



YAMAZEN

F Y 2 0 0 8
O u t l i n e

AGENDA

- I . Overview of accounts
for the fiscal year ended March 2009
- II . Earnings forecasts for fiscal 2009
- III . Progress on GVP re15,
Yamazen's mid-term management plan
- IV . Fiscal 2009 Initiatives
- V . Corporate governance
and shareholder returns

I. Overview of accounts for the fiscal year ended March 2009

1. Financial results highlights
2. Quarterly fluctuations
3. Factors in ordinary income growth/decline
4. Divisional breakdown of sales results
5. Outlook for respective divisions
6. Balance sheet
7. Financial position and cash flow

1. Financial results highlights (consolidated)

- The domestic production equipment and materials business struggled due to the sluggish domestic capital spending. There was a sharp decline in demand overseas from the emerging economies.

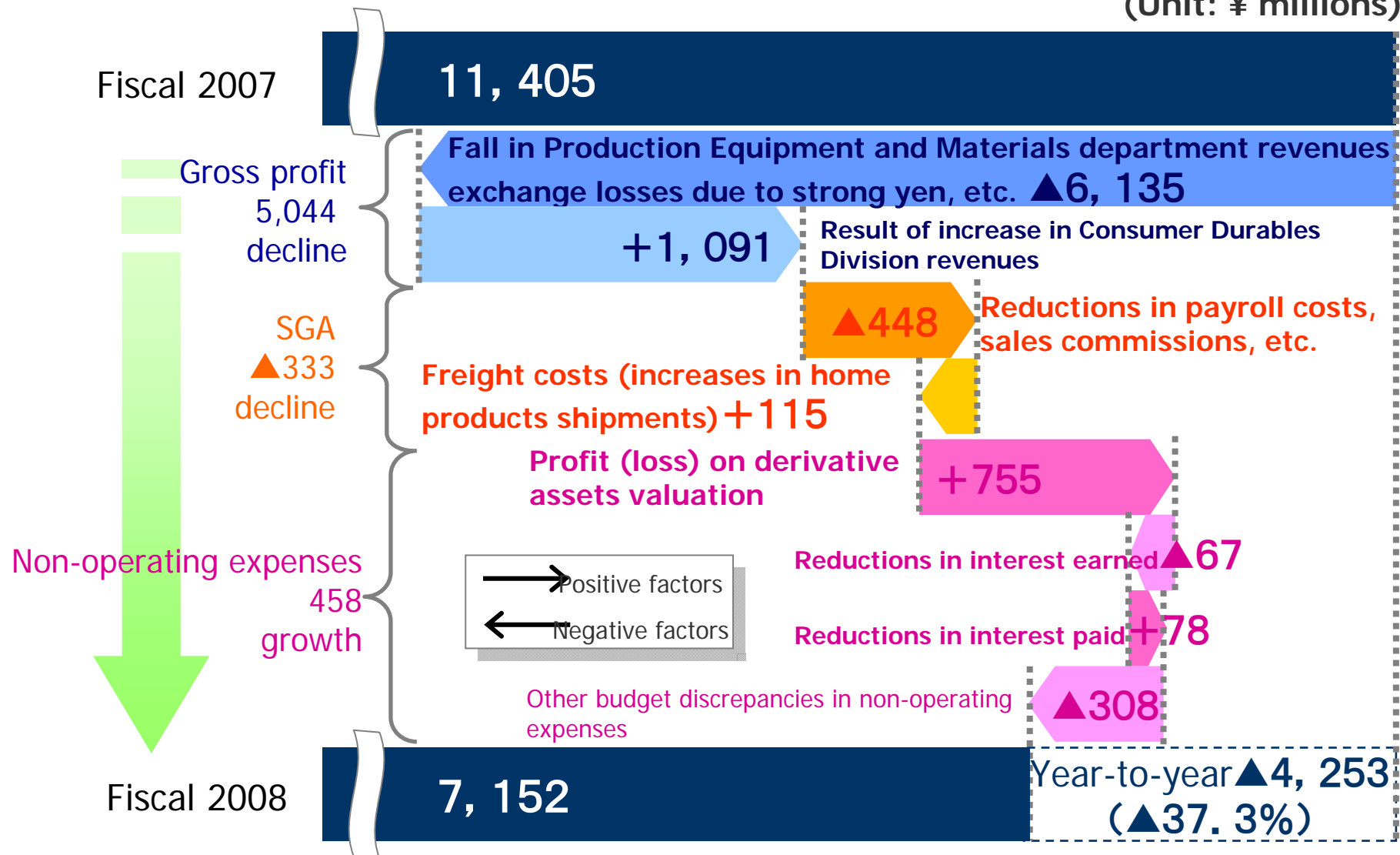
(Unit: ¥ millions; %)	Fiscal 2007 (62nd accounting period)	Fiscal 2008 (63rd accounting period)	Percentage change	Published targets (modified)	Ratio to target
Net sales	376,852	325,947	△ 13.5	327,000	△ 0.3
Gross profit	43,078	38,034	△ 11.7	—	—
Operating expenses	31,559	31,226	△ 1.1	—	—
Operating income	11,518	6,807	△ 40.9	6,400	6.4
Ordinary income	11,405	7,152	△ 37.3	6,100	17.2
Extraordinary profit	175	1	△ 99.4	—	—
Extraordinary loss	2,571	337	△ 86.9	—	—
Net profit	5,496	3,791	△ 31.0	3,100	22.3

2. Quarterly changes (Net sales and Ordinary income)

Unit: ¥ millions (cumulative total)	FY	1Q	2Q	3Q	4Q
Net sales	'07/3	89,580	95,695 (185,275)	98,259 (283,534)	94,076 (377,610)
	'08/3	90,144	95,864 (186,008)	97,322 (283,330)	93,522 (376,852)
	'09/3	91,528	95,215 (186,743)	80,007 (266,751)	59,196 (325,947)
Ordinary income	'07/3	2,642	3,443 (6,085)	3,522 (9,607)	3,306 (12,913)
	'08/3	2,680	3,206 (5,886)	3,005 (8,891)	2,514 (11,405)
	'09/3	2,548	2,544 (5,134)	894 (6,098)	1,054 (7,152)

3. Factors in ordinary income growth/decline

(Unit: ¥ millions)



4. Divisional breakdown of sales results (consolidated)

(Unit: ¥ millions; %)

Department	Fiscal 2007 (62nd accounting period)	Fiscal 2008 (63rd accounting period)	% change	Published targets (modified)	Ratio to target
Machine Tools	89,491	68,340	△ 23.6	68,000	0.5
Industrial Systems	64,547	55,455	△ 14.1	56,000	△ 1.0
Industrial Tools	65,757	54,833	△ 16.6	56,000	△ 2.1
System Engineering	10,500	8,505	△ 19.0	8,500	0.1
(Production equipment & materials total)	230,297	187,135	△ 18.7	188,500	△ 0.7
Housing Equipment & Materials	50,160	47,494	△ 5.3	48,000	△ 1.1
Home Products	47,278	52,128	10.3	52,200	△ 0.1
(Consumer durables total)	97,438	99,622	2.2	100,200	△ 0.6
International Operations	44,701	35,337	△ 20.9	34,500	2.4
Other departments	4,414	3,851	△ 12.8	3,800	1.3
T o t a l	376,852	325,947	△ 13.5	327,000	△ 0.3

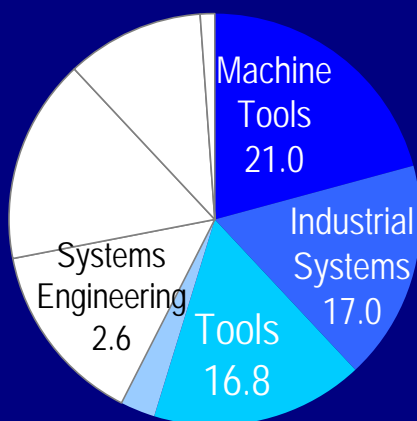
5. Outlook for respective divisions (1)

Production equipment and materials business



Production
equipment
and materials

Net sales
187,135 million
(-18.7% YOY)



- **All domestic production equipment and materials divisions reported declines in both revenues and profit on the drop in demand produced by the sharp decline in capital spending and production output from the 3Q onwards.**

Production adjustments and a freeze on spending in the auto industry, Yamazen's principal market, resulted in a dramatic decline in sales of machine tools, peripheral equipment and consumable tools.



<FY 2009 "Doterai Ichi" Figures>

Trade shows	30
Orders received	67,379 million yen
Attendance	167,933

(Unit: ¥ millions)	Net sales	Operating income	(%)
F Y 2 0 0 8	187,135	5,609	3.0%
F Y 2 0 0 7	230,297	9,375	4.1%

* Note: The operating income (margin) figures shown were calculated on the basis of internal administrative accounting rules. Please note that the accounting system may change in the event of an institutional disclosure.

5. Outlook for respective divisions (2)

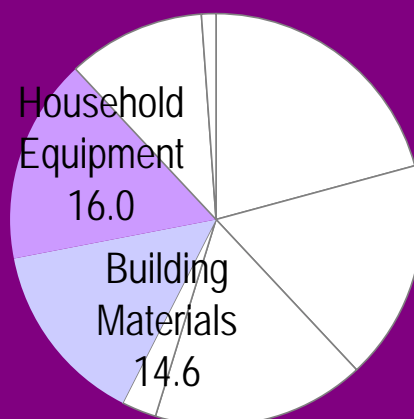
Consumer durables business



Housing
Equipment &
Home Products

Net sales

99,622 million
(-2.2% YOY)



- **Housing Equipment Department revenues fell on sluggish housing demand, though the Home Products Division reported increases in both revenues and profit on improvements to its original goods lineup aimed at low-end consumers.**

- ❑ Sales of air-conditioning equipment (104% year-on-year) and construction materials (108%) are growing thanks to the success of the "Green Ball Project", "iENOGU Warranty" and other similar ventures.
- ❑ Previous season electrical fan sales topped 1.78 million. Demand from electronics retailers, primarily for cooking equipment, is growing strongly.



"KURASHINO e-shop" won the Rakuten Ichiba Shop of the Year Award

(Unit: ¥ millions)	Net sales	Operating income	(%)
F Y 2 0 0 8	99,622	3,146	3.2%
F Y 2 0 0 7	97,438	2,213	2.3%

5. Outlook for respective divisions (3)

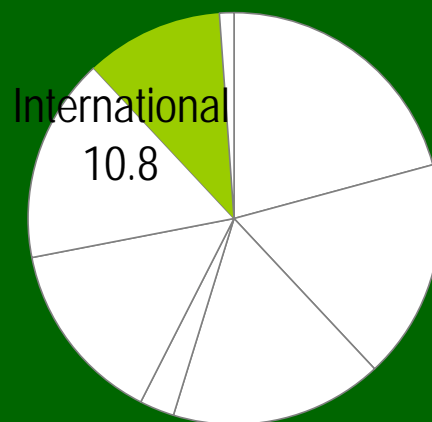
International Operations



Production Equipments and materials

Net sales

35,337 million
(-20.9% YOY)



- The overseas production equipment and materials division (International Operations H.Q.) reported declines in both revenues and profit on a downturn in demand for capital equipment in the emerging economies.

- ❑ Overseas offices (organizations) and support systems were upgraded in all regions to better respond to demand and improve service quality.

➔ Offices were set up in the Philippines and Poland and a showroom established in Dong Guan (China). The German office was incorporated.

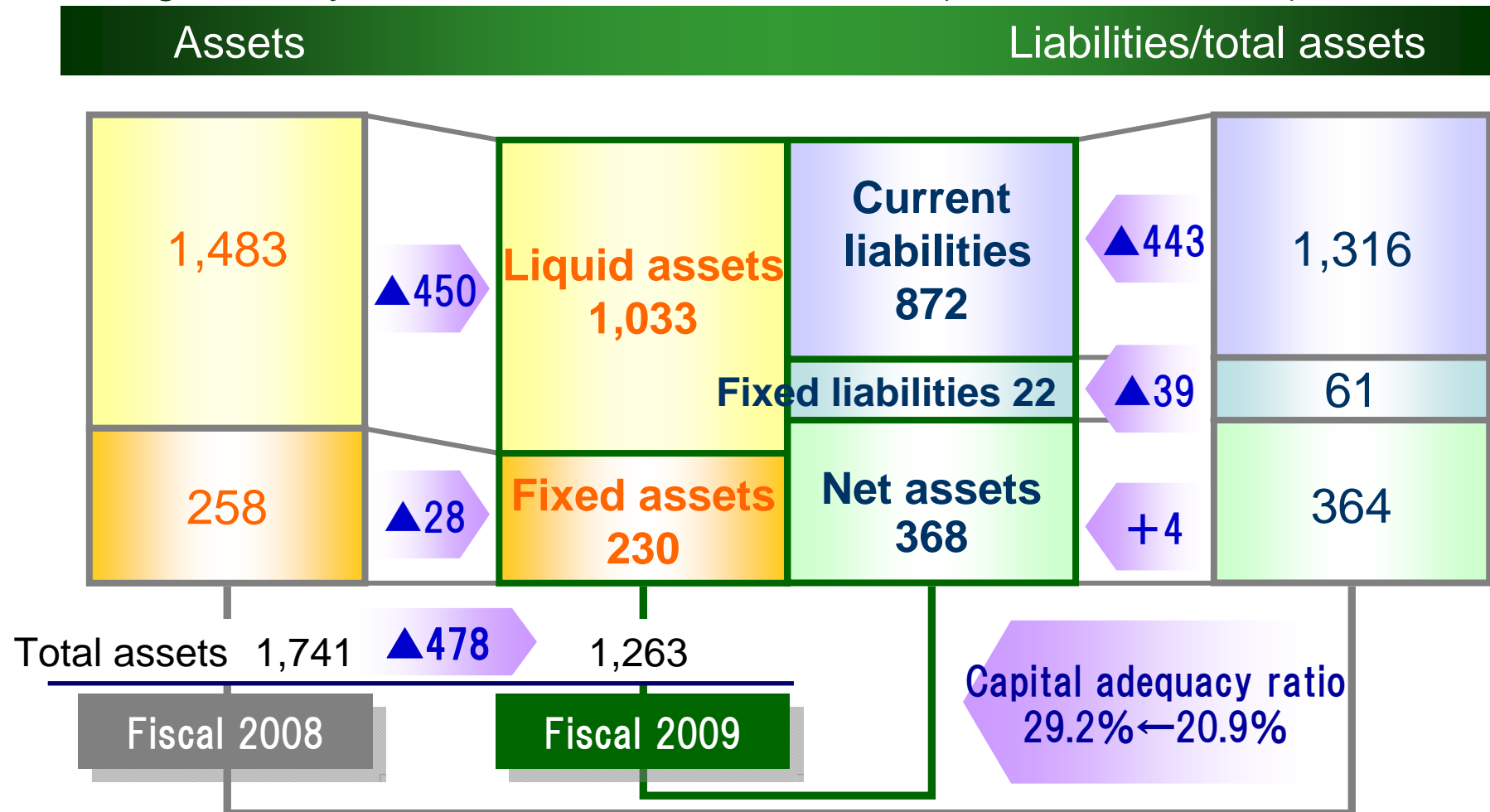
- ❑ Efforts to reach a large customer base are making favorable progress at exhibits at the Chicago Show and at various other trade shows and open house events.



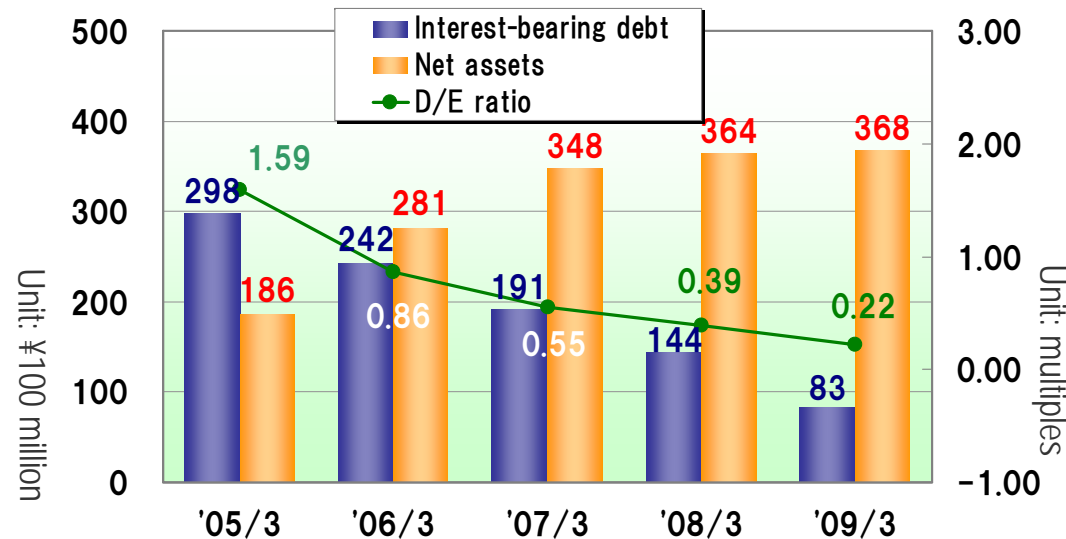
(Unit: ¥ millions)	Net sales	Operating income	(%)
F Y 2 0 0 8	35,337	456	1.3%
F Y 2 0 0 7	44,701	1,833	4.1%

6. Balance sheet (consolidated)

- Asset efficiency and the capital adequacy ratio improved significantly on reductions in asset value. (Unit: ¥100 million)



7. Financial position and cash flow



➤ Headway was made on efforts to strengthen our financial position.

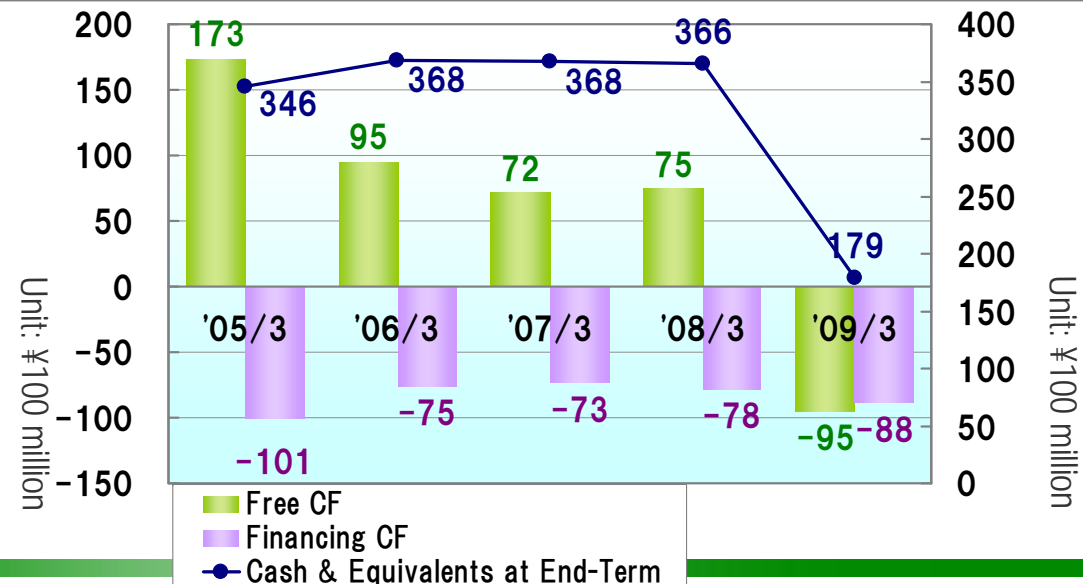
- Interest-bearing debts are less than one-third of fiscal 05/03 levels, while net assets are up by a multiple of 2
- Our debt-to-equity ratio is up by a multiple of 0.22 (-0.26 when adjusted for cash and deposits)

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

➤ Improvements in the receivables turnover ratio resulted in a brief period of negative free cash flows.

- On a 5-year average, financial cash flow stands at -¥8.3 billion; borrowings are being consistently repaid

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



II. Earnings forecasts for fiscal 2009





1. Operating environment outlook
2. Earnings forecasts for fiscal 2009
3. Divisional sales targets



The new building of Hiroshima Regional H.Q.
(to be completed in September, 2009)

1. Operating environment outlook for fiscal 2009

- Hopes for a speedy recovery and/or pickup either in the domestic or the global economy are remote.

	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	The decline in exports is expected to have negative repercussions on domestic demand. Falling capacity utilization rates are forecast to result in a massive decline in capital spending, primarily among exporters of autos and electronic devices. Inventory adjustments are also expected to depress growth.	
2	Consumer durables — Building materials & Materials	New housing starts Kitchen / bath shipment statistics	Despite a number of positive factors including price and interest rates, uncertainty about the future is intensifying and hopes for an increase in housing demand are remote. All eyes are on the largest-ever decrease in housing loan tax rates and environmental investment.	
3	Consumer durables — Home products	Consumer trends Japan DIY Industry Association statistics	Nominal consumption growth is expected to decrease significantly on falling incomes, uncertainty over the employment situation and the negative wealth effect of declining stock prices.	
4	Production equipment and materials — overseas	Local industrial output statistics Local diffusion indices US Association for Manufacturing Technology sales results statistics etc.	The downturn in the economies of Asia is expected to continue in line with deteriorating economic conditions in the US and Europe. The negative effects of the strong yen are also becoming increasingly obvious. The weakness in machinery exports is expected to be protracted.	

※ Based on Yamazen assessments

2. Earnings forecasts for fiscal 2009 (consolidated)

- Efforts are being made to guarantee a minimum level of performance in preparation for the fiscal year ahead. (Unit: ¥ millions; %)

Item	Fiscal 2008 (63rd accounting period)	Sept. 30, 2008 (2Q closing)	Fiscal 2009 (64th accounting period)	% change
Net sales	325,947	138,000	290,000	△ 11.0
[Unconsolidated]	313,112	131,000	277,000	△ 11.5
Operating income	6,807	1,150	3,700	△ 45.6
[Unconsolidated]	6,289	1,050	3,100	△ 50.7
Ordinary income	7,152	1,300	4,000	△ 44.1
[Unconsolidated]	6,626	1,200	3,400	△ 48.7
Net profit	3,791	750	2,300	△ 39.3
[Unconsolidated]	3,545	650	1,850	△ 47.8

3. Divisional sales targets (consolidated)

(Unit: ¥ millions; %)

Department	Fiscal 2008 (63rd accounting period)	Component ratio	Fiscal 2009 (64rd accounting period)	Component ratio	% change
Machine Tools	68,340	21.0	41,500	14.3	△ 39.3
Industrial Systems	55,455	17.0	52,000	17.9	△ 6.2
Industrial Tools	54,833	16.8	52,000	17.9	△ 5.2
System Engineering	8,505	2.6	6,300	2.2	△ 25.9
(Production equipment & materials total)	187,135	57.4	151,800	52.3	△ 18.9
Housing Equipment & Materials	47,494	14.6	50,000	17.2	5.3
Home Products	52,128	16.0	55,000	19.0	5.5
(Consumer durables total)	99,622	30.6	105,000	36.2	5.4
International Operations	35,337	10.8	29,200	10.1	△ 17.4
Other divisions	3,851	1.2	4,000	1.4	3.9
T o t a l	325,947	100.0	290,000	100.0	△ 11.0

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

1. Vision and mid-term management policy
2. An overview of the **GVP re15**
3. Mid-term operating strategy
4. Key **GVP re15** topics
5. Quantitative **GVP re15** targets

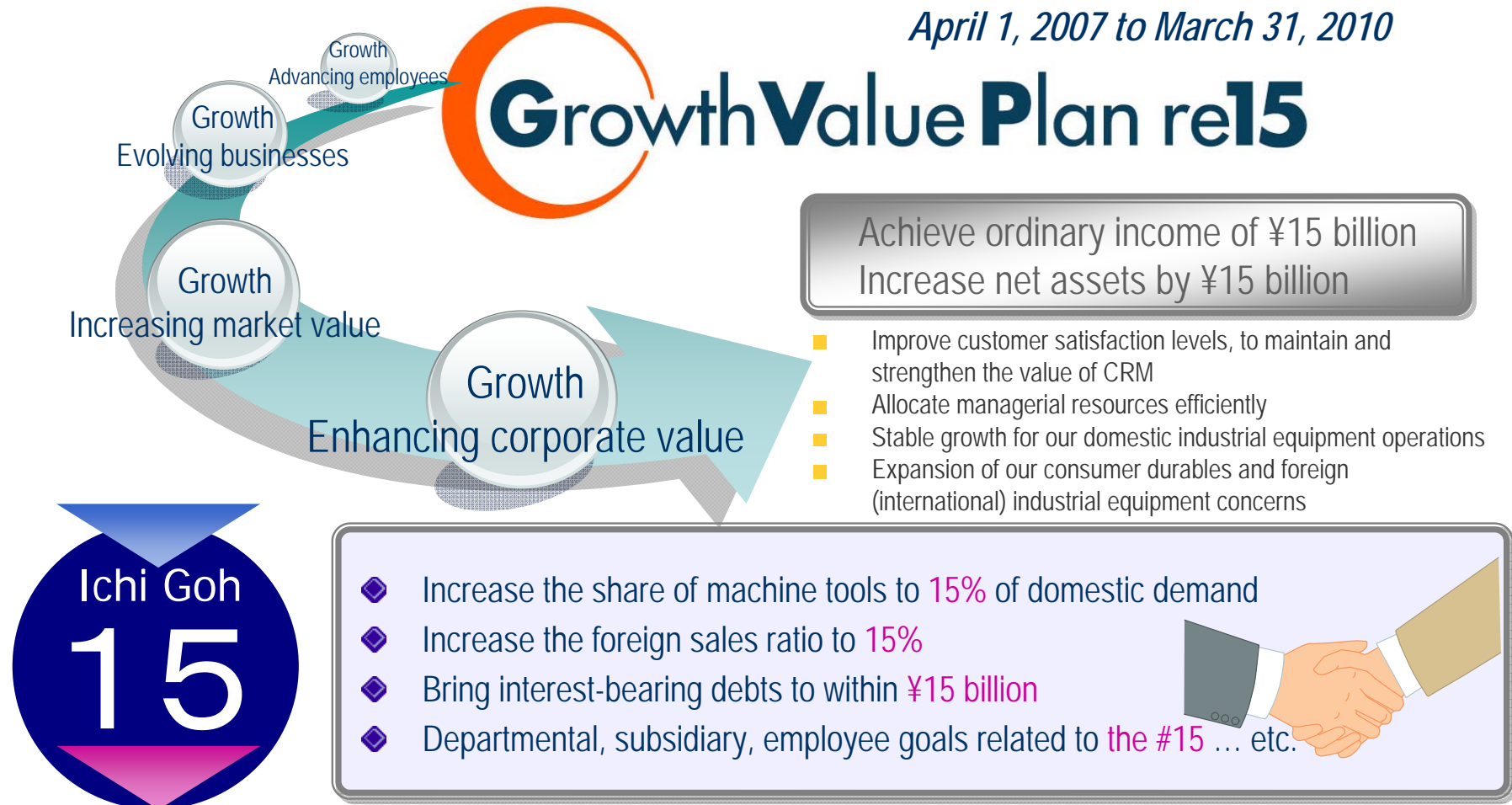
1. Vision and medium-term management policy

- Aiming to be a trading firm with a global presence that contributes to manufacturing and provides comfortable life spaces



2. An overview of **GVP re15**

April 1, 2007 to March 31, 2010



- 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, establish our competitive edge in the areas in which we do business.

3. Medium-term operating strategy

<p>Production equipment and materials — Domestic</p>	<p>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.</p> <ul style="list-style-type: none"> ➡ Stimulate underlying demand by exhibiting at application-specific trade shows ➡ Create opportunities to interact with customers and enhance the customer experience ➡ Increase the volume of electronic business transactions (PROCUEbyNET) 
<p>Consumer durables — Building materials & Materials</p>	<p>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.</p> <ul style="list-style-type: none"> ➡ Develop and cultivate relationships with national and well-rated local builders ➡ Make effective use of the direct delivery system to expand the range of items ordered 
<p>Consumer durables — Home products</p>	<p>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.</p> <ul style="list-style-type: none"> ➡ Strengthen sales capabilities by focusing on target customers, standardizing product strategies and training personnel ➡ Establish brand reliability by focusing on quality (product safety/security) and developing products with the power to move consumers
<p>Production equipment and materials — Overseas</p>	<p>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.</p> <ul style="list-style-type: none"> ➡ Increase the number of service bases ➡ Exhibit at more international trade fairs and hold open house events

4. Key topics (2) Expand overseas production equipment and materials business

Achieve a overseas sales ratio of 15%

➤ **New bases have been established in the Philippines and Poland. The German office has been incorporated.**

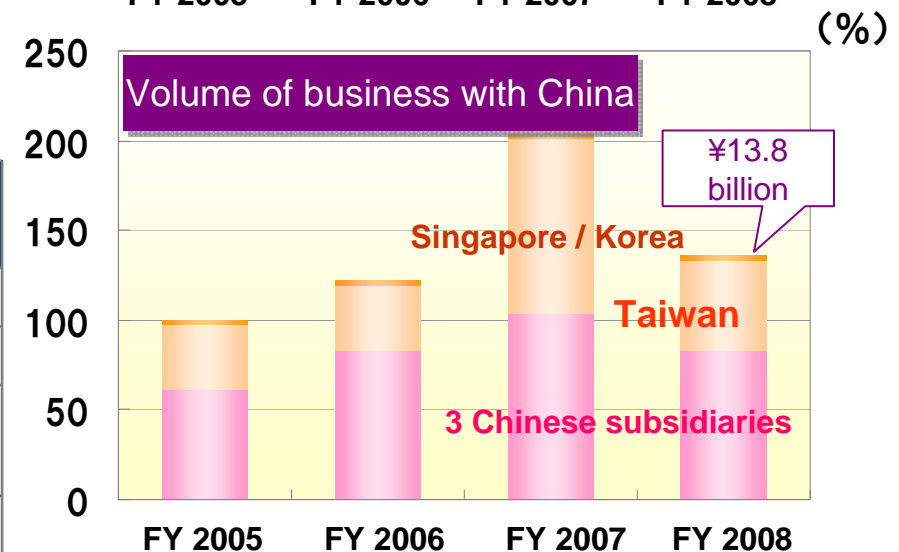
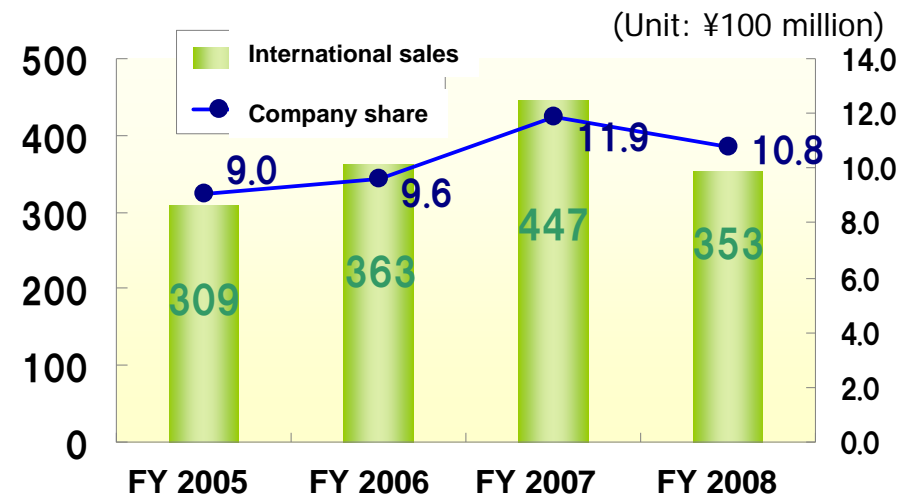
- Improvements are being made to overseas offices (organizations) and staffing (exchanges) in all regions to better respond to demand and improve service quality.

➤ **Approximately 900 companies (cumulative total) were approached last year in efforts to reach new foreign customers.**

➤ **Headway is being made on efforts to develop a sales base in China.**

- A showroom was opened in Dong Guan, South China and ties between the three Chinese subsidiaries are being strengthened.

Personnel	FY 2007 (Ended March 31, 2008)	FY 2008 (Ended March 31, 2009)
Head office staff	67	67
Expatriate personnel	42	41
Local employees	553	548
(Engineers)	162	161
T o t a l	662	656



5. Qualitative **GVP re15** targets (consolidated)

■ PL plan (revised)

(Unit: ¥ millions)	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Net sales	377,610	376,852	325,947	290,000
Operating income	12,318	11,518	6,807	3,700
Ordinary income	12,913	11,405	7,152	4,000
Net profit	7,506	5,496	3,791	2,300

■ Key financial indicators

(Unit: %)	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Recurring profit margin	3. 4	3. 0	2. 2	1. 4
Capital adequacy ratio	18. 3	20. 9	29. 2	31. 5
Return on assets	6. 9	6. 3	4. 8	3. 2

IV. Fiscal 2009 initiatives

1. FY 2009 operating policy
2. FY09 initiatives
3. Key challenges for the year ahead



[FY 2005]
Participating companies:
653
CO2 reductions: 8,015
tons



[FY 2006]
Participating companies:
645
CO2 reductions: 12,332
tons

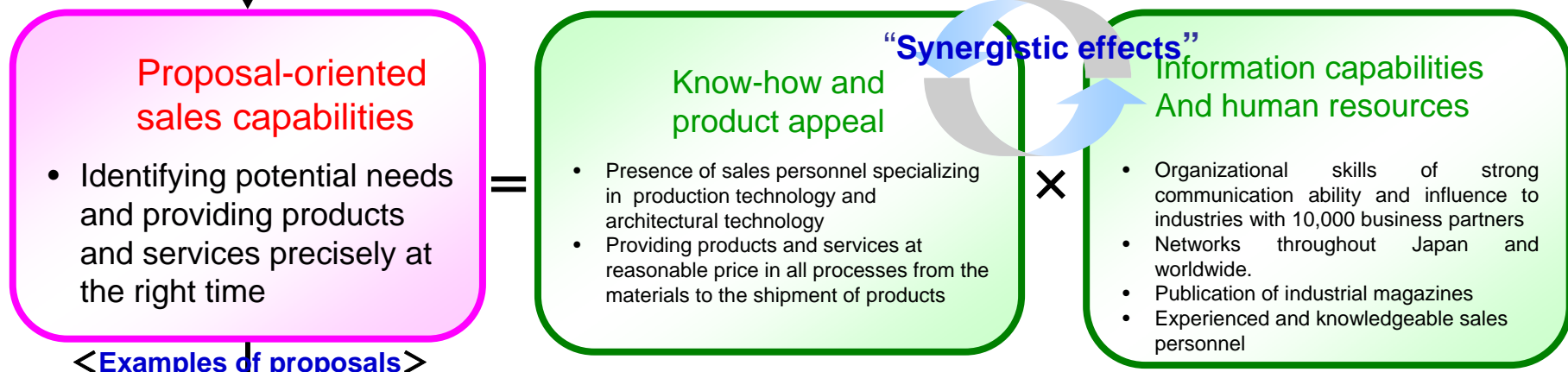


[FY 2007]
Participating companies:
780
CO2 reductions: 20,159
tons

1. FY 2009 operating policy: See change as an opportunity – encourage more aggressive business practices

➤ Leverage Yamazen's proposal capabilities, take forward-looking, affirmative action

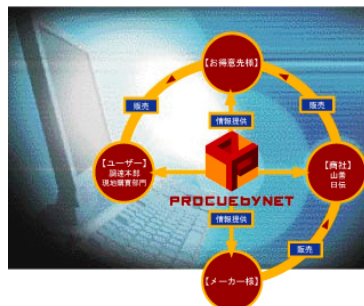
- Troubles at production (technology) sites
- Troubles in house construction
- Troubles on sales floors



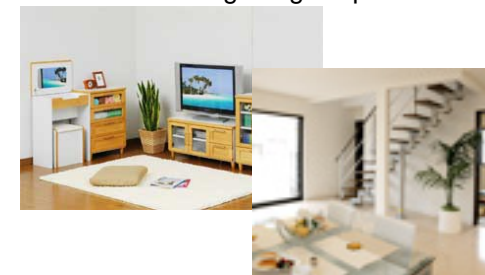
- Solutions through provision of “Business opportunities”



- Solutions through operational support
- Solutions through creative & original plans



- Solutions through combinations of goods from multiple manufacturers
- Solutions through original products



2. FY 2009 initiatives (1) Production equipment and materials business

Domestic (4 divisions) sales target: ¥151.8 billion

- **Concentration of sales resources on social gatherings to develop consolidated and close service relations.**



- ❑ Deployment of regional managers and area leaders to strengthen product and genre sales tailored to customers, areas and markets.
- ❑ Wider participation in application-specific trade fairs, including parts processing equipment fairs, metal forming/ plate processing machine fairs, plant environment fairs and mechatronics fairs, etc.
- ❑ Reinforce environmental equipment sales in the industrial systems sector

Overseas (international) sales target: ¥29.2 billion

- **Continue developing infrastructure and service networks towards stronger globalization.**



- ❑ Cultivate business with the customers (approx. 900 companies) being targeted in respective countries
- ❑ Strengthen ties among foreign offices and domestic departments
- ❑ Ensure conformity with international rules and compliance standards
 - ➔ Expand into markets / merchandise with robust export control systems (shipping, follow-up)

2. FY 2009 Initiatives (2) Consumer durables business

Housing equipment and materials sales target: ¥50 billion

- With housing demand stagnant, concentration on initiatives involving growth areas and leading manufacturers is imperative.



- ☐ Propose eco-friendly homes based on photovoltaic (solar) power generation
 - ➔ + Eco Cute, + Eco Will, + energy-saving devices
- ☐ Use the direct delivery system to strengthen delivery capabilities and expand the lineup of construction materials
- ☐ Strengthen wide-area sales; technical capabilities: increase the number of qualified personnel

Home products sales target: ¥55 billion

- Use ideas and prices to stimulate underlying demand; leverage delivery capabilities to improve on-time delivery rates

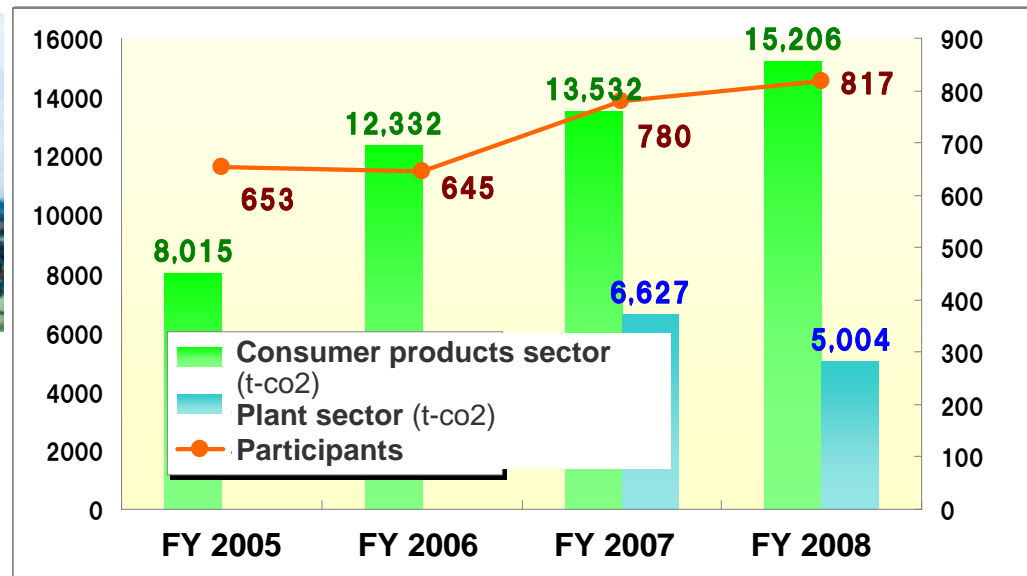


- ☐ Improve levels of customer satisfaction by improving on-time delivery rates
- ☐ Increase private-brand electrical fan shipments to 2 million (target for the coming season)
- ☐ 30th Anniversary Project: Use “Shimizu Kuniaki Best Selection”, “Eco Taku” and “New web site opening” to strengthen promotional activities
- ☐ Aim for annual sales of ¥2 billion through KURASHINO e-shop

2. Key challenges for the year ahead: Eco-business

Reduce CO2: Green Ball Project

- This project has been underway since fiscal 2005 in anticipation of the release of CDM products. A scheme is being developed to convert CO2 reductions achieved in the previous fiscal year to CER, the first of its kind in Japan.
- Meet demand for environmentally friendly equipment produced by revisions to the Energy Conservation Law and the Green New Deal, targeting “compatibility between business and the environment”.
 - ➡ Increase sales of related environmental products to ¥10 billion annually and increase the share of Eco Cute transactions by 5%.
 - ➡ Expand the lineup of products for industrial systems (plants) to 26 items (18 manufacturers).



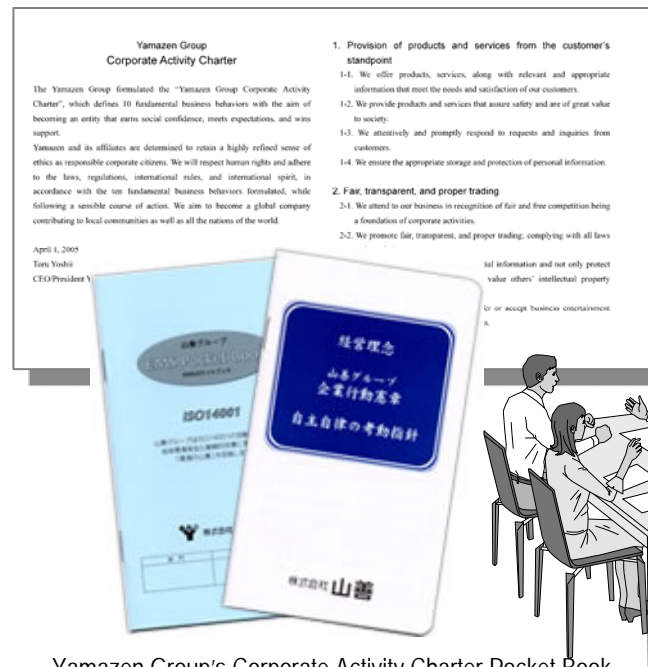
V. Corporate governance and shareholder returns

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

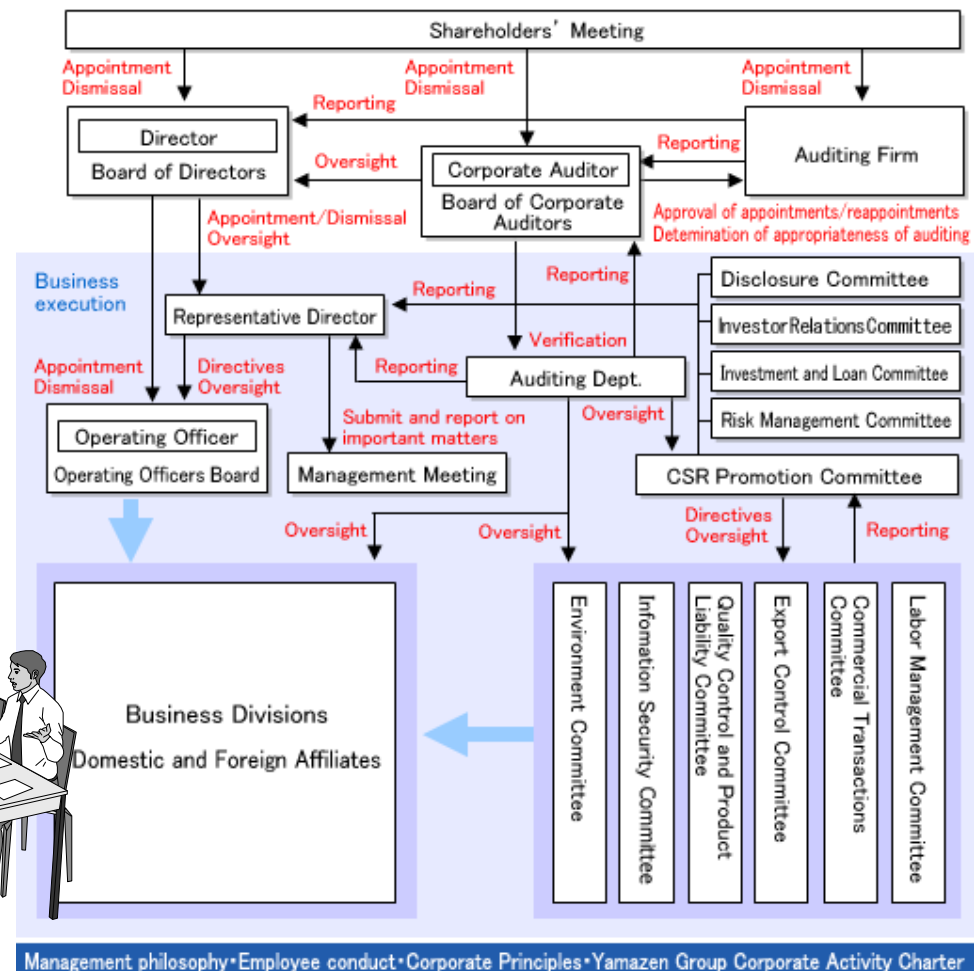
1. CSR and corporate governance initiatives

- 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 efforts in this area.



Yamazen Group's Corporate Activity Charter Pocket Book



Management philosophy*Employee conduct*Corporate Principles*Yamazen CSR Corporate Activity Charter

2. Shareholder returns

□ Basic concept

△ 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.

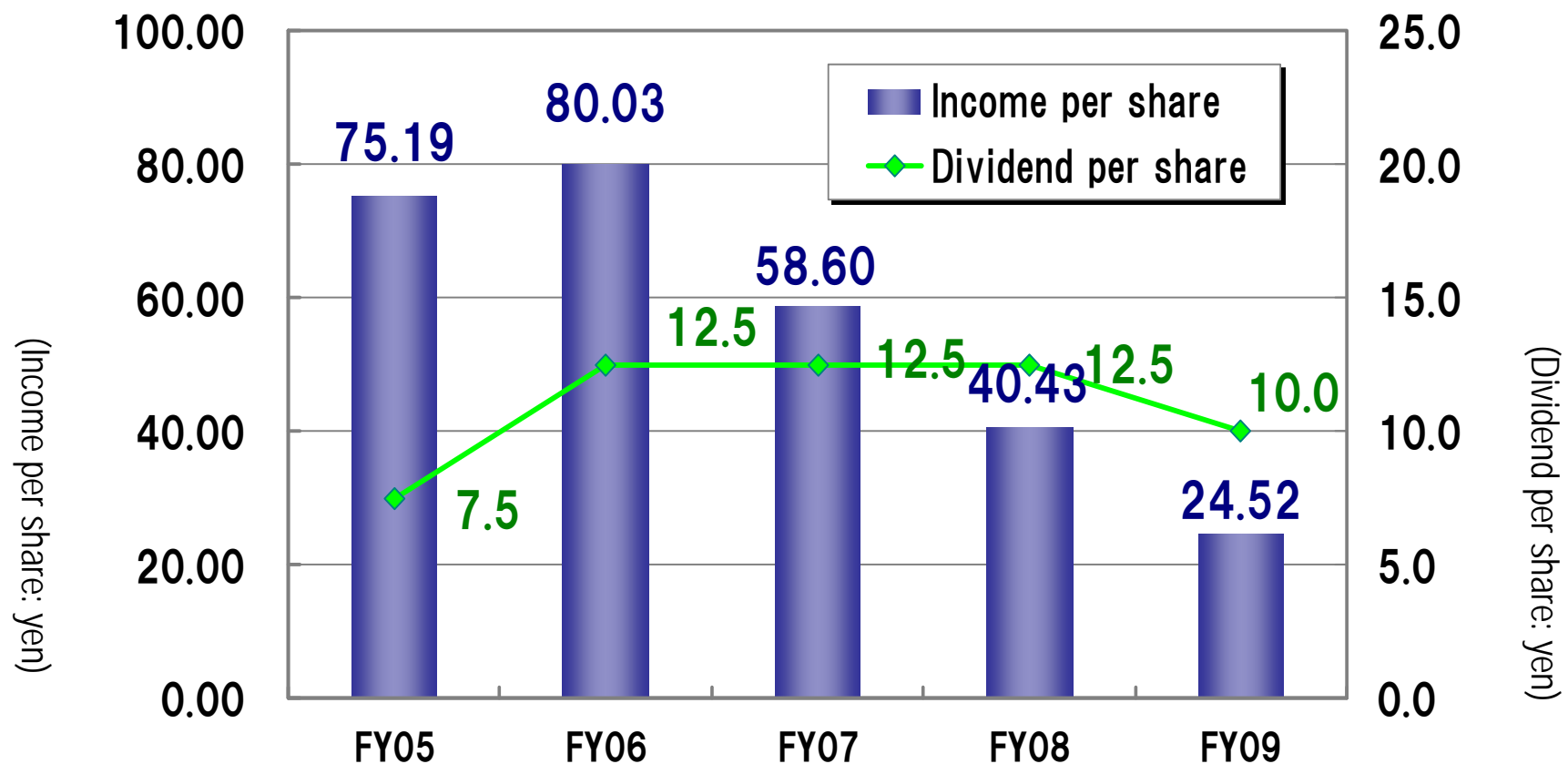
■ Recent dividend payouts

		FY05	FY06	FY07	FY08	FY09
Consolidated payout ratio		10.0%	15.6%	21.3%	30.9%	40.8%
Cash dividend	Interim	—	—	¥5.0	¥5.0	¥5.0
	Year-end	¥7.5	*¥12.5	¥7.5	¥7.5	¥5.0

* Year-end dividend 10.0yen, Commemorative dividend 2.5yen

3. Current term dividends

- We aim to achieve a consolidated payout ratio of 40.8%
- Our dividend targets are for an interim dividend of ¥5.0, a year-end dividend of ¥5.0, or a total payout of ¥10.0 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>).





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 readers' understanding of Yamazen's operations and the business environment in which the company operates and involve neither good intentions nor bad intentions. Readers are requested to confirm details of the company's and statistics cited here for themselves.
