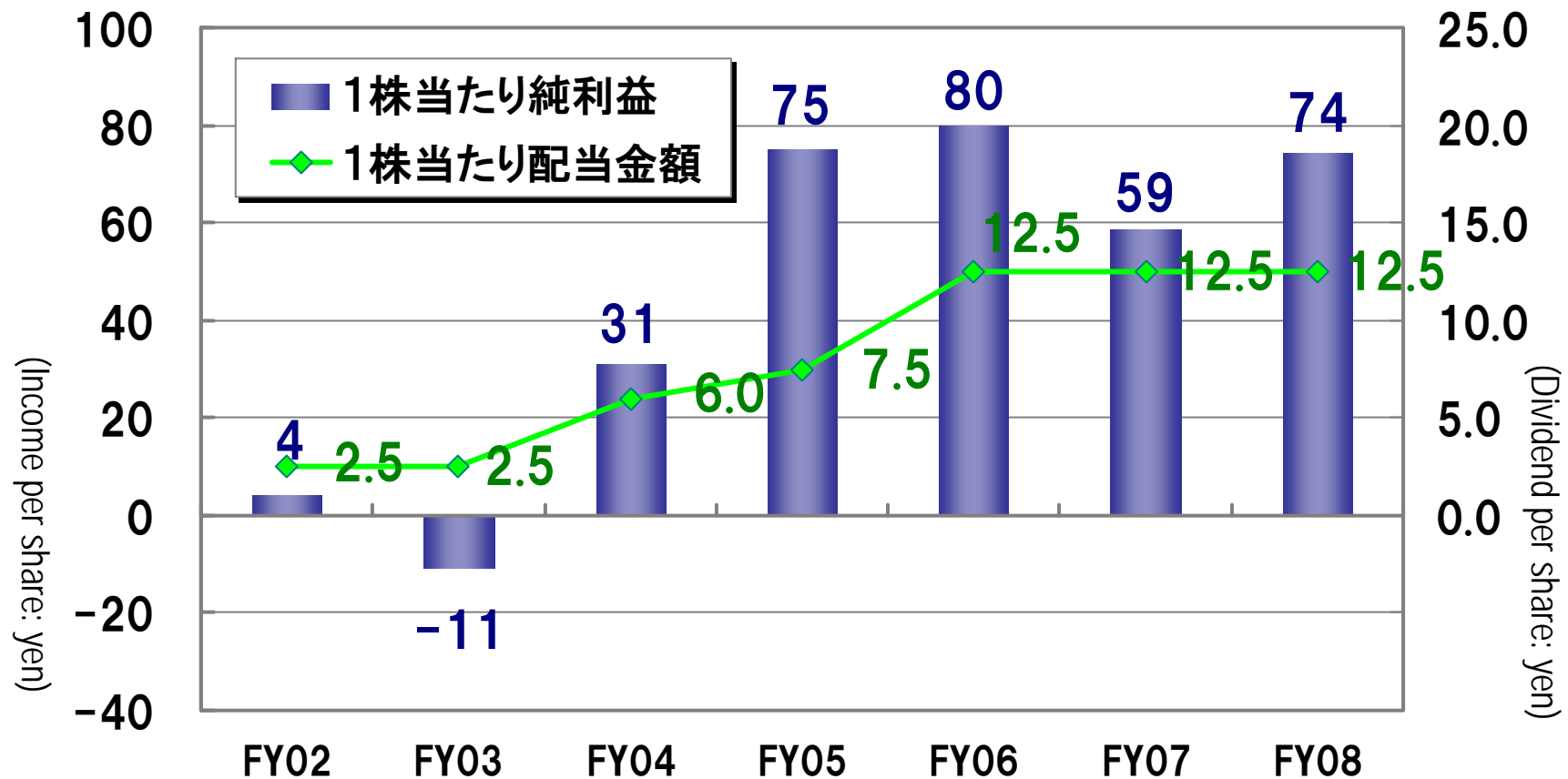
△ We aim to maintain a consolidated payout ratio of at least 15% and will endeavor to increase our profit returns in line with profit growth.

Recent dividend payouts

	FY02	FY03	FY04	FY05	FY06	FY07
Consolidated payout ratio	54.8%	—	19.3%	10.0%	15.6%	21.3%
Cash dividend	¥2.5	¥2.5	¥6.0	¥7.5	¥12.5	¥12.5

3. Current term dividends

- We aim to achieve a consolidated payout ratio of 16.9%.
- Our dividend targets are for an interim dividend of ¥5.0, a year-end dividend of ¥7.5, or a total payout of ¥12.5 for the year.



Inquiries

For any inquiries relating to Yamazen investor relations, please use the inquiry form provided on the company website (<http://www.yamazen.co.jp>).





YAMAZEN CORPORATION

These materials include Yamazen's plans, prospects of its business performance, and other data. Future plans and projected figures are based on currently available information. Actual financial and other results may differ from these plans and figures depending on the various conditions and factors involved. These materials are not intended to assure or guarantee that these plans and figures will be realized as described herein.

The names of particular companies and various statistics are listed in the course of explanations, but these are cited as specific examples to facilitate the readers' understanding of Yamazen's operations and the business environment in which the company operates and involve neither good intentions nor bad intentions. The readers are requested to confirm details of the companies and statistics cited here for themselves.