The Specialist in Filtration
YAMASHIN

東証一部

6240

Enhancing Value Chains

Orders for construction machinery filters reach record
Restructuring and productivity improvements in our air filter and healthcare businesses yield greater profitability

YAMASHIN-FILTER CORP.
Financial Results for the Fiscal Year 2021
(April 2021 to March 2022)

August 4, 2021

Executive Summary①

The market environment, our actions, and business results for Q1 FY2021 (ending in March 31, 2022)

Market Environment

- Construction machinery filter business: The outlook remains unclear due to concerns about a new wave of COVID-19 infections, rising raw material prices, and a global semiconductor shortage. However, demand for construction machinery has increased substantially in Japan, U.S.A., Europe, and Asia, recovering to pre-pandemic levels.
- In China, the world's largest market for construction machinery, sales of new machines remain high with Chinese manufacturers continuing to grow their market share.
- Air filter and healthcare business: As economic activity resumes worldwide, the societal and lifestyle changes that accompany growing infection rates will present opportunities to expand our business.

Company Actions

Development of YAMASHIN Nano Filter™ technology

◆ **Construction machinery filter business**
⇒ YAMASHIN will contribute to a reduction in greenhouse gas emissions with its high value-added and sustainable products and technology

◆ **Air filter business**
⇒ YAMASHIN's nanofiber products and technology will contribute to a reduction in greenhouse gas emissions and to alleviating the causes of climate change and environmental issues

◆ **Healthcare business**
⇒YAMASHIN will contribute to reducing health risks

◆ **Other business portfolios**
⇒ YAMASHIN will grow its product supply in a sustainable way by using its Nano Filter™ technology in the arenas of apparel, oil adsorbents, and other industrial materials

Business results for Q1 FY2021

- **Consolidated sales: ¥4.685 billion, a 63.9% increase from the same period last year**
  - Construction machinery filters: ¥3.752 billion, a 71% increase from the same period last year
  - Air filters: ¥637 million, a 3.9% reduction from the same period last year
  - Healthcare: ¥295 million
- **Operating income: ¥341 million, a growth of ¥439 million from the same period last year**
  - Our construction machinery filter business saw a large increase in profit due to greater demand despite temporary increases in air freight costs.
  - The profitability of our air filter business fell due to a decline in the use of office buildings and other facilities
  - Our healthcare business saw a considerable drop in profit, as we are still installing the fully automated production line scheduled for the second quarter and have been unable to sufficiently reduce manufacturing costs in the meantime.

Executive Summary②

Company Actions (details)

- Restructure and enhance the value chain across all businesses
- Deliver on ESG while expanding our business portfolio
- Enhance profitability in our construction machinery filter business by reviewing the supply chain
- Improve profitability through improved productivity

Construction machinery business

Expand lineup of high value-added filter products that leverage new materials and IoT technologies
Further develop and promote filter products with long-lasting nanofiber filters, incorporating aeration and sensor technologies

Grow market share in the North American and Chinese markets
Beyond our flagship line of return filters, we are promoting our fuel and transmission filters and seeing growing adoption by Chinese construction machinery manufacturers.

Air Filter Business

Expand overseas markets by having our filters' performance certified (e.g., ASHRAE and EN) for the European market

Develop and promote nanofiber air filters
Accelerating adoption of nanofiber air filters with low pressure loss and high capture rates for office buildings, factories, railroad cars, home appliances and other applications

Healthcare business

Consumer mask market
Improve profitability by capitalizing on new sales channels we have established to drug stores and other retailers, and by introducing a new fully automated production line.

Medical mask market
Develop new markets from a long-term perspective by obtaining DS2 certification and overseas certification such as N95

Establish other elements within the business portfolio: Promote *YAMASHIN NANO FILTER™*

Expand into new market areas through apparel and industrial materials
Encourage the adoption of YAMASHIN Nano Filter™ for all manner of industrial materials

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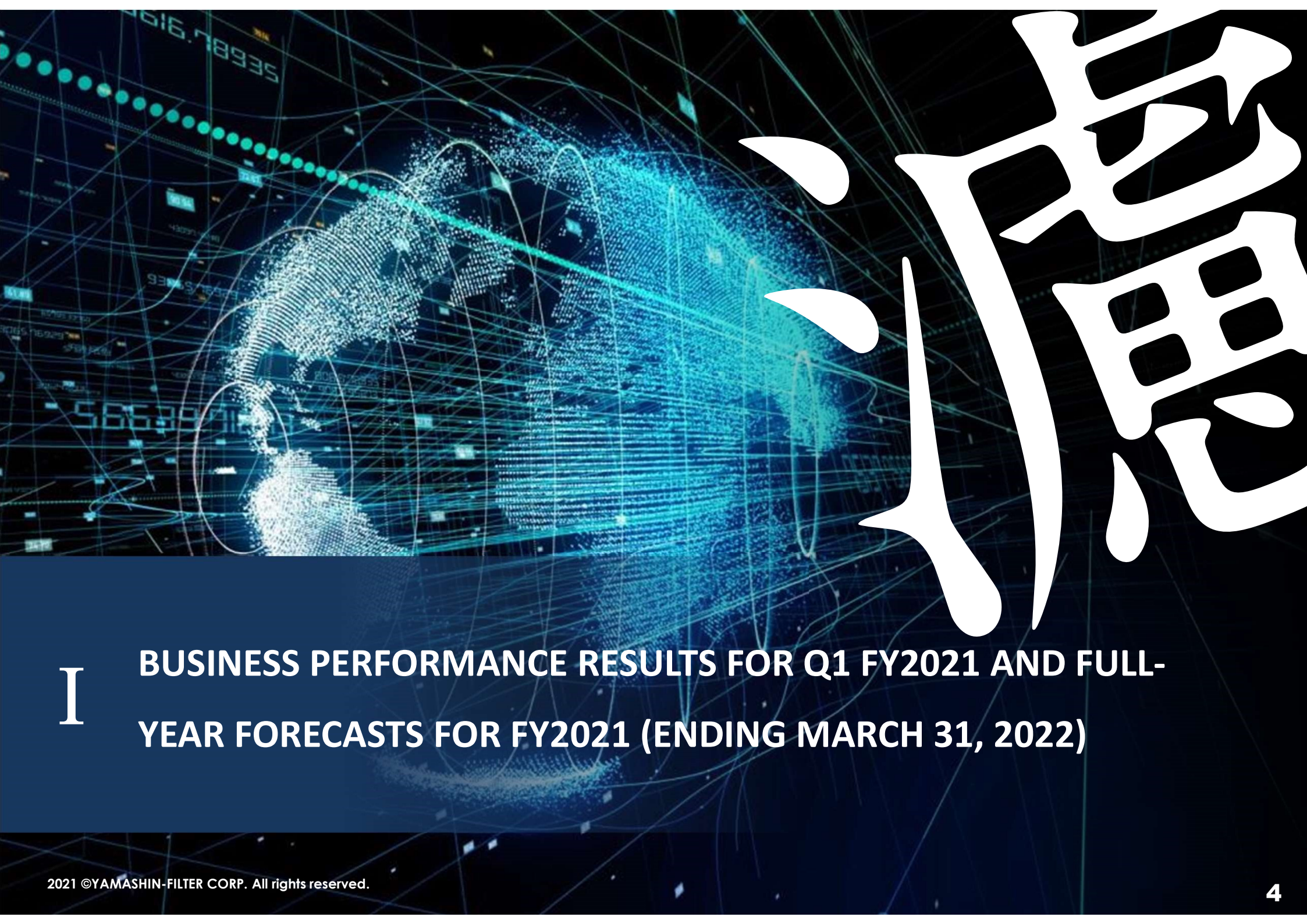


I BUSINESS PERFORMANCE RESULTS FOR Q1 FY2021 AND FULL-YEAR FORECASTS FOR FY2021 (ENDING MARCH 31, 2022)

Business Performance Results for Q1 FY2021 (April 2021 to June 2021)

Q1 FY2021 Business Performance

(million yen)

		Q1 FY2020 Results	Q1 FY2021 Results	YoY change	
		Amount	Amount	Amount	%
Net sales		2,858	4,685	1,827	63.9%
	Construction machinery filters, etc.*	2,194	3,752	1,558	71.0%
	Air filters	663	637	△26	△3.9%
	Healthcare	-	295	295	-
Operating income		△98	341	439	-
	Construction machinery filters, etc.*	139	799	659	473.0%
	Air filters	70	19	△50	△71.7%
	Healthcare	-	△111	△111	-
	Corporate expenses*	△308	△366	△58	19.0%
Operating income margin		**△3.4%**	**7.3%**	**-**	
Ordinary profit		△101	334	436	-
Ordinary profit margin		**△3.6%**	**7.1%**	**-**	
Net income		△82	208	291	-
Net income margin		**△2.9%**	**4.4%**	**-**	

Exchange rates (ave.)	USD	107.6	109.5	1.9	1.7%
	EUR	118.5	132.0	13.5	11.4%

*"Construction machinery filters, etc." here includes industrial filters and process filters in addition to construction machinery filters.
* The company has changed how it allocates corporate expenses, with the goal of more accurately representing segment results and corporate expenses. Specifically, the head office's general and administrative expenses and other corporate expenses not attributable to individual business segments are no longer allocated to specific segments.

Q1 FY2021 Sales by Product Category

(million yen)

	Q1 FY2020 Results	Q1 FY2021 Results	YoY change	
	Amount	Amount	Amount	%
Construction machinery filters	1,804	3,435	1,630	90.4%
Line parts	821	1,488	667	81.3%
Service parts	982	1,946	963	98.0%
Industrial filters	111	129	17	16.1%
Process filters	278	188	△90	△32.5%
Subtotal (Construction machinery filters, etc.*)	2,194	3,752	1,558	71.0%
Air filters	663	637	△26	△3.9%
Healthcare	-	295	295	-
Total	2,858	4,685	1,827	63.9%

*" Construction machinery filters, etc." here includes industrial filters and process filters in addition to construction machinery filters.

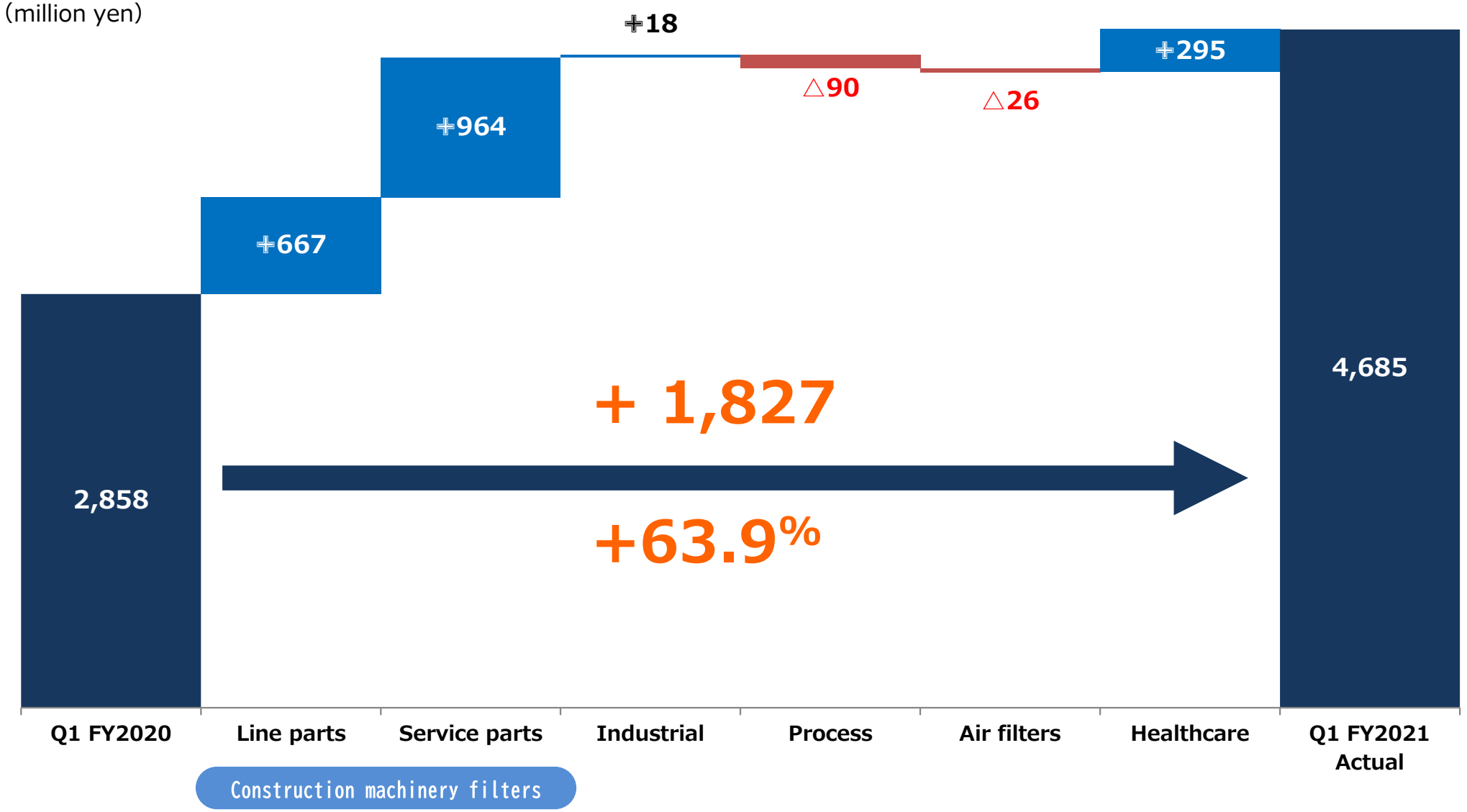
Q1 FY2021 Sales by Region

(million yen)

	Q1 FY2020 Results		Q1 FY2021 Results		YoY change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Construction machinery filters, etc.*	2,194	76.8%	3,752	80.1%	1,558	71.0%
Japan	1,086	38.0%	1,729	36.9%	643	59.2%
North America	295	10.3%	686	14.7%	391	132.6%
China	325	11.4%	564	12.1%	239	73.7%
Other Asian countries	274	9.6%	365	7.8%	90	33.2%
Europe	213	7.5%	405	8.6%	191	90.0%
Others (Middle East, etc.)	0	0.0%	1	0.0%	1	358.7%
Air filters (Japan)	663	23.2%	637	13.6%	△26	△3.9%
Healthcare (Japan)	-	0.0%	295	6.3%	295	-
Total sales	2,858	100.0%	4,685	100.0%	1,827	63.9%

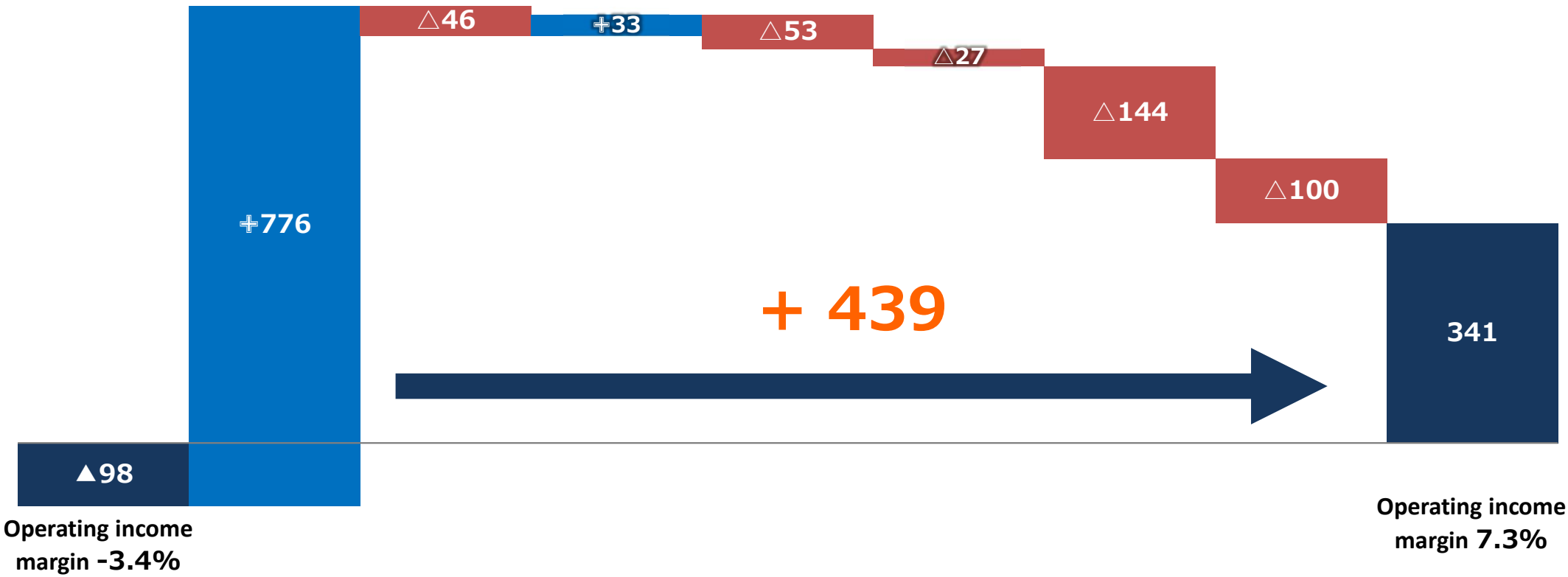
* “Construction machinery filters, etc.” here includes industrial filters and process filters in addition to construction machinery filters.
* Sales by region are calculated based on the locations of corporations to which invoices are sent. Actual regional market trends may be different from the numbers shown above.

YoY Comparison of Q1 Sales : Increase/Decrease Factors



YoY Comparison of Q1 Operating Income: Increase/Decrease Factors

(million yen)

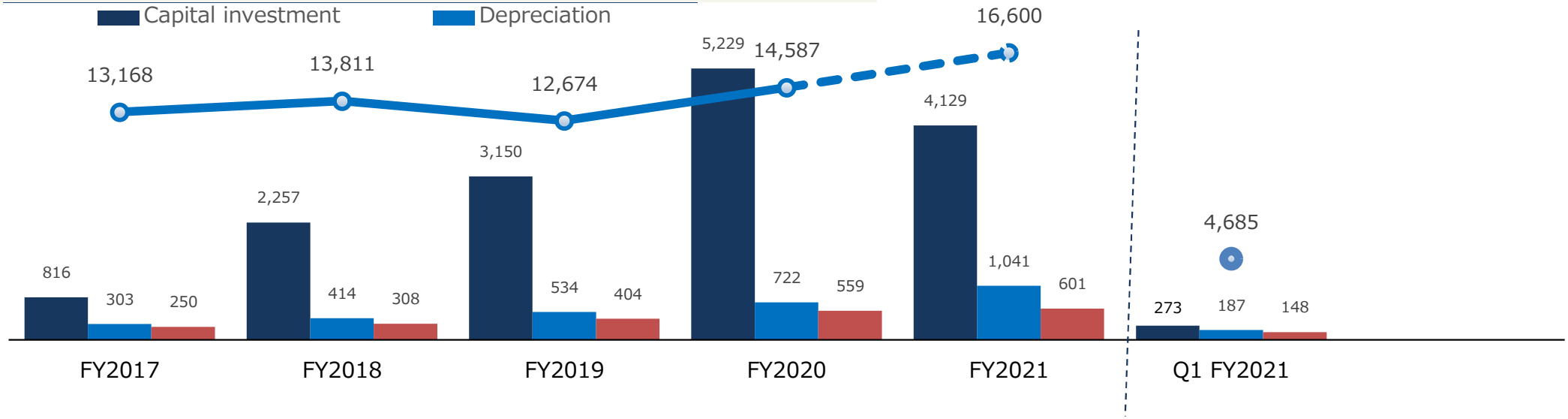


Q1 FY2020 Operating income	Increase in construction machinery sales	Decrease in air filter sales	Increase in operating income due to addition of new healthcare business	Increase in SG&A costs	Increase in air filter SG&A costs	Increase in SG&A expenses due to addition of new healthcare business	Increase in operating expenses including air freight cost	Q1 FY2021 Operating income

Capital Investment, Depreciation & Amortization, and R&D Expenses

(million yen)	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Full-year plan	1Q FY2021 Results
Net sales	13,168	13,811	12,674	14,587	16,600	4,685
Capital investment	816	2,257	3,150	5,229	4,129	273
Land and building	-	1,588	2,682	3,194	3,256	66
Other capital investment	816	669	468	2,036	873	208
Proportion of sales	6.2%	16.3%	24.9%	35.9%	24.9%	5.8%
Depreciation & Amortization	303	414	534	722	1,041	187
Proportion of sales	2.3%	3.0%	4.2%	5.0%	6.3%	4.0%
R&D expenses	250	308	404	559	601	148
Proportion of sales	1.9%	2.2%	3.2%	3.8%	3.6%	3.2%

Change in net sales and capital investment and depreciation & amortization



～2021年3月期　2022年3月期～

Implement comprehensive improvements in production technology, and operation management and systems to strengthen the profit structure.

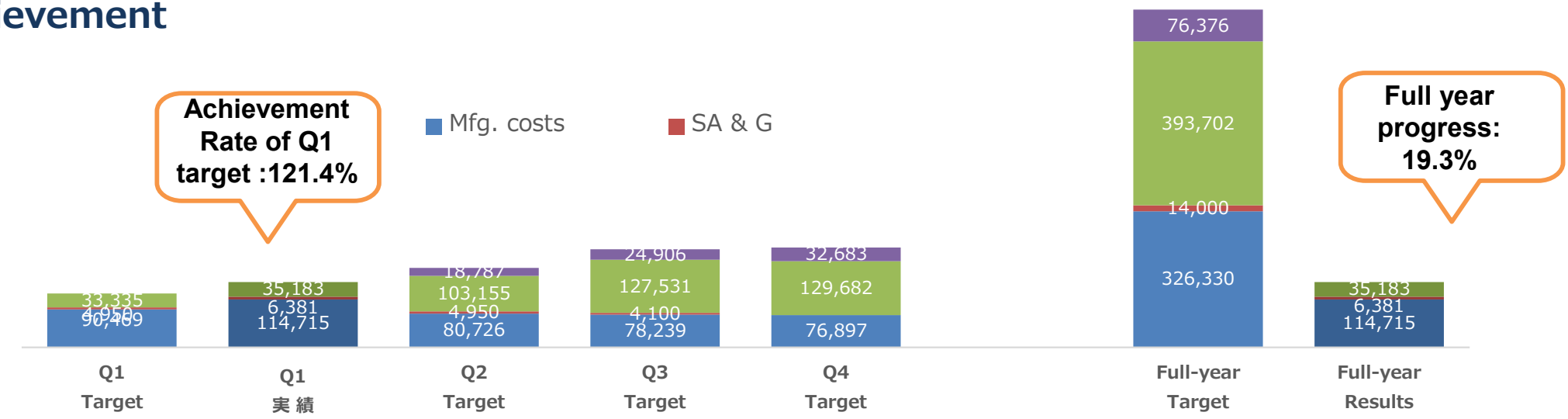
PAC21 Promptly Activated Cost reduction 2021

Reduction targets and results

(Thousand yen)		Q1	Q1 results	Q2	Q3	Q4	Full –year target	Full-year results
PAC21	Mfg. cost	90,469	114,715	80,726	78,239	76,897	**326,330**	114,715
	SG & A	4,950	6,381	4,950	4,100	0	**14,000**	6,381
Total		95,419	121,096	85,676	82,339	76,897	**340,330**	121,096
Personnel reduction		33,335	35,183	103,155	127,531	129,682	**393,702**	35,183
PAC21+		0	0	18,787	24,906	32,683	**76,376**	0
Total		**128,754**	156,279	**207,618**	**234,777**	**239,261**	**810,409**	156,279

(thousand yen)

Achievement



Target figures are set at each department (administrative and other operation departments) to achieve the overall company target for MAVYS.

What is MAVYS? (ROIC – WACC)

- **M**aximizing
- **A**dded
- **V**alue of
- **Y**amashin Filter
- **S**pread

The key goal indicator (KGI), based on which each relevant department sets its KPI and KSF, and works on measures to attain targets, with the goal of maximizing return on invested capital.

Meet the expectations of stakeholders by improving MAVYS (key goal indicator).

Each division from management to the field is assigned or sets its own target figures in collective pursuit of improving corporate value

MAVYS: The Big Picture and the Department

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*KPI figures are based on the following.
Prv : FY2020 (Results)
Cur : FY2021 (Forecast)

Key Goal Indicators (KGI)	Key Performance Indicators (KPI)		Key Success Factors (KSF)	Relevant departments	Targets for Q3 FY2021 (action plan)	Q3 FY2021 progress
MAVYS Prv: -6.6% Cur: -11.3%	Operating income Prv: 6.1% Cur: -1.0%	Gross profit ratio Prv: 43.6% Cur: 39.8%	Sales growth ratio Prv: -8.2% Cur: 15.1%	New product development Enhance market share of genuine products	Sales / R&D	・Accelerate expansion of our market share in China targeting Chinese construction machinery manufacturers ・Leverage our air filter lineup to improve the strength of our proposals for products ・Enter the mask-related product market ・Enter new business domains	・Increased adoption by Chinese construction machinery manufacturers for use in new machinery ・Made progress on proposals involving hybrid filters ・Started selling mask-related products; continued mass production and supply - Made further progress in supply of nano materials to the apparel industry
			Cost to sales ratio Prv: 56.4% Cur: 60.2%	Enhance buying power Improve yield ratio	Production / Procurement	・PAC20, PAC20+ ・Reform and improve purchasing methods ・Improve production management	・Revised supplier evaluation standards and completed the consolidation process ・Reduced procurement costs through joint procurement with AQC ・Improved yields through planned service and maintenance and made progress in reducing manufacturing costs
		SG&A ratio Prv: 37.4% Cur: 40.8%	Depreciation cost ratio Prv: 4.4% Cur: 4.6%	Investment plan	Management planning / Finance and accounting	・M&A (for revenue expansion and diversification) → Research potential M&A targets → Acquire nonwoven fabric manufacturers (downstream) → Acquire developers of new materials (upstream)	・Explored opportunities and gathered data for M&A (domestic and overseas) ・Enhanced communication (through conference calls) with potential M&A target companies
			R&D cost ratio Prv: 3.2% Cur: 3.8%	Narrowing down themes Prioritization	R&D	・Develop new materials ・Implement IoT initiatives ・Develop aeration and other technologies ・Expand mask product line	・Accelerated the commercialization of nanofiber air filters ・Supplied various trial sensor products to clients ・Accelerated new material development through industrial/academic partnerships ・Developed high-performance masks and cloth masks ・Made efforts to gain medical certification
			Personnel cost ratio Prv: 15.9% Cur: 16.1%	Optimal staffing	HR and General Affairs	・Establish and implement a talent management system	・Made efforts to identify the next generation of management talent ・Increased R&D staff for product development ・Hired specialist staff members to assist in company reorganization and growth
	Investment capital turnover rate Prv: 0.7 Cur: 0.6	Operating capital turnover rate Prv: 3.0 Cur: 6.7	Accounts receivable turnover rate Prv: 3.8 Cur: 3.8	Credit management	Sales / Finance and accounting	・Further optimize AR collection	・Streamlined and optimized AR collection to improve working capital
			Inventory turnover rate Prv: 6.1 Cur: 6.0	Setting appropriate inventory levels	Production / sales	・Reduce company-wide inventory	・Determined suitable inventory levels based on pareto analysis; inventory reduction plans are currently being implemented
			Accounts payable turnover rate Prv: 5.8 Cur: 5.4	Debt management	Procurement	・Improve working capital	・Optimized AP turnover ratio to improve working capital
		FA turnover rate Prv: 1.9 Cur: 1.6	Tangible fixed asset turnover rate Prv: 2.5 Cur: 1.7	Facility planning (R&D, production)	Management planning Administration / Production / R&D	・Optimize return on investment	・Prioritized R&D and capital investments by analyzing the validity of investment return period
			Intangible fixed asset turnover rate Prv: 35.5 Cur: 41.8	Investment plan	Management planning	・Formulate IP strategies and action plans	・Established strategies, devised action plans, and enhanced training for targeted groups ・Actively applied for patents in Chinese market
	ROIC Prv: 3.3% Cur: -1.4%						
	WACC Prv: 9.9% Cur: 9.9%						
	ROE Prv: 3.3% Cur: 3.8%						
	ROA Prv: 2.9% Cur: 3.0%						

Full-year Forecasts for FY2021 (Ending March 31, 2022)

Preconditions for FY2021 Full-Year Forecasts

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Construction machinery filters (Existing business line)

- With demand for new construction machinery recovering in Japan, North America, Europe, and Asia and operating hours on the rise, we expect sales to increase significantly to pre-pandemic levels, and anticipate steady growth in the future.
- Our full-year earnings forecast remains unchanged, reflecting ongoing uncertainty. Factors include anxiety surrounding potential new waves of infection by COVID-19 variants, soaring raw material costs, shortage of semiconductors and other key components, rising shipping costs due to the shipping container shortage, and delays in vaccine supply.

Air filters (Existing business line)

- With more and more people receiving the COVID-19 vaccine, we expect an increase in demand for replacement filters to accompany the increase in office building use from the second quarter of the fiscal year ending in March, 2022.
- Our full-year earnings forecast remains unchanged due to the business recovery anticipated from the supply of new products such as nanofiber air filters and lytic enzyme air filters.

Healthcare business (New business line)

- Now that virus prevention is part of mainstream consciousness, we expect that demand will remain steady in the consumer mask market.
- Having gained DS2 certification, we will continue to develop the medical mask market, which is dominated by overseas-made N95 masks, from a long-term perspective.
- Our full-year earnings forecast remains unchanged. We are making good progress in setting up our mass mask production facilities, and the fully automated production line scheduled for the second quarter is expected to streamline production and reduce costs substantially.

FY2021 Full-year Forecasts

(million yen)

		FY2019 Results Amount	FY2020 Results Amount	FY2021 Forecast Amount	YoY Change Amount
Net sales		12,674	14,587	16,600	2,012
	Construction machinery filters, etc.*	11,296	10,970	12,000	1,029
	Air filters	1,377	2,607	3,000	392
	Healthcare	-	1,009	1,600	590
Operating income		777	△145	1,500	1,645
	Construction machinery filters, etc.*	1,824	1,289	2,307	1,018
	Air filters	188	123	400	276
	Healthcare	-	△150	240	390
	Corporate expenses	△1,235	△1,408	△1,447	△39
Operating income margin		**6.1%**	**△1.0%**	**9.0%**	**-**
Ordinary profit		603	△135	1,470	1,605
Ordinary profit margin		**4.8%**	**△0.9%**	**8.9%**	**-**
Net income		608	750	960	209
Net income margin		**4.8%**	**5.1%**	**5.8%**	**0.6Pt**

Exchange rate (JPY)	USD	108.8	106.1	105.0	△1.0%
	EUR	120.8	123.7	125.0	1.0%

*"Construction machinery filters, etc." includes industrial filters and process filters, in addition to construction machinery filters.

* The company has changed how it allocates corporate expenses, with the goal of more accurately representing segment results and corporate expenses. Specifically, the head office's general and administrative expenses and other corporate expenses not attributable to individual business segments are no longer allocated to specific segments.

Sales Forecast by Product Category

(million yen)	FY2019 Results		FY2020 Results		FY2021 Forecast		YoY Change	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters	9,866	77.8%	9,713	66.6%	10,748	64.7%	1,034	10.7%
Line parts	4,129	32.6%	4,178	28.6%	4,690	28.3%	511	12.2%
Service parts	5,737	45.3%	5,534	37.9%	6,057	36.5%	523	9.5%
Industrial filters	492	3.9%	470	3.2%	464	2.8%	△6	△1.3%
Process filters	937	7.4%	786	5.4%	787	4.7%	1	0.2%
Subtotal (Construction machinery filters, etc. *)	11,296	89.1%	10,970	75.2%	12,000	72.3%	1,029	9.4%
Air filters	1,377	10.9%	2,607	17.9%	3,000	18.1%	392	15.1%
Healthcare	-	-	1,009	6.9%	1,600	9.6%	590	58.5%
Total	12,674	100.0%	14,587	100.0%	16,600	100.0%	2,012	13.8%

*" **Construction machinery filters, etc.** " here includes industrial filters and process filters, in addition to construction machinery filters.

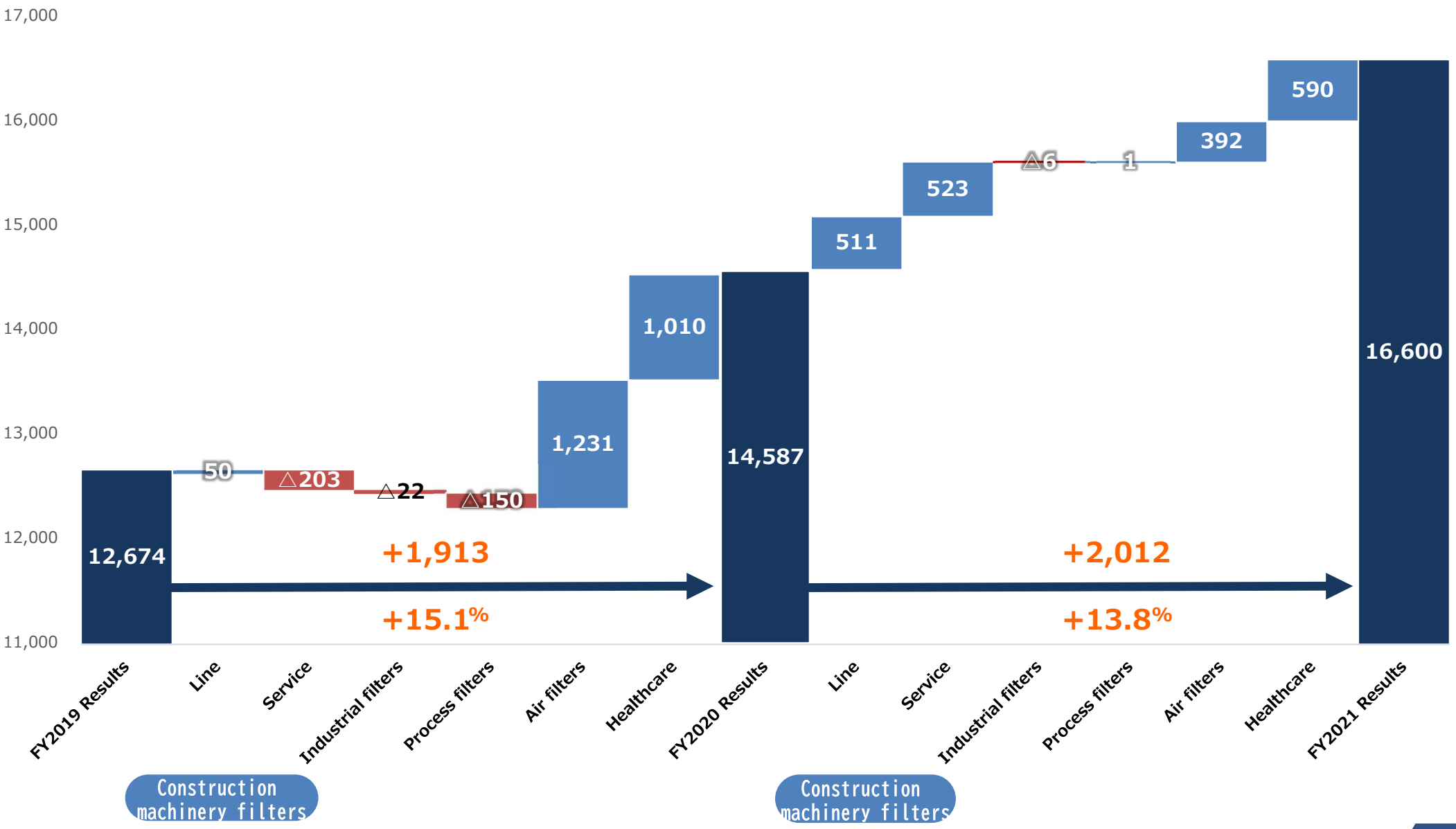
Sales Forecast by Region

(million yen)	FY2019 Results		FY2020 Results		FY2021 Forecast		YoY Change	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters, etc. *	11,296	89.1%	10,970	75.2%	12,000	72.3%	1,029	9.4%
Japan	5,420	42.8%	5,019	34.4%	5,437	32.8%	417	8.3%
North America	2,313	18.3%	1,915	13.1%	2,226	13.4%	311	16.2%
China	1,173	9.3%	1,552	10.6%	1,757	10.6%	204	13.2%
Other Asian countries	1,319	10.4%	1,235	8.5%	1,391	8.4%	155	12.6%
Europe	1,065	8.4%	1,243	8.5%	1,141	6.9%	△101	△8.2%
Others (Middle East, etc.)	4	0.0%	3	0.0%	45	0.3%	41	1,367.1%
Air filters (Japan)	1,377	10.9%	2,607	17.9%	3,000	18.1%	392	15.1%
Healthcare (Japan)	-	-	1,009	6.9%	1,600	9.6%	590	58.5%
Total sales*	12,674	100.0%	14,587	100.0%	16,600	100.0%	2,012	13.8%

* “Construction machinery filters, etc.” includes industrial filters and process filters, in addition to construction machinery filters.
* Sales by region here are calculated based on the locations of corporations to which invoices are sent. Actual regional market trends may be different from the numbers shown above.

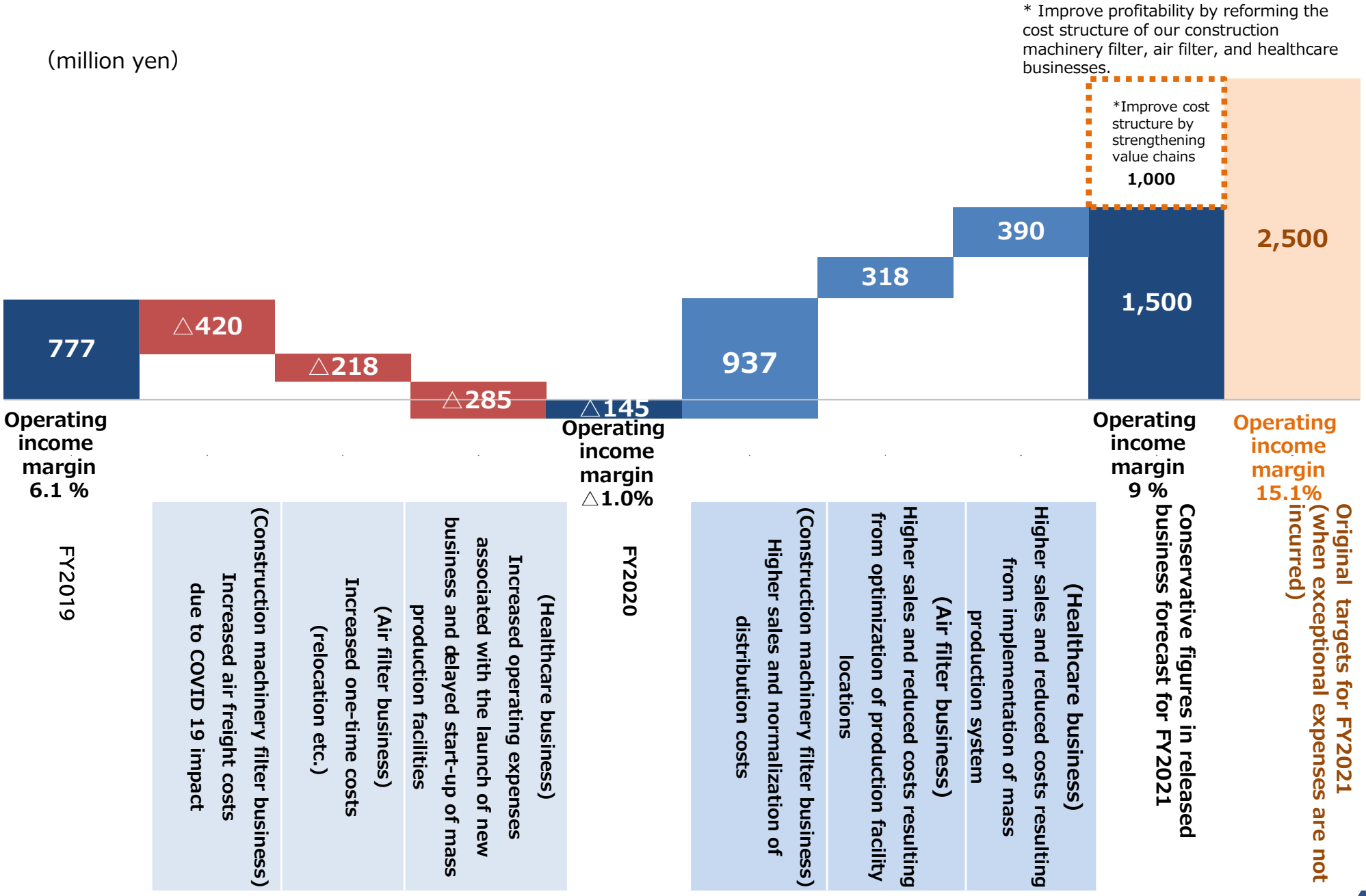
FY2021 Forecasts : Changes in Sales

(million yen)



FY2021 Forecasts : Changes in Operating Income

(million yen)



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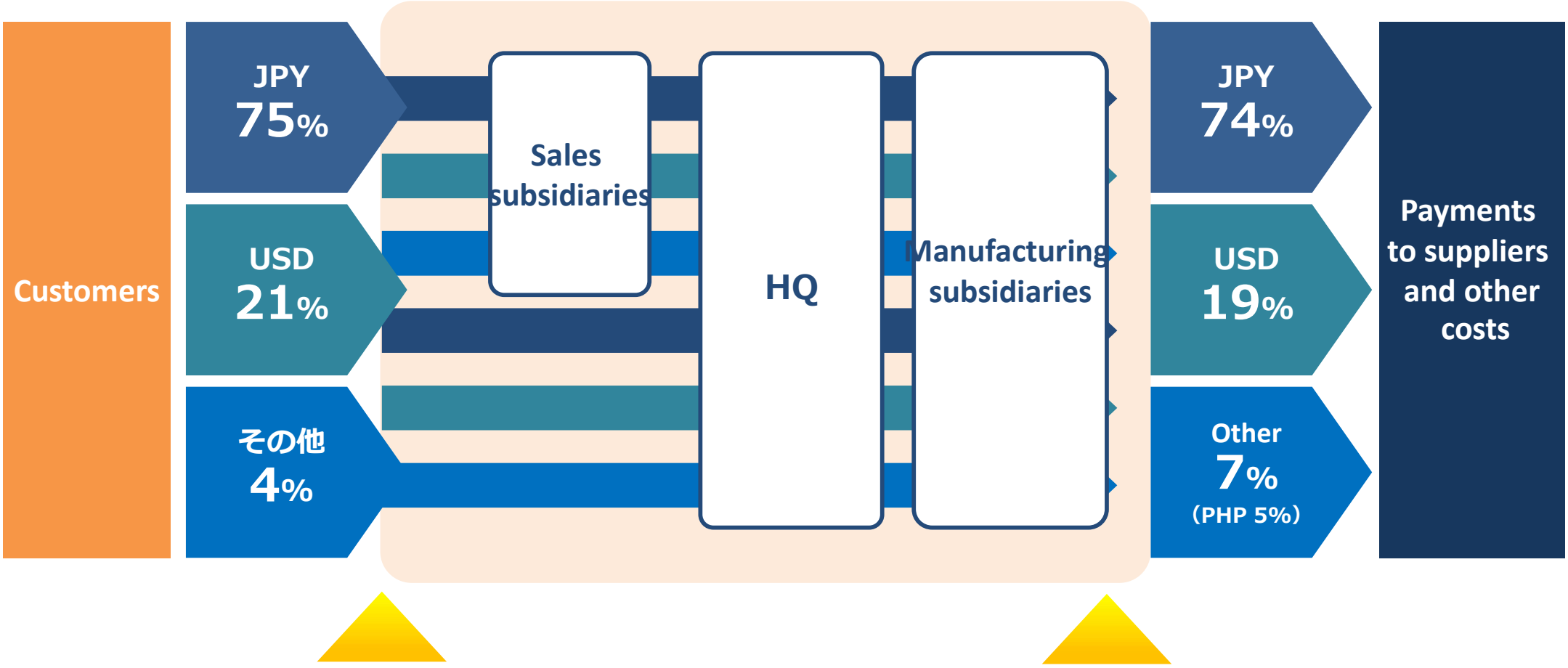
The “marry and netting” operational hedge was successful.



80% of transaction currency is JPY.

Operational hedge “marry and netting” was successfully conducted for USD.

- 1-yen appreciation of the yen would increase operating income by about 4 million yen.

The annual dividend, consisting of the interim dividend of 3.0 yen and the year-end dividend of 3.0 yen, will remain unchanged at 6.0 yen per share.

	FY2018	FY2019	FY2020	FY2021
Dividend per share	6.0 yen	6.0 yen	6.0 yen	6.0 yen
DOE*1	2.4%	2.3%	2.2%	2.1%
Total return ratio*2	31.9%	72.3%	59.3%	46.3%

*1 DOE (Dividend on equity) = (Annual dividend ÷ Shareholders' equity) × 100 = (ROE × Dividend payout ratio)

*2 Total return ratio = (Total dividend + Treasury stock acquired + Shareholder benefit) ÷ Net income

Ⅱ Market Conditions

Conditions in the Construction Machinery Market

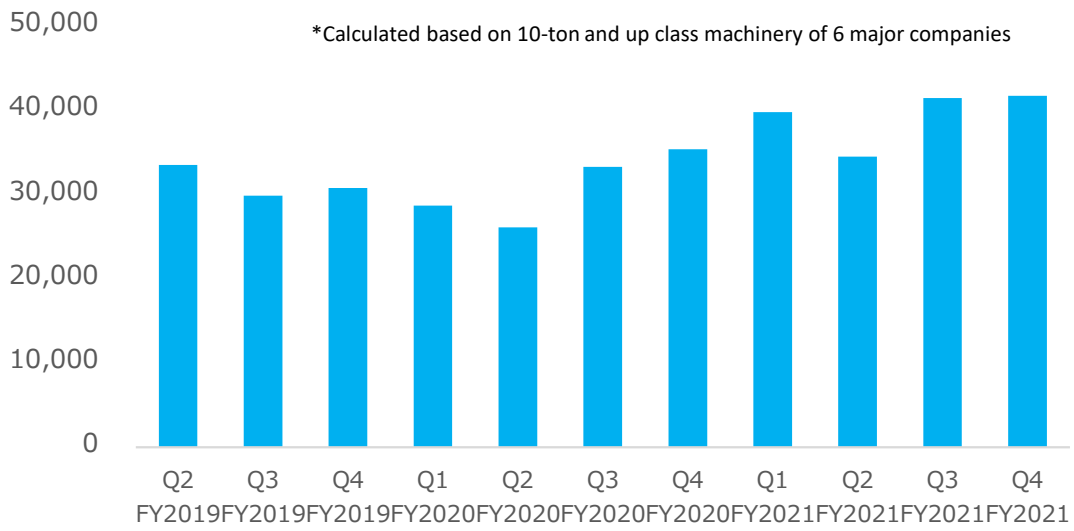
Overview of the External Conditions in the Construction Market

- Production activities of major customers, which had been stagnant, have resumed.
- Demand for construction machinery is recovering to the same level as pre-pandemic level.
- In the U.S. and China, as economic activities resume in earnest, there has been substantial increase in demand for new vehicles.

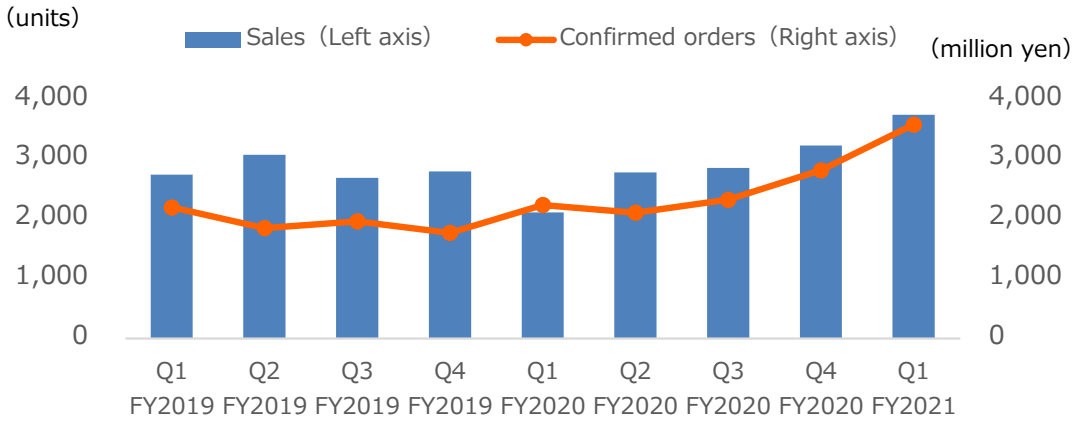
	Q4 FY2020	Q1 FY2021	Future outlook
China	Significant increase in demand for new vehicles due to the effects of government-led investment and consumption stimulus measures aimed at increasing industry subsidies	Demand remains strong, but is expected to decrease slightly compared to the previous financial year.	A significant increase in demand is expected due to the government-led increase in public works investment and preemptive demand in anticipation of the Tier 4 regulations scheduled for FY2022.
Southeast Asia	Uncertainty about the future remains and the market is bearish.	Our major customers have resumed production activity, and the operating hours of construction machinery seem to have bottomed out, signaling a return to normal operations.	While the risk of tighter restrictions remains due to the spread of COVID-19, demand for construction machinery is expected to recover as economic activity resumes.
North America	Production activity, which had been stagnant, is recovering to the same level as the previous year, although the effects of the third COVID-19 wave linger.	Our major customers have resumed production activity and demand is increasing, heralding a recovery to pre-pandemic levels.	Demand is expected to return to the levels seen before the COVID-19 pandemic, and a significant increase in demand from there is expected.
Japan	Demand for construction machinery is recovering although the effects of the third COVID-19 wave linger.	Demand for construction machinery remains strong, particularly in the area of public works which is least affected by rising infection rates.	Demand for construction machinery is expected to increase as civil engineering is on the rise and housing investment and private capital investment will recover in the second half of the year.
Europe	The region is starting to shrug off the impact of COVID-19	The impact of the COVID-19 has been overcome.	Demand for new and rental construction machinery is expected to increase.

Construction Machinery Market (Global)

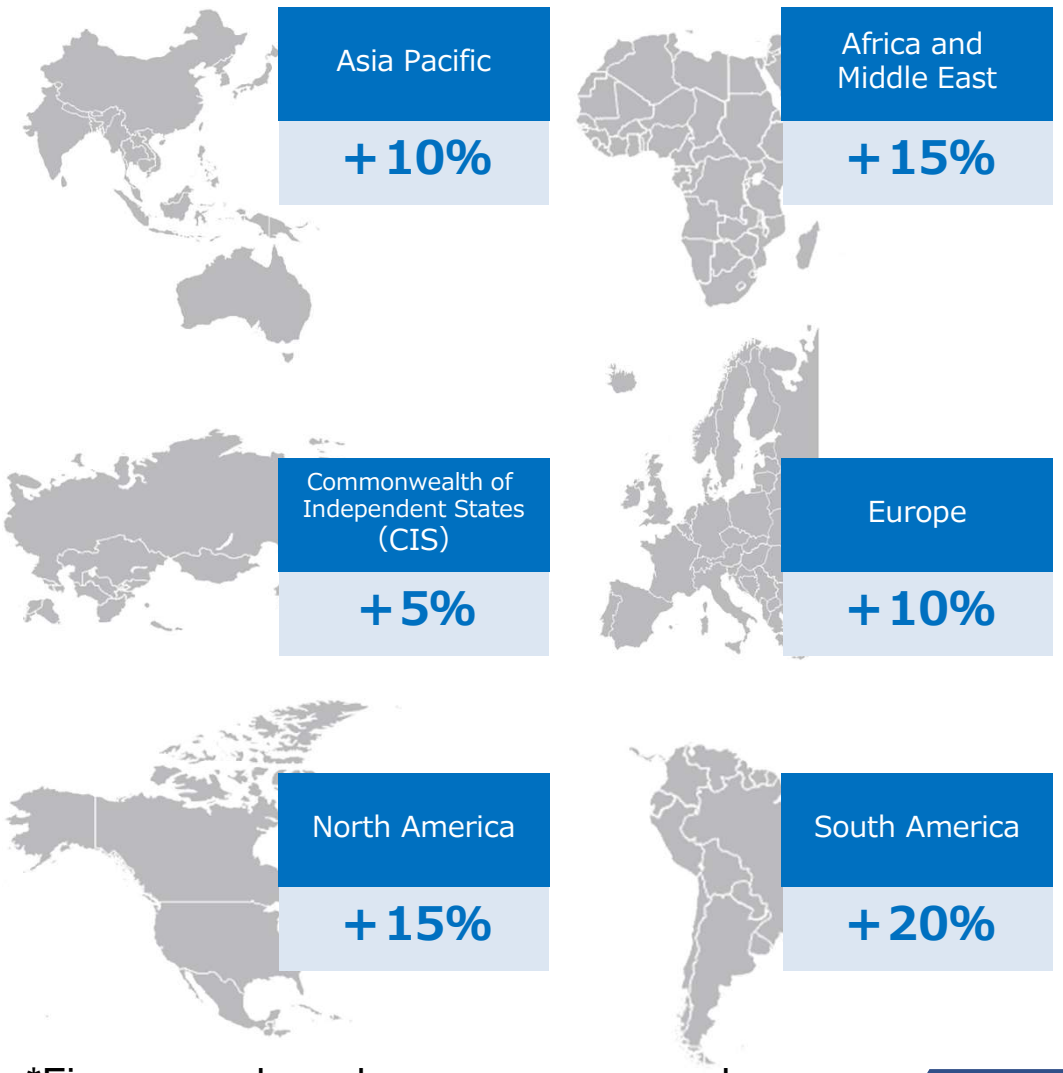
Production Results and Plans of Major Construction Machinery Manufacturers (Quarterly)



Sales and Confirmed Orders : YAMASHIN Construction Machinery Filters (Quarterly)



Growth trend for global construction machinery markets

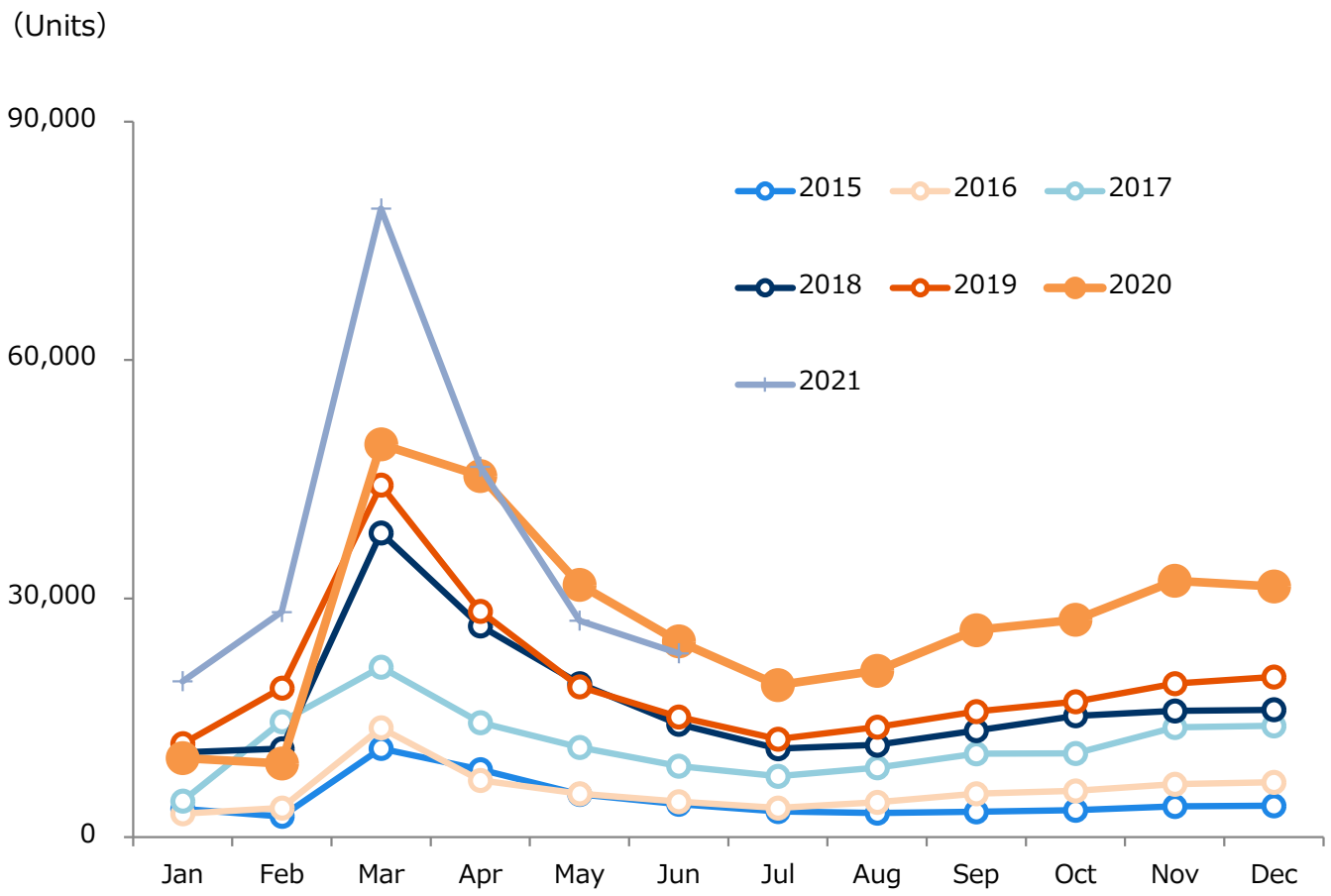


*Figures are based on our own research.

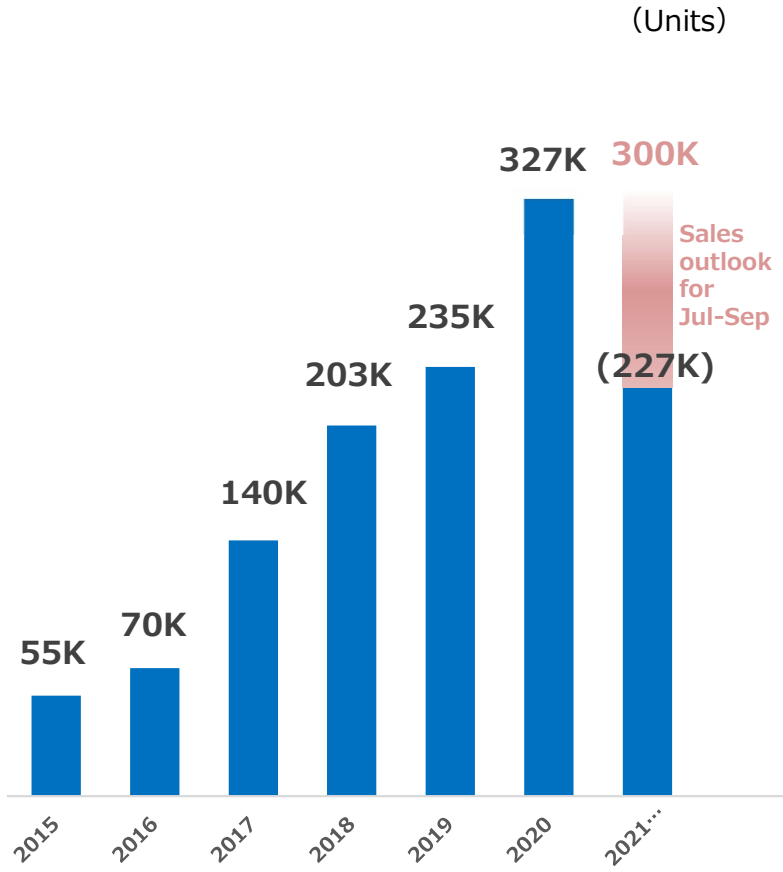
Construction Machinery Market (China)

- Demand for construction machinery in China in 2020 was strong, supported by government-led large-scale public investment.

Number of units sold by year and month



Annual sales volume trend



(Our estimates are based on data published by construction machinery manufacturers and industrial associations)

Initiatives Targeting Major Construction Machinery Manufacturers

- The main theme is life-cycle cost improvement, and major construction machinery manufacturers have development pipelines in progress.

Our measures for product performance

required in developed markets

Longer life

Use of nanofiber filter media in filters

Longer life, and reduced replacement costs

IoT Sensor

Sensors to measure filter life and hydraulic oil contamination

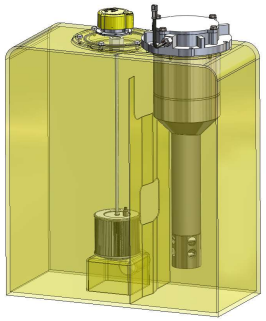
Preventive maintenance against equipment failure is possible

Aeration measures

Removes fine air bubbles from hydraulic oil

Reduce costs by reducing the total amount of hydraulic fluid in the construction machinery components.

Reduced oil volume allows for smaller tanks.



Share of a major North American construction machinery manufacturer in each market

■Hydraulic filter share

	2020	2021	Increase/Decrease
Construction machinery	27%	**36%**	9%
Mining machinery	11%	**15%**	4%
Forestry machinery	30%	**30%**	0%

■TM filter share

	2020	2021	Increase/Decrease
Construction machinery	82%	**86%**	4%
Mining machinery	45%	**54%**	9%
Forestry machinery	62%	**62%**	0%

■Other filter share

	2020	2021	Increase/Decrease
Construction machinery	12%	**15%**	3%
Mining machinery	9%	**11%**	2%
Forestry machinery	18%	**18%**	0%

Initiatives targeting major construction machinery manufacturers (longer product life)

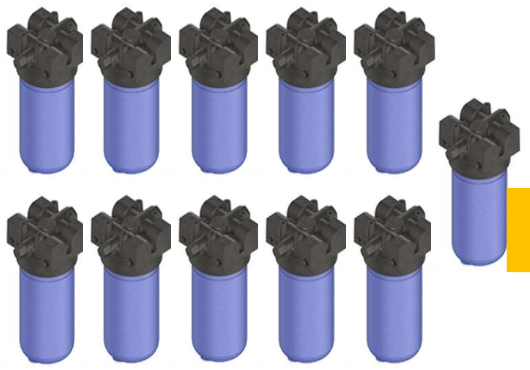
- Through sustainable products that align with the Sustainable Development Goals (SDGs), we will help our key partners reduce their waste volume and substantially lower CO2 emissions.

Longer product life

A longer product life advances several SDGs

Reduced waste volume through longer lifespan

Number of replacement filters assuming machinery with a 12,000 hour lifespan



Current product

Replacement filters =11
(Current product is replaced after 1,000 hours)

Waste can be reduced by 50% or more

New long-life product

Replacement filters =5
(Our proposed product is replaced after 2,000 hours)

Reduced CO2 emissions due to changes in materials

By changing a filter element from glassfibers to polymer fibers,

Approximately 5.7x less CO2 emissions!

1.7kg

Current product

0.6kg

Newly developed product

Material	CO_2 (1kg)
Iron	100%
Polymer	50%

Assuming the above...
170 → 30

Conditions in the Air Filter Market

Air Filter Business: Business Environment

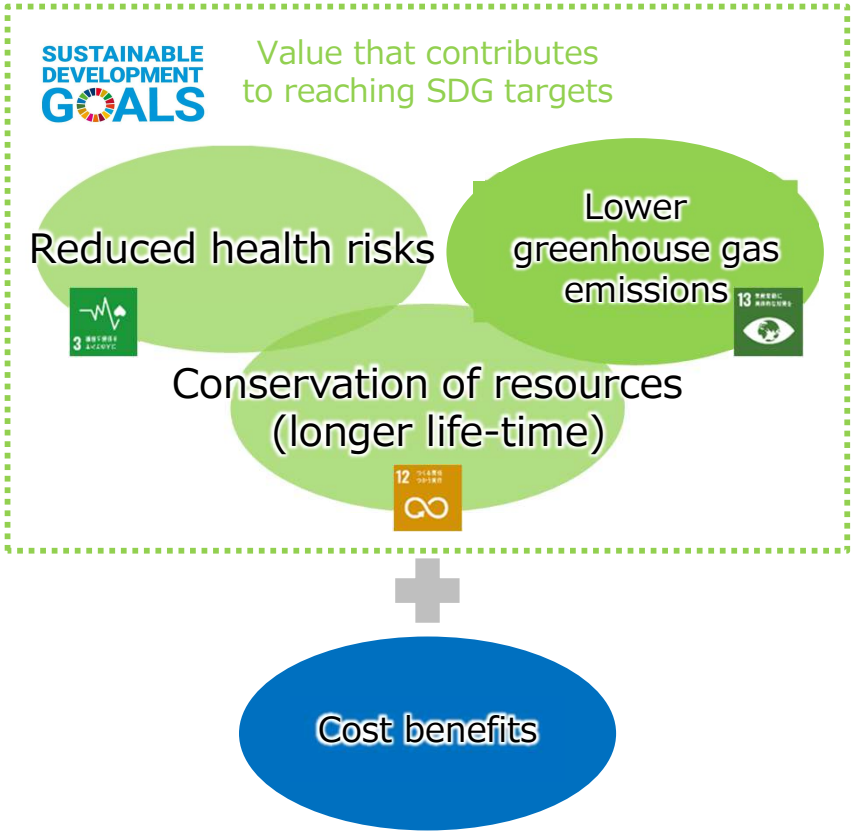
- Due to the impact of COVID-19, there was restrained buying in the replacement demand for buildings and structures, which is the largest market for air filters.
- We began to focus on the semiconductor and vehicle markets, where demand is expected to increase.

	Market overview	Market environment	
		Previous period	Forecast for the current term
Buildings	Air filters for outdoor air intake units and indoor air conditioning systems installed in offices, commercial buildings, etc.	Decline in demand due to the impact of office and commercial buildings refraining from replacement.	With no turnaround in office occupancy rates likely, demand is expected to decline.
General factories	Air filters for outdoor air intake units and indoor air conditioning systems installed in factories	Large factories refrained from replacing their equipment, but new orders were received from small factories, and demand remained flat.	The trend is expected to continue from the previous fiscal year.
Semiconductor factories	Replacement market for chemical filters	More people working from home meant an increase in demand for PC equipment and other products.	Demand for chemical filters will continue to increase, driven by 5G and automotive applications.
Environmental equipment	Air filters for residential air conditioning and air purifiers used in general households	Decline in new housing construction due to the impact of COVID-19, resulting in lower demand.	New housing construction continues to trend downward, but an increased demand for air purifiers props up the bottom line
Vehicles	Air filters for air conditioning of railroads, etc. Air filters for protecting construction machinery from dust	Due to the impact of COVID-19, a slight decrease in demand due to the refrain from replacing air filters in public transportation.	Demand increased due to the uptick in demand for replacement air filters for public transportation, and rising demand for construction machinery.

Efforts to expand sales (introduction of new products)

- We will heavily promote our nanofilter masks and Nano WHELP technology as a business-led solution which provides value to society by reducing greenhouse gas emissions and mitigating health risks.

The value Nano WHELP provides to society



New Product

Nano WHELP

Nano Wonderful High Efficiency Low Pressure

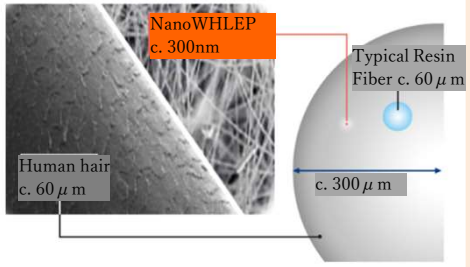
YAMASHIN Nano Filter™

Merv14 (ASHRAE-Standard)

MERV is a U.S.A. filter standard (ASHRAE 52.2 (2007)) that rates filter efficiency on a scale from MERV 1 to MERV 16. MERV 14 specifies a capture rate for 0.3 to 1μm particles of at least 75% but not exceeding 85%.

Product features

Sustained low pressure drop is achieved by using self-developed nano-level fibers that were converted from the development technology of filters for construction machinery



Enlarged image of human hair and nano fibers

PM2.5 capture efficiency of 95% or higher

- Unparalleled filter performance
- Long replacement interval contributes to cost reduction
- Price competitiveness

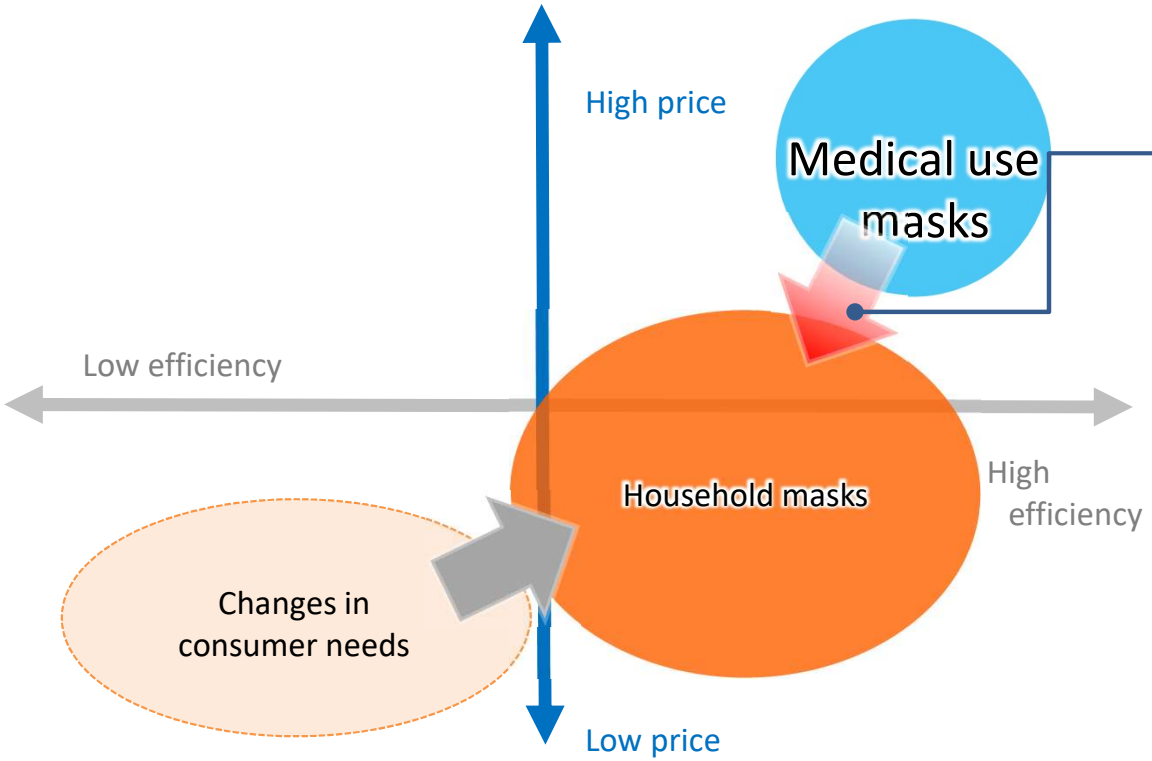
Predicted market

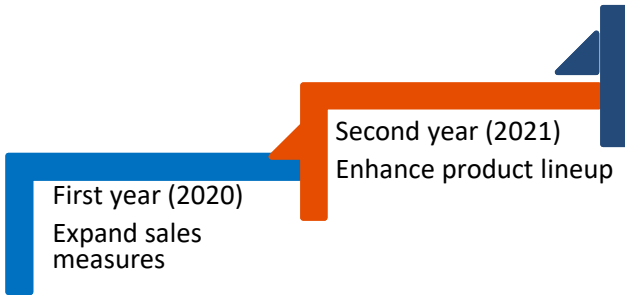
Data centers, server rooms, IT-enabled factories, public facilities, medical facilities, etc.

Conditions in the Mask Market

Healthcare business: Our strategy

Mask market segmentation and our strategy





Sales policy for sales expansion

Expand sales by developing a competitive product lineup in the sales channels established in the first year and expand full-scale recognition of our brand.

Our aims and strategies

Increase our brand recognition in the medium- to long-term in the medical mask market and utilize the obtained know-how and brand power to expand into the household-use mask market.

Our strengths

Manufacturing technologies

that have been cultivated for about 70 years

1. Safe and secure domestic production and supply system
2. World-class filtration technology
3. Innovative nanostructured filters

New technology developed as a result of pursuing filters for construction machinery

Initiatives for the Development of Household Mask Market

- Distribution of our products in major retail channels has reached 15,000 stores (cumulative total).
- Going forward, we will work on measures to strengthen our presence on the sales area in order to attract demand for high quality products.

Channel	Actual distribution	Future Initiatives
Drug stores	10,000 locations	● Growing the number of SKU facings ● Expansion of product lineup ● Active development and implementation of sales promotion plans

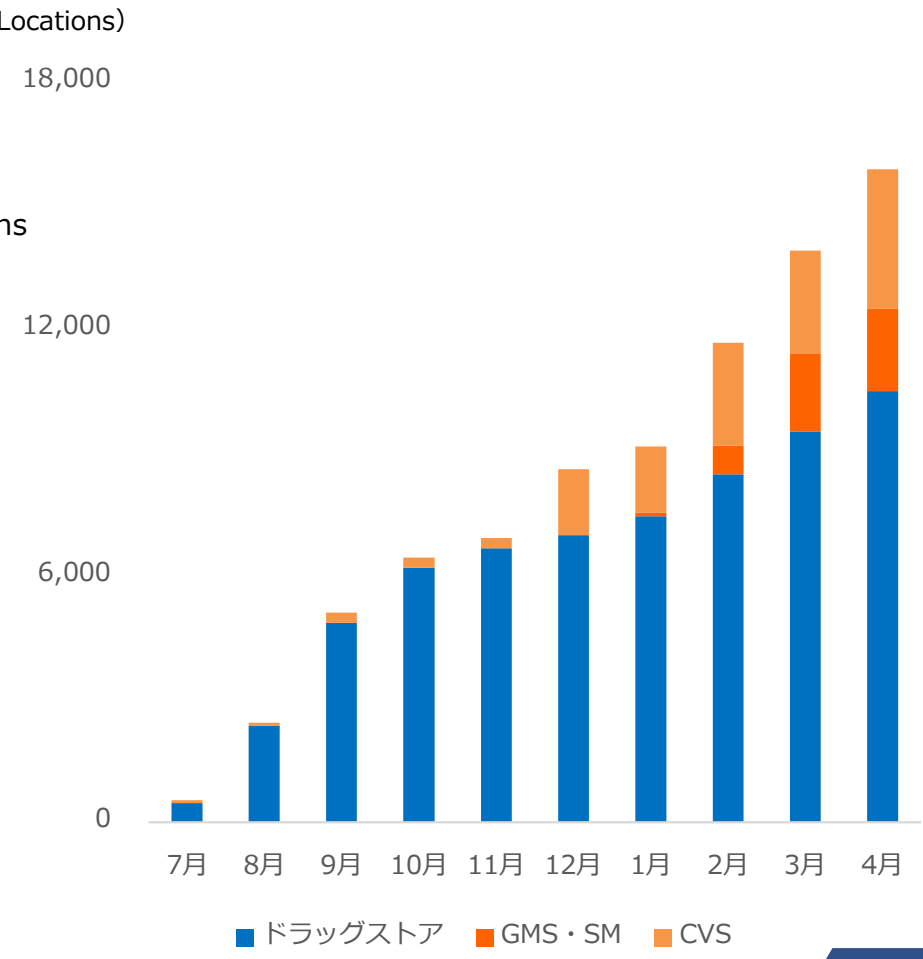
Notable outcome

Expanding our competitive product lineup into newly established sales channels has given our brand value a boost, with government officials among those wearing YAMASHIN's nanofiber masks in official settings – a sure sign of success.

We'll further work to boost the value of the YAMASHIHN Nano Filter(RM) brand, so that it will become a status symbol of infection control.

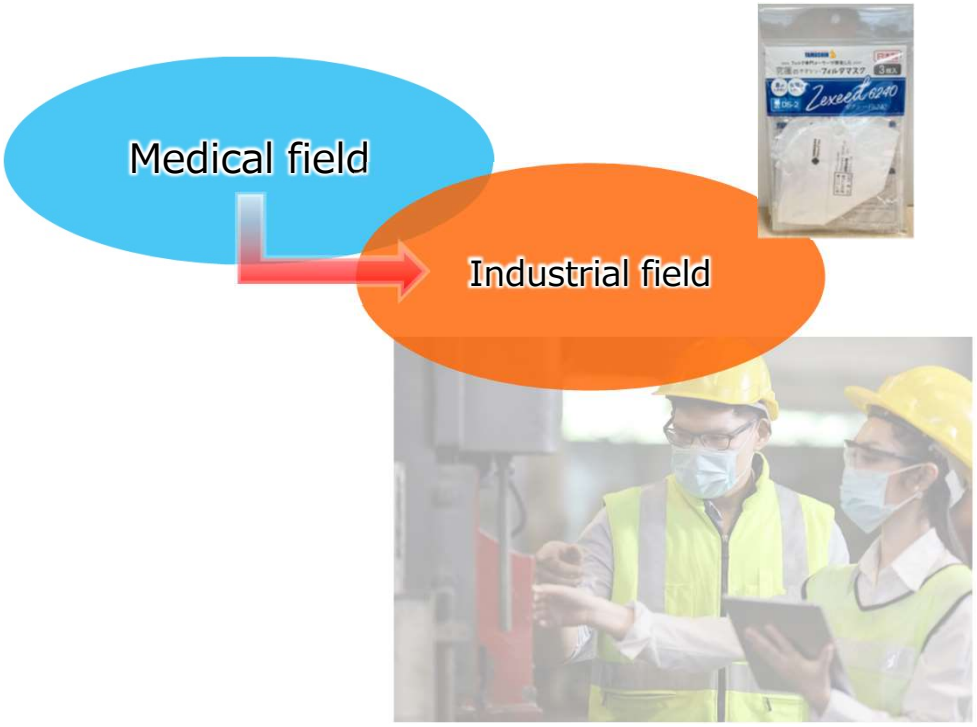
YAMASHIN Nano Filter

Product distribution (cumulative total)



Initiatives to grow market share for medical and industrial masks

- We have begun to supply our flagship Zexeed 6240 masks to businesses involved in manufacturing, by leveraging our medical masks' (DS2) grade approval and high performance.

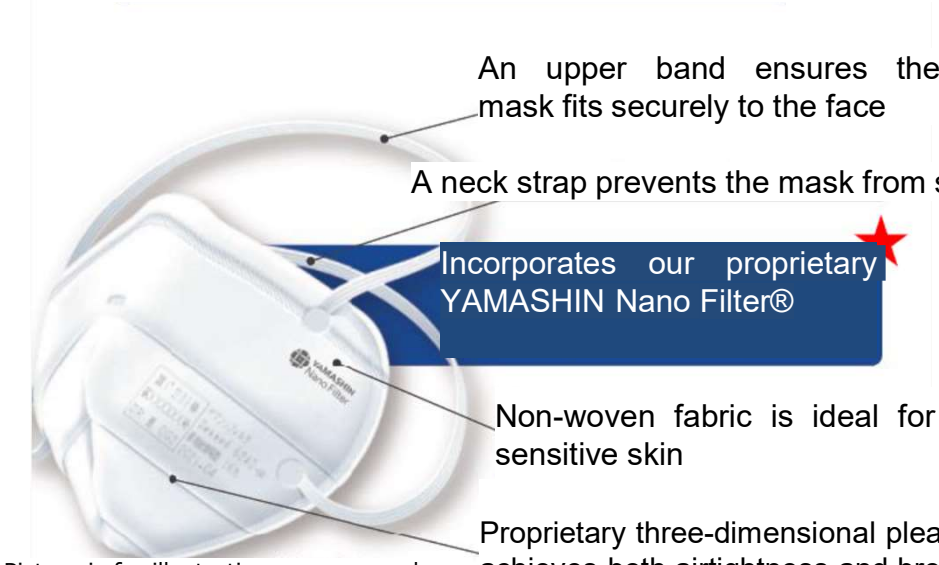


Outcomes

Major construction machinery manufacturer Tier 1 company	A business who sampled our masks became a customer, after finding them highly breathable compared to other DS2 masks and comfortable for long-term use.

Features of our Zexeed 6240 mask

Zexeed's unique three-dimensional pleated shape



Picture is for illustrative purposes only.

Product features	Superior breathability	Comfortably soft and sits gently on the face	Excellent filter performance

Ⅲ Future Strategies

The Specialist in Filtration YAMASHIN

Corporate Principle

Rokajini tsukafuru

(contributing to society through filtration activities)

Emergence of various societal issues

- Climate change
- Waste processing
- Declining biodiversity
- Spread of COVID-19

Realizing *Rokajini tsukafuru*

Working to solve societal problems through filter design and manufacture

The Specialist in Filtration YAMASHIN

Business Philosophy : Contribute to society through filtration activities

Aim to increase demand by leveraging new Environmentally-friendly materials and technologies

Begin production and sales of medical grade high-performance masks, which only YAMASHIN, as a comprehensive filtration manufacturer, can achieve

Help to prevent air pollution by growing air filtration business

YAMASHIN's Value Creation Processes

The Specialist in Filtration YAMASHIN

Corporate Principle

Realizing ***Rokajini tsukafuru***

(contibuting to society through filtration activities)

Business Conditions

Societal issues

- Climate change
- Waste processing
- Declining biodiversity
- Spread of infectious disease

3 Themes of YAMASHIN Initiatives

Solving societal problems through filter design and manufacture

Business Model

Construction machinery filter business Line parts, service parts

- Fully implement policy of selling service parts only to construction machinery manufacturers.
- Acquire industry-leading market share by providing reliable and high-quality products.
- Provide long-life and environmentally-friendly products
- Provide high value-added products via IoT management.

Air filter business

- Provide high performance filters that safeguard against health risks.

Healthcare business

- Provide high performance mask equivalent to medical use products.

YAMASHIN NANO FILTER™ as an industrial subsidiary material

YAMASHIN's Strengths

YAMASHIN Nano Filter

Innovative technologies developed from a focus on construction machinery filters

Capacity for innovation and creativity

- Business model
- Capability for realizing technical ideas/concepts

Technological mastery

- Proprietary development / production
- Product research oriented

Created Value

Our goal:

To be a comprehensive filter manufacturer

Externally directed value

- Manufacturing masks that limit the spread of communicable and infectious diseases.
- Reducing use of heating fuel through high-insulation agricultural sheets based on nanofibers.
- Reducing waste by extending filter life through nanofiber technologies.
- Increased the proportion of electricity we use that is derived from renewable sources.
- Protecting waterfowl (sourced for down) by promoting alternatives to natural down through nanofiber manufacturing technologies.

*For specific reduction KPIs, refer to the reference material of this file.

Non-financial capital supporting value creation

- Human capital (active promotion of exceptional personnel)
- Manufacturing capital (robust supply chain system)
- Intellectual capital (34 patents acquired)
- Social capital (strong trust with customers)

Corporate governance

Source: Compiled by The Japan Research Institute: ***Second Party Opinion***
URL: http://www.Yamashin-filter.co.jp/ja/news/news_20200908_001/main/00/link/SecondPartyOpinion.pdf

YAMASHIN's initiatives for ESG and SDGs

We have initiated an internal project, "YSS" (YAMASHIN Sustainable Solutions), in order to enhance the sustainability of our business model and its strength.

Business Model

Construction machinery filter business Line parts, service parts

- Fully implement policy of selling supply products only to construction machinery manufacturers.
- Acquire leading share by providing reliable and high-quality products.
- Provide long-life and environmentally-friendly products
- Provide high value-added products via IoT management.

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YAMASHIN NANO FILTER™ for industrial subsidiary material

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- Social capital (strong trust with customers)

Corporate governance

YSS
YAMASHIN Sustainable Solutions

(Objective)
To address societal challenges and create business opportunities

(Main Considerations)
・Consider measures and strategies to help reduce CO_2 and industrial waste in order to address societal issues, such as environment and climate change issues, by utilizing YAMASHIN's products and technologies

・Determine methods to calculate quantitative KPIs

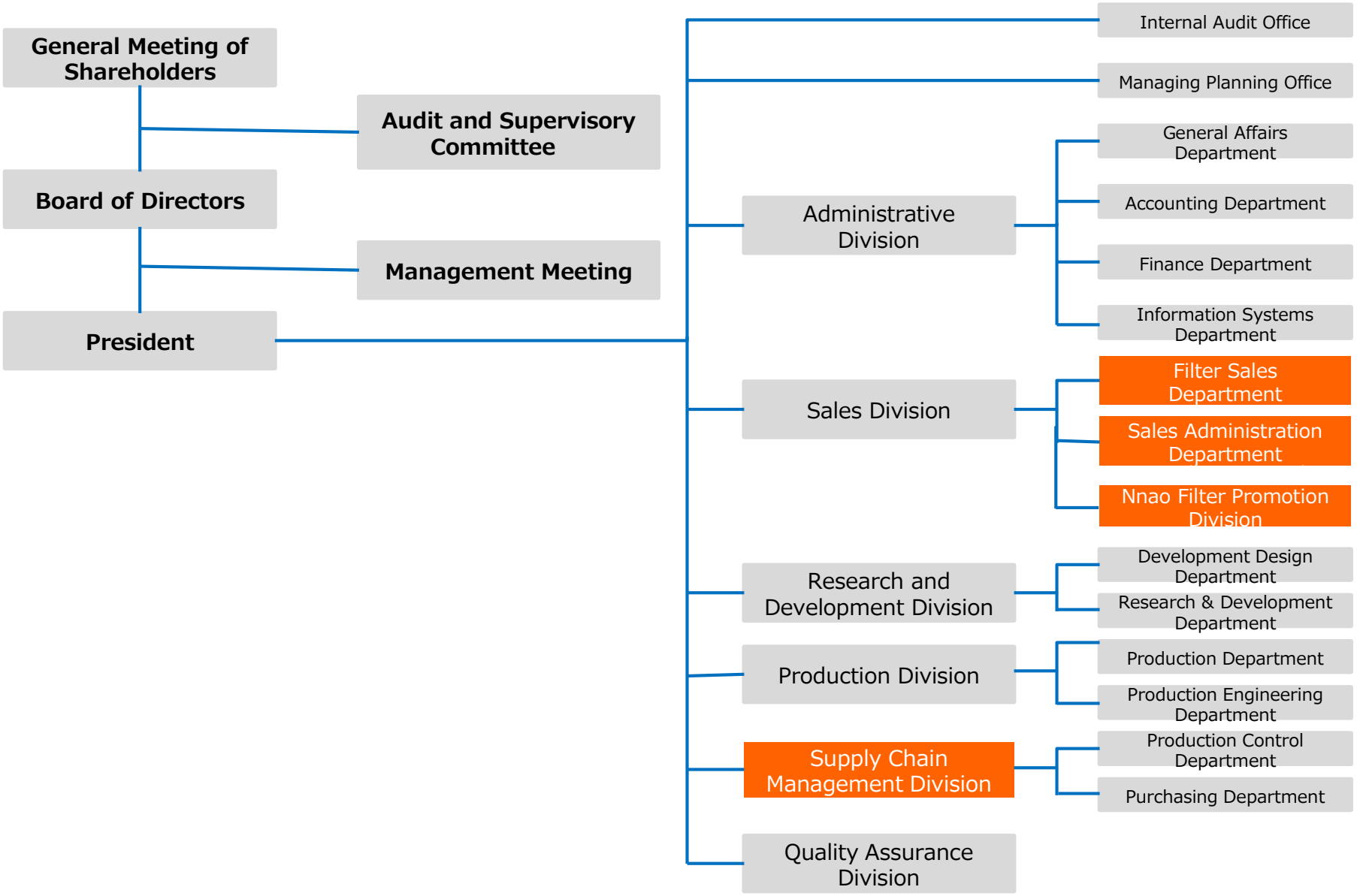
(Key products)
Construction machinery filters : Return filters made with nanofibers

Air filters: Air filters made with nanofibers (NanoWHELP)

Healthcare: Nano filter masks

Establishment of new organizational structure

On April 1, 2021, several new organizations were established to create a more agile organizational structure.



Reviewing and strengthening the value chain

Improving the value chain

By strengthening the value chain, we are aiming for **consolidated operating income of 2.5 billion yen and an operating margin of 15%** which is where our true earning power lies.

Measures to be strengthened

Create a total of 1 billion yen in added value

1 **Construction machinery filter business:**
Improve profitability through PAC 21 by controlling air freight coos, reducing fixed costs, and cutting expenses

2 **Air filter business:**
Transfer production to YCF, reduce manufacturing costs (PAC 21) by introducing SAP (strengthening of cost management system) , improve profitability by reducing fixed costs, and reduce defects

3 **Healthcare business:**
Reduction of fixed costs and manufacturing costs through automation of production lines and labor saving by investment in mask production facilities, efficient management of sales promotion expenses, advertising expenses, etc.

4 **Restructure of supply chain:**
Restructuring production bases (New Saga Plant, Vietnam Plant (newly built), North America Plant), significantly increased production capacity and reduced manufacturing costs

Strengthening the supply chain

We have revised our organizational structure and established the SCM division.

After transitioning from a centralized to a decentralized production model with multiple production facilities, the SCM division is overseeing global production activity.

Vision of Our Group – Our Goals

Construction machinery filters

YCF (Production)	YST (Sales・R&D)	YAI (Sales・ Production)	YTL (Sales)	YEB (Sales)

The Specialist in Filtration YAMASHIN

Evolve from construction machinery filter specialist to comprehensive filter manufacturer

SUSTAINABLE DEVELOPMENT GOALS

YAMASHIN Nano Filter

YAMASHIN Nano Filter™ industrial material

Healthcare

- Apparel
- Home appliances
- Automobile interior
- Household items

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YAMASHIN Nano Filter

Air filters

(Sales・Production)

REFERENCE MATERIALS

①YAMASHIN’S INITIATIVES

Initiatives Theme 1: Environment

We aim to create the demand for our products, by developing environmentally friendly products using our proprietary technologies including the nano material

To increase our share in the construction machinery market

Decrease machinery failures and extend the lifespan of construction machinery by adding value to our products

Reduction in environmental impact

Useful life increases 3 times

Hybrid filter
Glass fiber × nanofiber

YAMASHIN Nano Filter

Failure prediction with IoT

Cleanliness level sensor

- Measurement of oil and water cleanliness levels
- Low costs
- Compact design

Lifespan sensor

To monitor how much filters are clogged in a stepwise manner

In the Chinese market, we will acquire new clients by providing solutions to address environmental issues

To help reduce CO_2 emissions with high-quality filters

To further meet the demand for new machinery in preparation for the Tier 4 environmental regulations

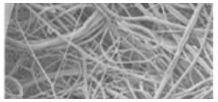
Theme for Initiatives 2: Health

We began to manufacture and sell high performance medical-grade masks, the development of which could only be achieved by YAMASHIN as a comprehensive filter manufacturer.

Three Features of YAMASHIN Masks

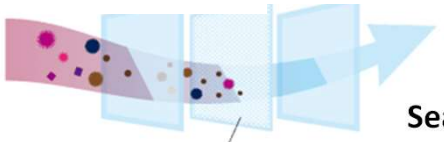
1. **A nanostructure that traps viruses.**
2. **Minor decline in performance, even with long-term use**
3. **Development of safe and secure domestic production and supply system**

YAMASHIN Filter Mask/Filter Sheets



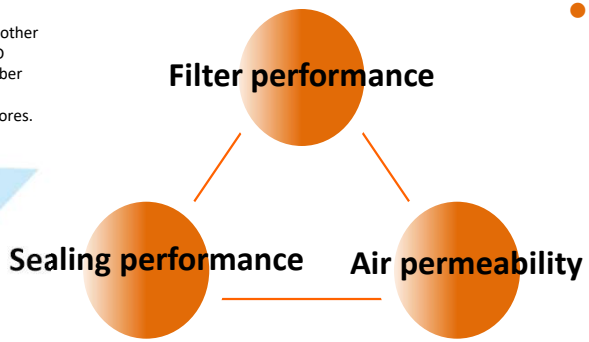
Traps viruses and other particles with a 3D multi-layer nanofiber filter featuring extremely small pores.

Electron microscope: 1,000x



YAMASHHIN nanofilter based on nanofibers

The best balance among the three factors of filtration



- We released our next-generation Zexeed mask to address three factors: high filter performance, excellent fit and sealing, and high air permeability (breathability)

Entry model

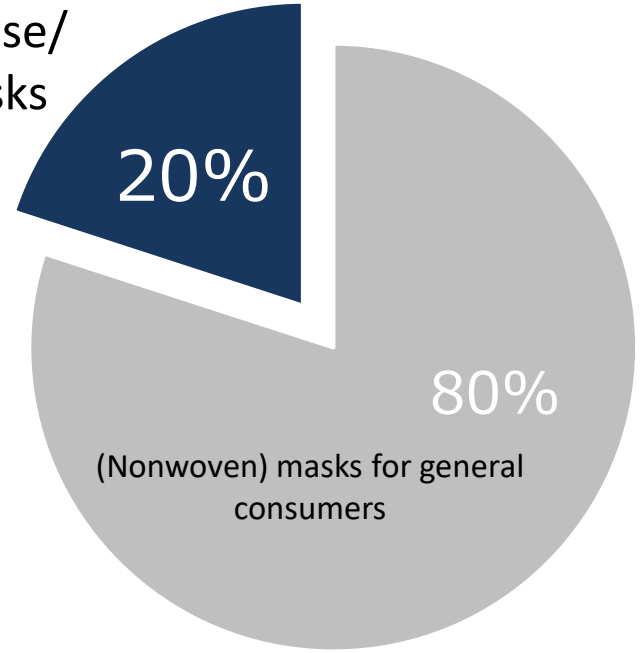
Sales launched at nationwide drug stores on September 4, 2020

Flagship model

Pre-orders on online retail sites began on September 1, 2020

We intend to have our masks certified for medical use/dust protection. We aim to increase our market share in this segment and continue development.

Medical use/ dust masks



(Nonwoven) masks for general consumers

Medical use dust masks

Development policy going forward: Expanding our lineup

We have further plans to acquire certification for high-performance masks demanded by medical facilities, etc. (certifications in Japan, US, and Europe*). In the market for general consumers, we will differentiate our products by using proprietary technologies and unique pleated mask shapes as we continue to develop higher performance masks.

① **High filter performance (highest N95 standard value)**
② **Excellent fit and sealing (leakage of less than 1 %)**
③ **Excellent breathability**

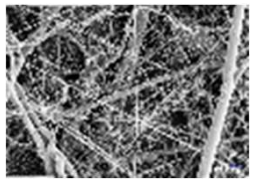
In these aspects, we achieve overwhelming differentiation that makes us stand out from our competitors.

*National testing standard in Japan (DS), NIOSH standard in US (N95), EN standard in Europe (FFP)

Nano fiber filter by Electrospinning method

Characteristics: Very thin, flat, uniform fibers

YAMASHIN NANO FILTER



YAMASHIN's proprietary patented technology Characteristics: 3D, multi-layer fiber mix

*** Captured with electron microscope (2,000x)**

Theme for Initiatives 3: Air Quality

We aim to help prevent atmospheric pollution by growing our air filter business.

Business environment

There is a risk of worsening atmospheric pollution caused by the economic growth of emerging countries.

The air filter market is expected to keep growing.

Estimated annual growth rate of the air filter market
3.5% (until 2050)

Contributions we can make

As a manufacturer specializing in filters, we help to reduce health hazards by supplying highly functional air filters.

We can also curtail maintenance costs by extending the life-span of each product.

YAMASHIN Nano Filter

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Pursuing equity finance sustainability projects to help solve environmental and societal problems

We intend to procure ¥11.0 billion through equity financing to facilitate sustained, medium-term business growth and proactively pursue ESG initiatives.

Impacts of Sustainability Project

Project output	Outcome		Impact	Impact indicator (annual)
Purchasing electricity from renewable energy Introducing solar-power systems	YAMASHIN	Increased ratio of renewable energy in electric power	Renewable energy	Reduction of CO_2 emission (tCO2)
Augmentation of production facilities for nanofibers	Users (construction machinery)	Reduced waste by using longer-lasting hydraulic filters for construction machinery	Pollution prevention and control	Reduction of filter waste
	Manufacturers (apparel, bedding)	Reduced use of natural down through use of synthetic down	Protecting diversity of land and marine life	Reduction of natural down used
	Users (agriculture)	Reduced fuel consumption through high-insulation agricultural sheets	Energy efficiency	Reduction of CO_2 emission (tCO2)
Introducing recycling facilities for nanofibers	Users (e.g., construction machinery)	Reduced waste from various filters	Pollution prevention and control	(Qualitative assessments)
Augmentation of manufacturing machinery for general-use masks	Users (general consumers)	Increased production of general-use masks	Access to necessary services to the extent possible	General-use masks (pieces)
Augmentation of manufacturing machinery for medical-use masks	Users (medical professionals)	Increased production of medical-use masks	Access to necessary services to the extent possible	(Qualitative assessments)
R&D on YAMASHIN Nano Filter™ technology	Users (general consumers)	Spread and expansion of fuel cells through separator development	Clean transport	(Qualitative assessments)
	Manufacturers and users	Achieving even higher performance of nanofibers (finer, added features)	Broad social and environmental implications	

Second-party opinion on selection grounds

- Helping to make construction machinery more environmentally friendly by developing new filtration technology and materials
- Leading the way in conducting work style reforms like zero overtime for all employees

Points of improvement/focus going forward

- Promotion of ESG initiatives on the value chain, including promotion of CSR procurement, and disclosure of ESG information

Source: Compiled by The Japan Research Institute: ***Second Party Opinion***
URL: http://www.Yamashin-filter.co.jp/ja/news/news_20200908_001/main/00/link/SecondPartyOpinion.pdf

Working to Reduce CO2 by Approx. 25,000 Tons through business activities

■Impact of Sustainability Project

Project outputs	Outcomes		Impact	
				Impact indicator (annual)
Purchasing electricity from renewable sources	YAMASHIN	Increased share of renewable energy in electric power	**Renewable energy**	**632t CO_2**
Purchasing solar power systems				
Adding production facilities for YAMASHIN NANO FILTER™	Users (construction machinery)	Reduced waste from longer life hydraulic filters for construction machinery	Pollution prevention and control	4,000 t
	Manufacturers (apparel, bedding)	Reduced use of natural down through use of synthetic down	Reduced natural down for protecting land and sea life diversity	23 t
	Users (agriculture)	Reduced fuel consumption through high-insultation agricultural sheets	**Energy efficiency**	**24,440t CO_2**
Introducing recycling facilities for YAMASHIN NANO FILTER™	Users (e.g., construction machinery)	Reduced waste from various filters	Pollution prevention and control	(Qualitative assessment)
Adding manufacturing machinery for masks for general consumers	Users (general consumers)	Increased production of masks for general consumers	Help consumers to access to necessary amounts to the extent possible	230 million masks
Adding manufacturing machinery for medical use masks	Users (medical professionals)	Increased production of masks for medical use	Help consumers to access to necessary amounts to the extent possible	(Qualitative assessment)
R&D on YAMASHIN NANO FILTER™ technology	Users (general consumers)	Separator development for wider dissemination of fuel cells	Clean transport	(Qualitative assessment)
	Manufacturers and users	Achieving even higher performance of YAMASHIN NANO FILTER™ (finer, added features)	Broad social/environmental implications	

Source: Compiled by The Japan Research Institute: ***Second Party Opinion***
URL: http://www.Yamashin-filter.co.jp/ja/news/news_20200908_001/main/00/link/SecondPartyOpinion.pdf

Key Takeaways

We hold a world-leading market share in the construction machinery filter market.

Due to increased infrastructure investment in several markets and our strong position in after-sales market, we expect sustained growth in our construction machinery filter business.

New business is expected to make significant contributions to both sales and profits.

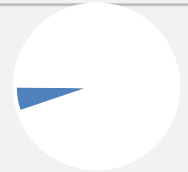
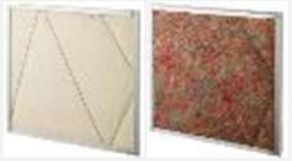
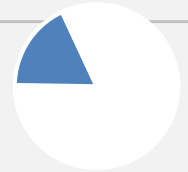
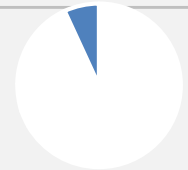
With its diverse applications, YAMASHIN NANO FILTER™ will drive growth.

REFERENCE MATERIALS

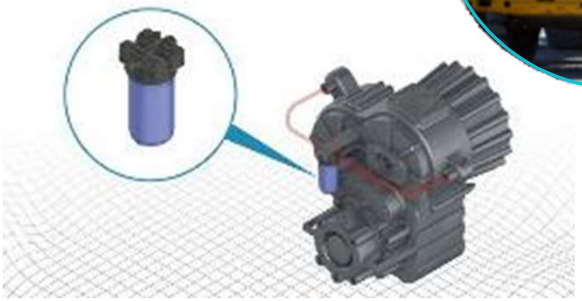
②BASIC COMPANY INFORMATION

About Us | Overview of Our Filter Products

YAMASHIN Group has manufactured filters for construction machinery (hydraulic), various industrial fields other than construction machinery (hydraulic), and manufacturing processes (water) by purchasing glass-fiber and non-woven fabrics to produce filter media (the key component of any filter), resin products, and processed metal for filter components. From May 2020, we started to sell filter masks and mask inner sheets made from our proprietary synthetic polymer nanofibers, and from July 2020, we added a new Healthcare segment to our business.

Filed	Products	Product image	Composition ratio (As of March 2021)
Hydraulic filters for construction machinery	A construction machinery filter is used to filter the fluid running in the hydraulic components of construction machinery, which is the key to the operation of such machinery. Applications : Various types of construction machinery		
Hydraulic filters for various industrial fields	An industrial filter is a filter used for filtrating operating fluid and lubricants of hydraulic units applied in various industries other than the construction machinery industry. Applications : machine tools, refrigerating compressors, agricultural machinery, vessels, railway vehicles, airplanes, and helicopters		
Filters for process lines	A process filter is used for filtration and separation in processes for manufacturing customer products Applications : Production lines for electronic parts, precision parts, liquid crystal displays, and food.		
Air filters	Air filters used for dust removal and medium-to-high performance air filters Applications: general buildings, hotels and factories.		
Healthcare	High performance masks and replacement inner sheets that feature high filtration performance (one of the characteristics of our nanofiber filtration material), excellent sealing performance, and high air permeability. Applications: For general consumers in Japan and around the world		

YAMASHIN provides an extensive product line of filters essential to operating construction machinery

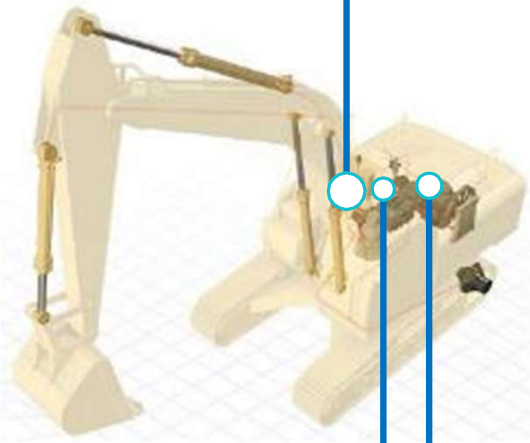


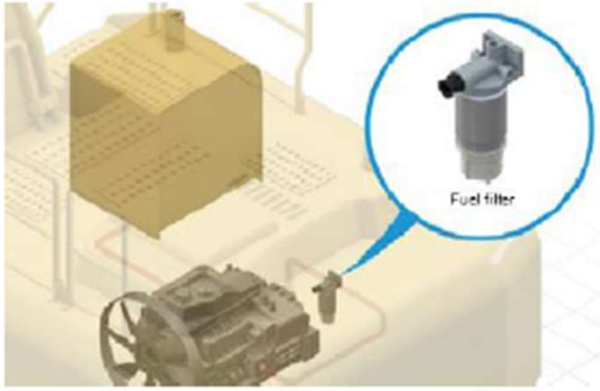
For hydraulic systems

These filters are installed at several locations of each piece of construction machinery to protect hydraulic equipment, including cylinders. Some 70% of all malfunctions affecting construction machinery are believed to be caused by dust in oil, the presence of which leads to mechanical breakdowns. We provide filters ideal for every need based on the know-how cultivated since our founding.

For fuel

Fuel filters remove particulates from diesel fuel. Increasingly stringent regulations worldwide have strengthened purity requirements for fuel. Demand for fuel filters is expected to grow, particularly in emerging nations where fuel quality tends to be lower.



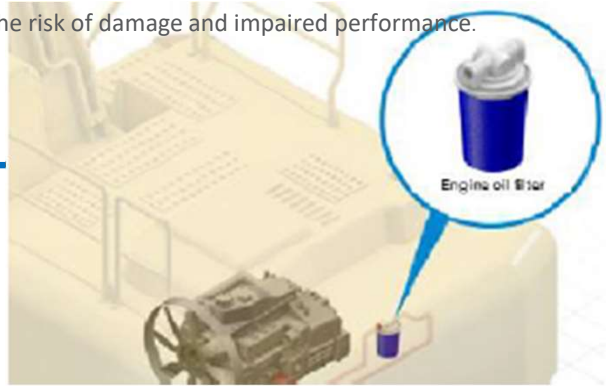


For transmissions

These filters are found in the transmissions of construction machinery. Transmissions are composed of multiple gears. Friction between these gears produces metal powder and particulates. Our company's filters employ proprietary filter elements and materials to remove these particulates and minimize equipment wear.

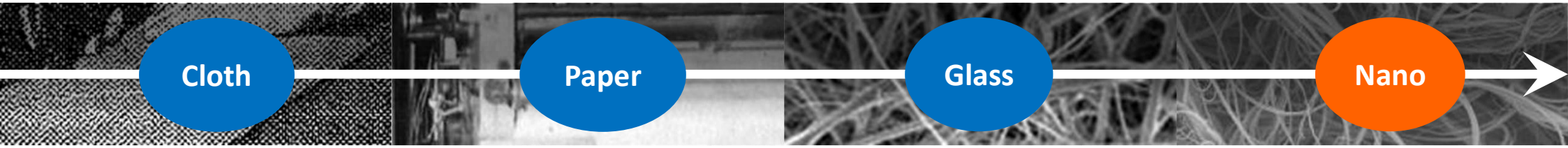
For engine oil

These filters are in various construction machinery engines. Engines contain pistons and other components moving at high speed that generate power. Engine oil filters remove the metal powders and sludge (sediment) that are caused by abrasion and accumulate in engine oil during power generation, mitigating the risk of damage and impaired performance.



The Specialist in Filtration YAMASHIN

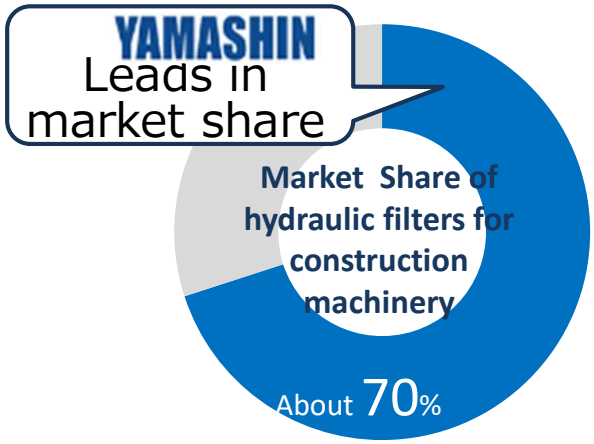
Capability of researching and developing innovative filter media in line with the evolution of construction machinery.



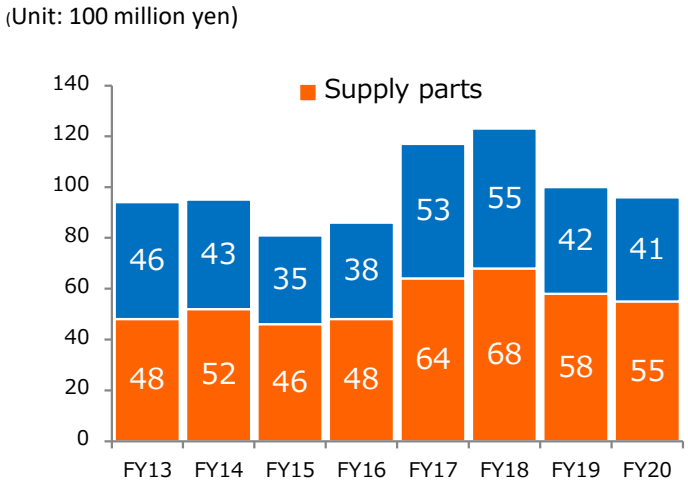
A lion's share in the market of hydraulic filters for construction machinery

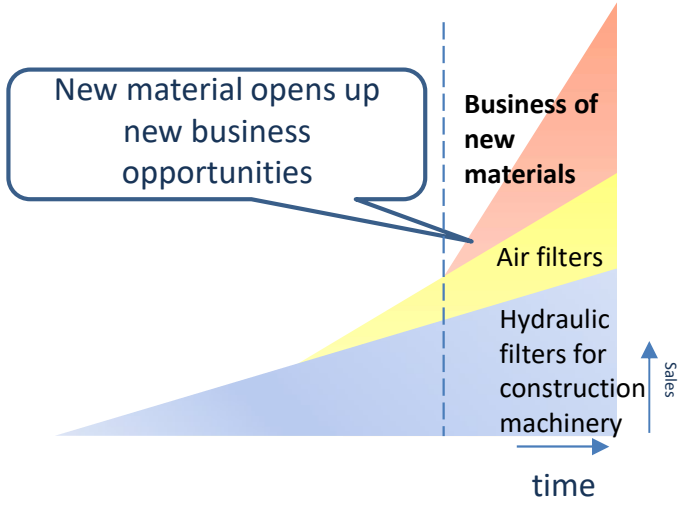
Stable revenue structure satisfying the demand for new machines and replacement parts

Expansion of business domain with newly developed innovative materials



Shares of sales of hydraulic filters for construction machinery in Japan (FY2012) Source: Yano Research Institute





- Our company has contributed to the development of efficient infrastructure.
- As we handle high-quality products and have plenty of experience, many products have been adopted by leading construction machinery manufacturers in Japan, Europe, the U.S., and China.

Segments and KPI

- Filters for construction machinery are classified into **“line parts”** and **“service parts”**
- Line parts refer to filters installed in new construction machines. The primary indicator is **“the demand for new construction machines”**
- Service parts refer to replacement filters. The primary indicator is **“the number of units in operation” × “hours of operation”.**

Business model, Regional trends, and Cost reduction measures

- **Business model**
  Hydraulic filters for construction machinery are all sold to construction machinery manufacturers (100%). In principle, we do not sell the products directly to end users.
- **Regional market trends**
  Sales calculations are based on invoice destinations. Our data may differ from the actual regional market trends
- **PAC20 （Promptly Activated Cost reduction 2020）**
  Our company-wide cost reduction project implemented in 2020

Term	Formula
MAVYS	ROIC - WACC
ROIC	NOPAT ÷ Capital investment
Rate of return on capital investment	(Ordinary income + Interest paid) ÷ Capital investment
Turnover rate of working capital	Net sales ÷ (Accounts receivable + Inventory assets - Accounts payable)
Turnover rate of fixed assets	Net sales ÷ Fixed assets
Turnover rate of accounts receivable	Net sales ÷ Accounts receivable
Turnover rate of inventory assets	Net sales ÷ Inventory assets
Turnover rate of accounts payable	Sales cost ÷ Accounts payable
Turnover rate of tangible fixed assets	Net sales ÷ Tangible fixed assets
Turnover rate of intangible fixed assets	Net sales ÷ Intangible fixed assets
Key Goal Indicator(KGI)	Current year: Cumulative total + Budget, Previous year: Annual actual results
Key Performance Indicator (KPI)	Comparison of cumulative results

* The figures in the balance sheet are the averages of the initial and term-end figures

STRENGTHS

- Overwhelming share of the market for construction machinery filters
- **Market share continues to grow as we introduce new materials**
- Advanced R&D capabilities
- Robust operation management based on PAC and MAVYS

WEAKNESSES

- About 70% of net sales are from construction machinery filters
- Concerns about a shortage of human resources

Overcome these issues to evolve into a comprehensive filter manufacturer

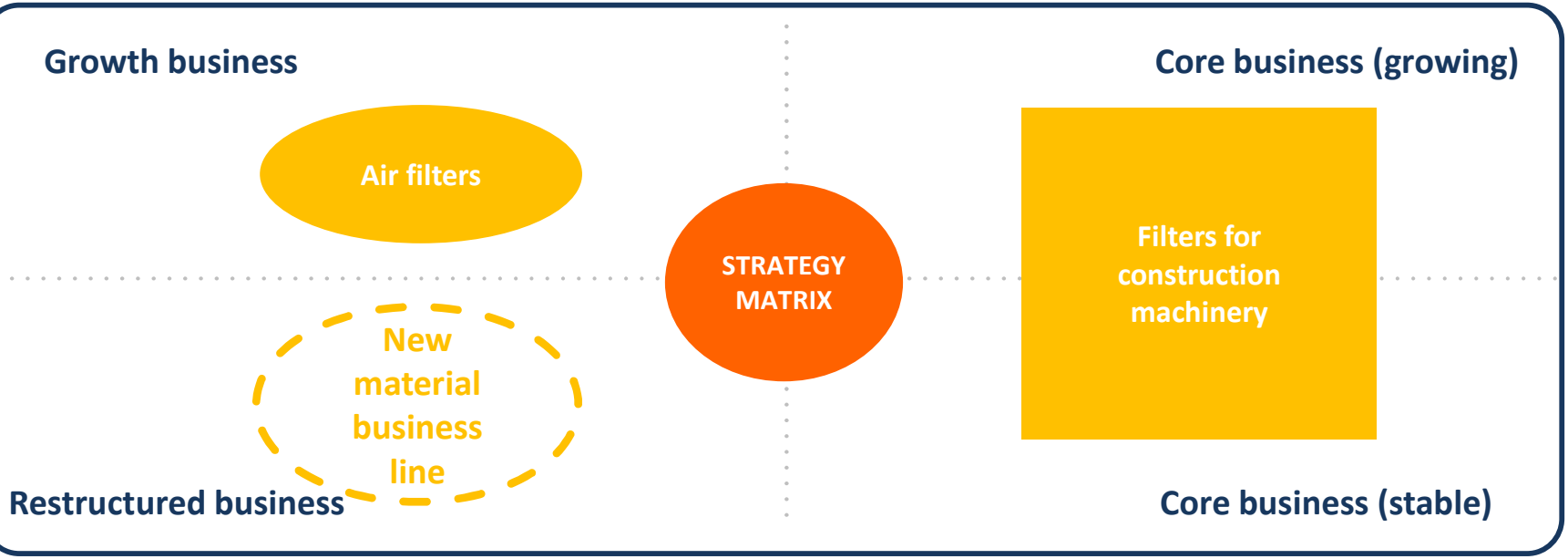
OPPORTUNITIES

- To increase our share in the growing Chinese market
- **To expand our business portfolio and evolve into a "comprehensive multi-field filter manufacturer" (focusing on air filters, YAMASHIN NANO FILTER™, and healthcare)**

THREATS

- Decrease in our market share, due to the proliferation of counterfeit filter products for construction machinery
- Changes in the construction machinery market in China
- Sluggish sales growth of process/industrial filters
- **Delays in commercialization of new material products**

Eliminate counterfeits by using new high-performance materials



Our efforts to help prevent the spread of COVID-19

YAMASHIN is striving to achieve reasonable business continuity and improved work-life balance for employees while prioritizing the health and safety of business partners, shareholders, employees and their families with an eye on the post-pandemic world.

Working arrangements: Continuing telecommuting, implementing work style reforms

Employees who show symptoms or have had contact with a confirmed case are prohibited from going to the office and are to follow medical advice. Through this we ensure employees' health and safety.

① Work system at overseas subsidiaries

Telecommuting is recommended for headquarters (Naka-ku, Yokohama-shi), the Yokohama Development Center (Isogo-ku, Yokohama-shi), the Yokosuka Media Lab (Yokosuka-shi), and AQC (Osaka-shi and Chuo-ku, Tokyo).
* Guidance for telecommuting changed from mandatory to recommended as of June 1.

② Implementation of staggered commuting

To avoid crowded trains, employees' commuting hours are being staggered. Additionally, teams will work in shifts to avoid crowding at offices.

③ Flexible working arrangements at overseas affiliates

Adoption of flexible working arrangements subject to the infectious disease control measures mandated or recommended by the government.

④ Other

Hand sanitizers are placed at the entrance of every facility of our corporate group in order to ensure thorough disinfection.
Conferences and meetings must be held on-line.
Nonessential business trips both domestic and overseas are prohibited.

Production system

Based on our BCP, production output has been adjusted at each facility (Cebu, Saga, Osaka, and Suzhou*) and an alternate production/supply system has been established.

Cebu Factory	Resumed operations, restored mass production
Saga Factory	Commenced mass production of filter materials and masks
Suzhou Factory	Normal operations
***manufacturing outsourced** **Osaka Factory (AQC)**	Relocated main factory, strengthened production capacity, and commenced mask mass production

Impact on business performance

Countries are seeking ways both to resume economic activity and to prevent the spread of the virus. The outlook remains uncertain, but the construction machinery market is recovering.

Trends in the construction machinery market

Chinese market	Economic activity is resuming. Further growth in the construction machinery market is expected with increasing government-led public investments. The production plans of major Chinese clients continue to expand.
Japan/US/Europe/ Asia market	While the outlook remains uncertain, production at major clients is recovering, with economic activity resuming in stages.

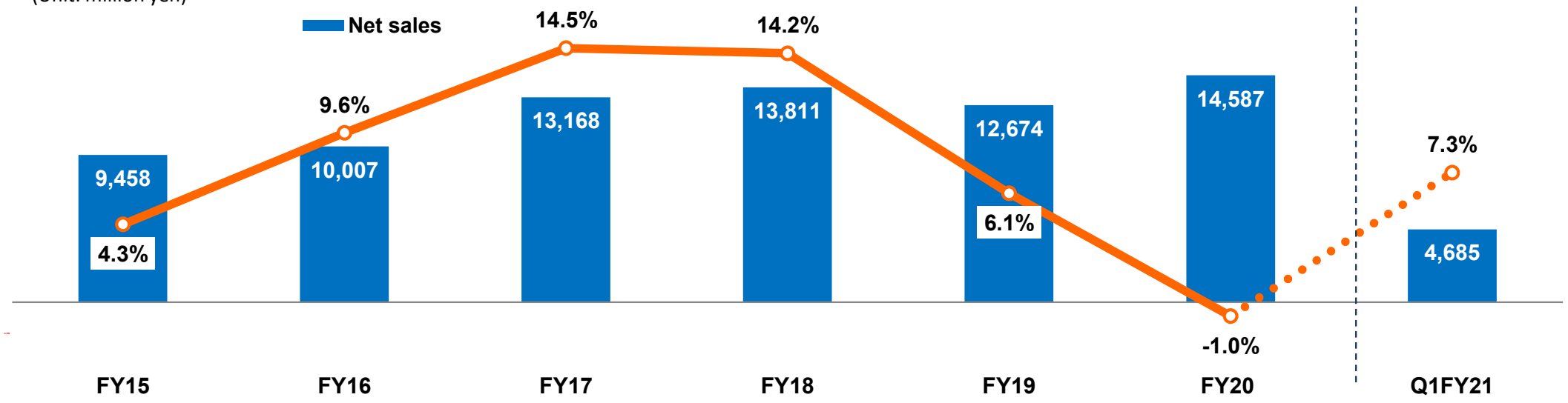
REFERENCE MATERIALS

③ FINANCIAL HIGHLIGHTS

Financial Highlights

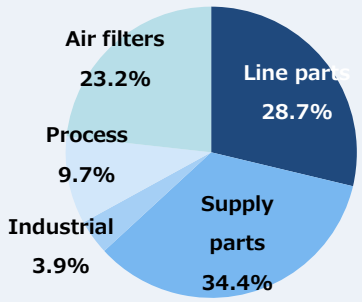
Net sales, Operating income

(Unit: million yen)

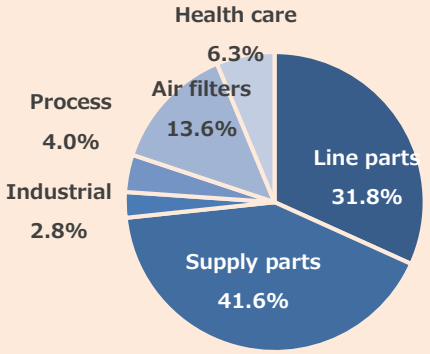


Sales breakdown by product category

Q1 FY2020

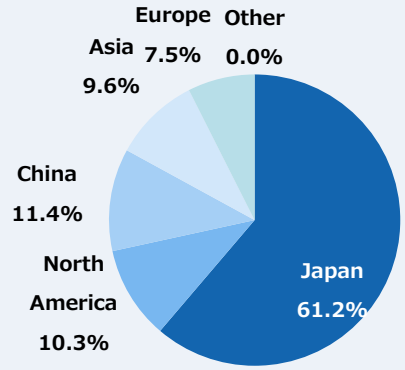


Q1 FY2021

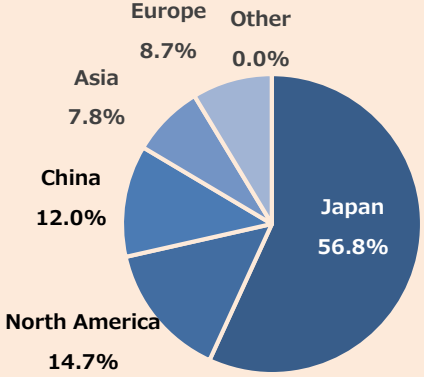


Sales breakdown by region

Q1 FY2020

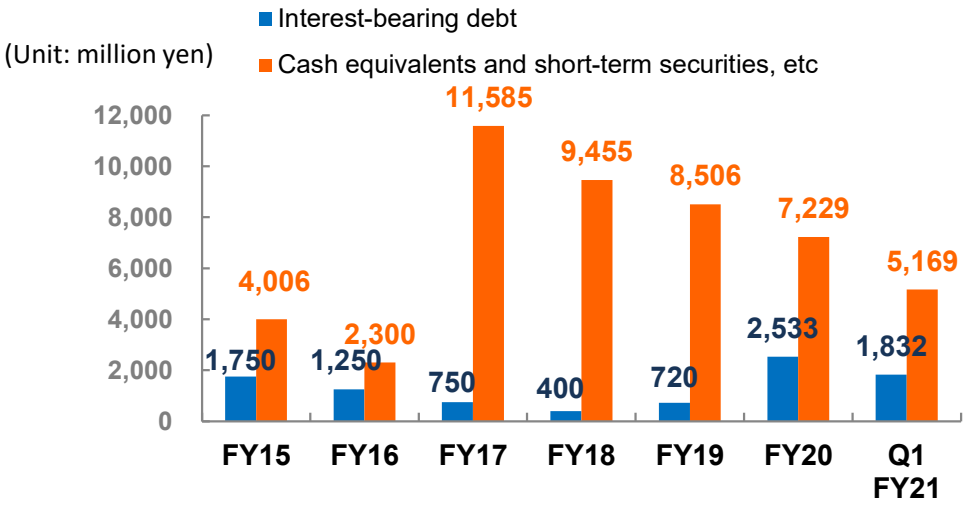


Q1 FY2021

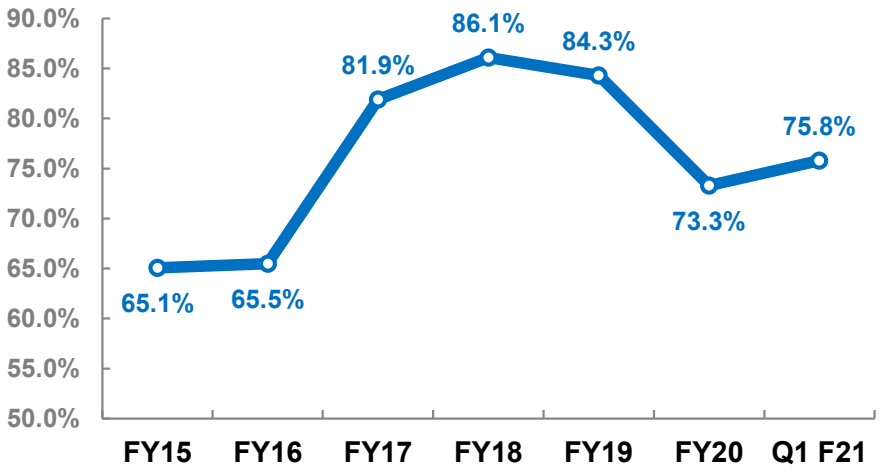


Financial Highlights

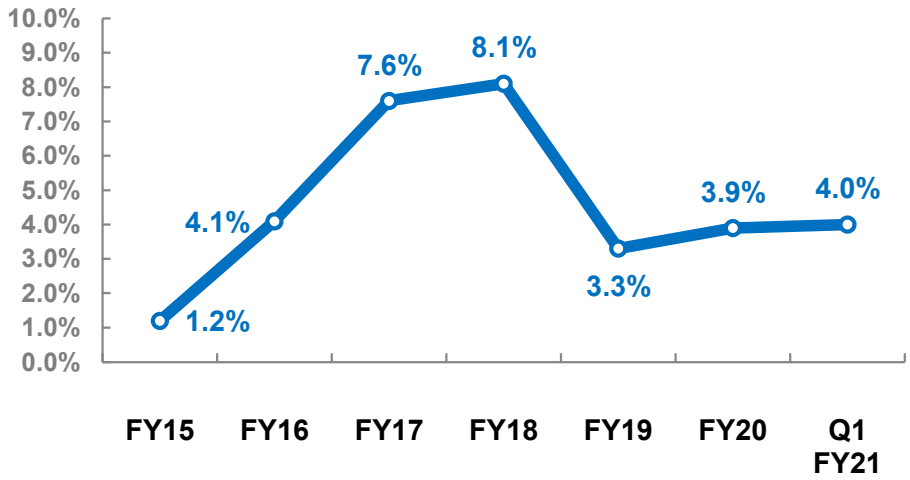
Interest-bearing debt, Cash equivalents, Short-term securities, etc.



Shareholders' equity ratio

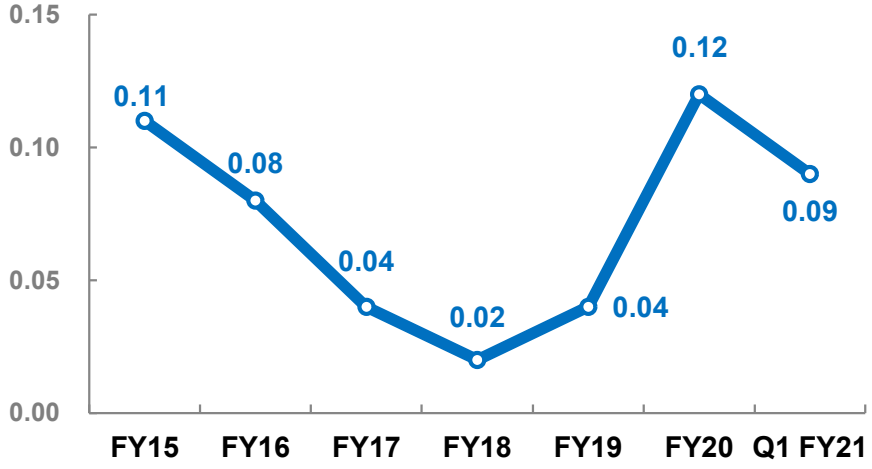


R O E



- Calculated based on the assumption that the capital increase through third-party allotment in FY2017 was implemented in FY15.

D/E ratio



- Calculated based on the assumption that the capital increase through third-party allotment in FY2017 was implemented in FY15.

Balance Sheet

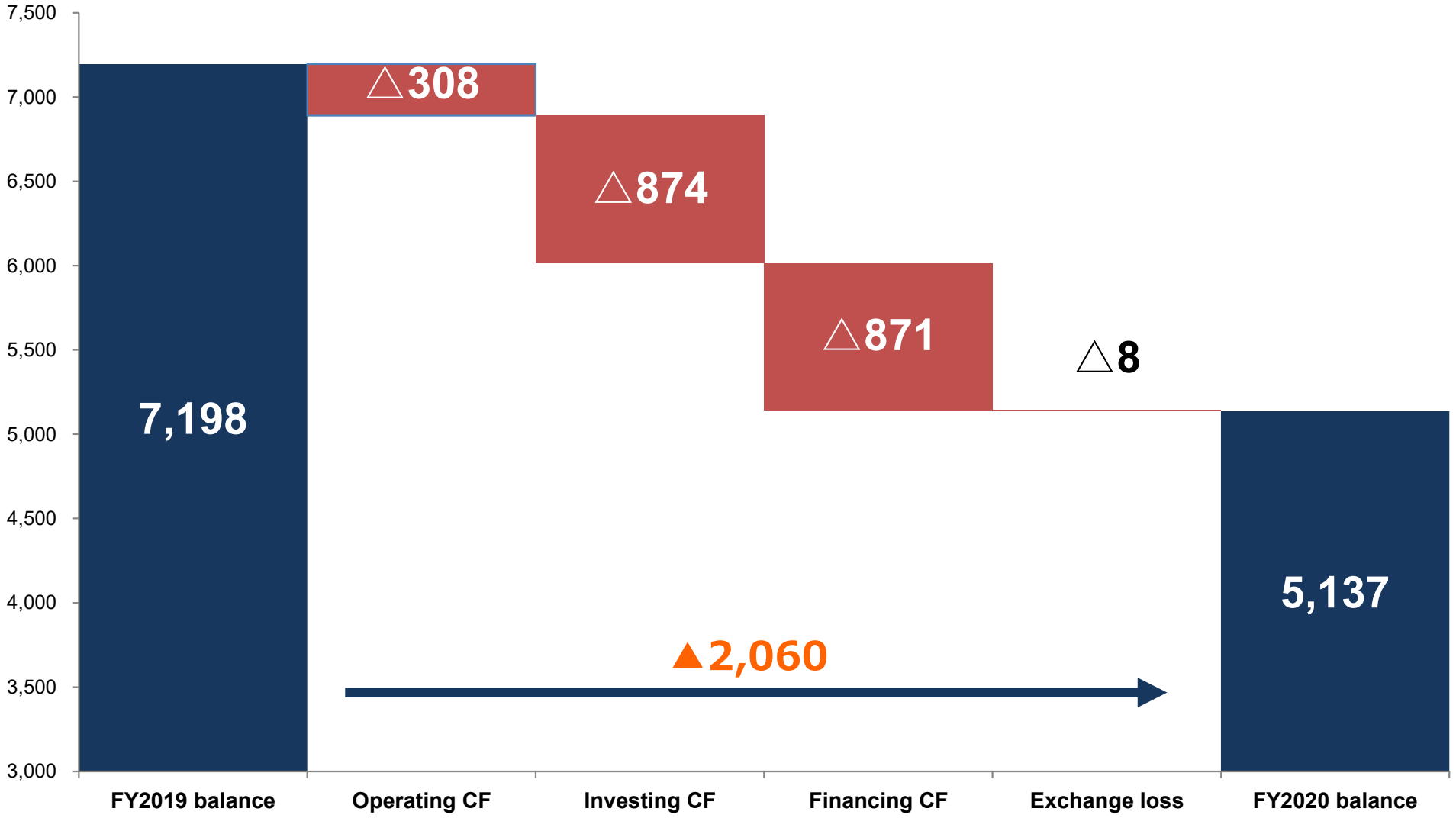
(Unit: million yen)

	FY2020	FY2021	Change (Amount)	Change (%)
Current assets	15,323	14,093	△1,229	△8.0%
Cash and deposits	7,229	5,169	△2,060	△28.5%
Notes and accounts receivable-trade	4,285	4,623	337	7.9%
Merchandise and finished goods, Raw materials and Supplies	3,021	3,549	527	17.4%
Other	785	752	△33	△4.3%
Fixed assets	12,868	13,187	318	2.5%
Tangible fixed assets	10,813	11,172	359	3.3%
Intangible fixed assets	330	304	△25	△7.7%
Investments and other assets	1,724	1,709	△3	△0.2%
Total assets	28,191	27,280	△910	△3.2%

	FY2020	FY2021	Change (Amount)	Change (%)
Current liabilities	5,539	4,755	△784	△14.2%
Notes and accounts payable-trade	1,952	2,936	983	50.3%
Corporate bonds payable within one year and short-term loans payable	1,003	403	△600	△59.8 %
Other	2,583	1,415	△1,167	△45.2%
Fixed liabilities	1,969	1,850	△118	△6.0%
Corporate bonds and long-term debt	1,529	1,428	△100	△6.6%
Net defined benefits Liability	225	215	△9	△4.4%
Other	214	206	△7	△3.7%
Total net assets	20,682	20,674	△7	△0.0%
Total of liabilities and net assets	28,191	27,280	△910	△3.2%
***Shareholders' equity ratio**	73,3%	75.7%		

Changes in Cash Flow Balance

(Unit: million yen)

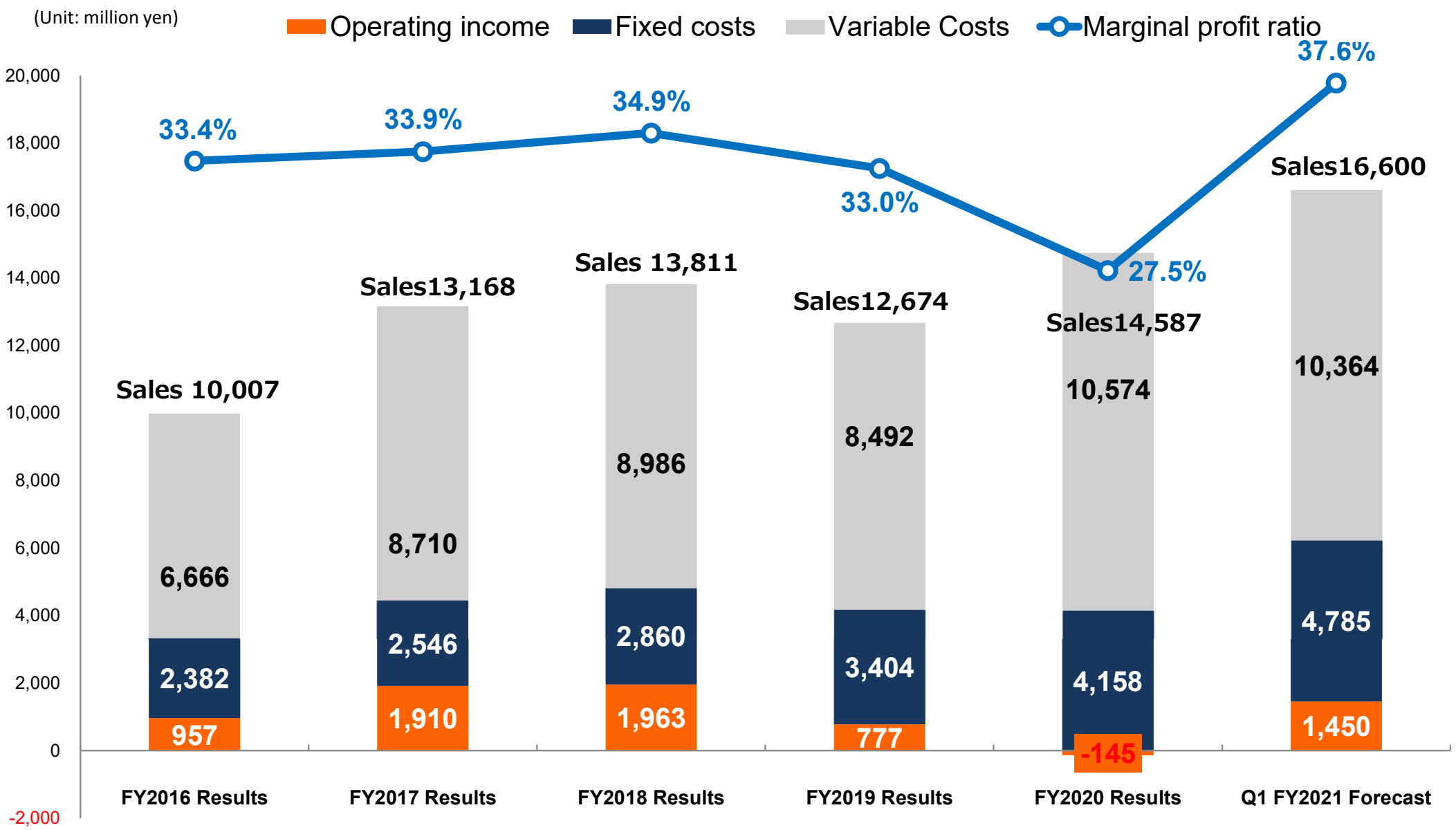


Conditions of Operational Hedge – “Marry and Netting” and Foreign Exchange Sensitivity

(unit: million yen)

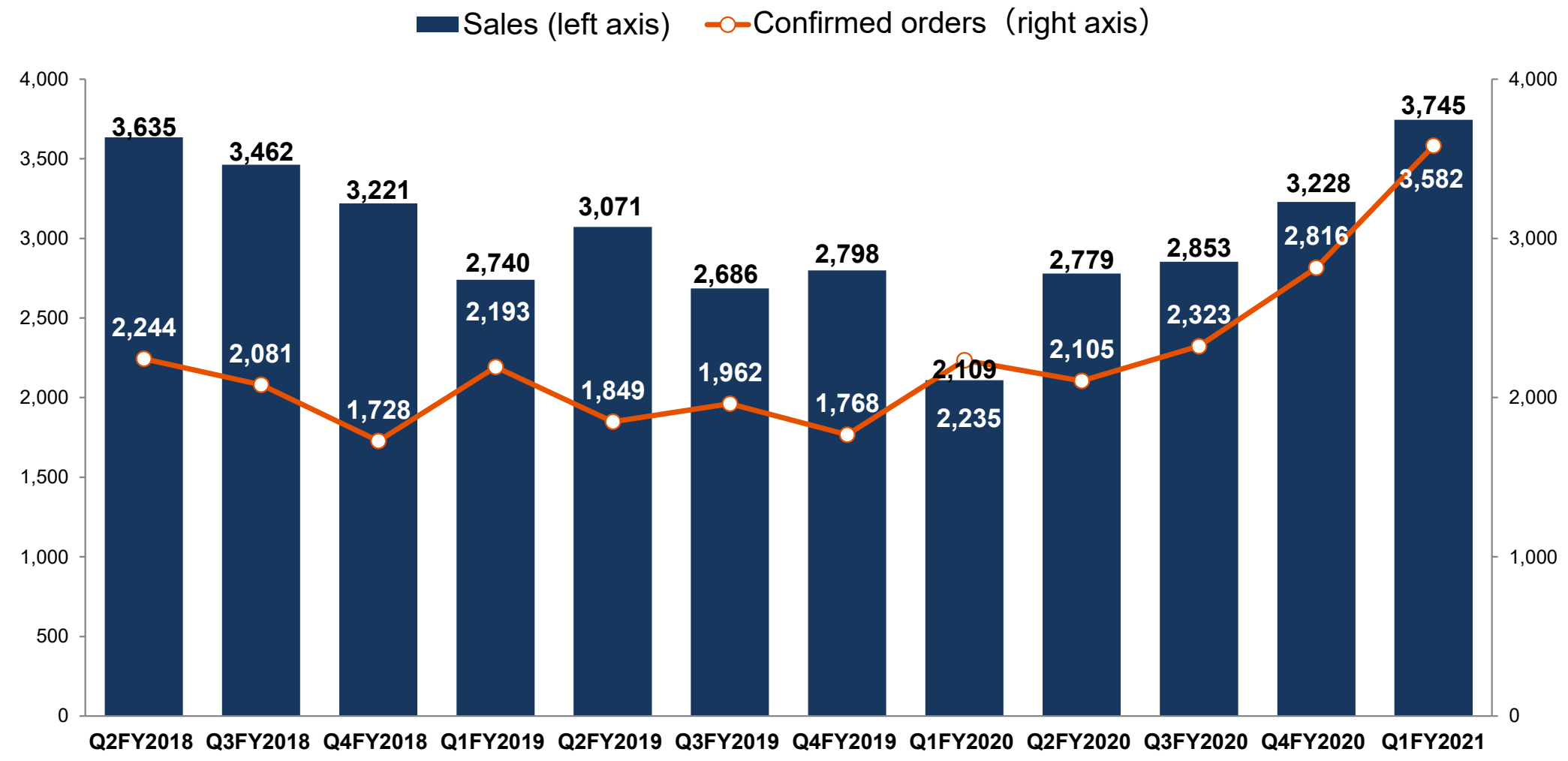
Currency	Incoming		Outgoing		Net	Average rate during the term (JPY)	In case of yen appreciation (10%)			In case of yen depreciation (10%)		
	Amount by currency	Composi-tion ratio	Amount by currency	Composi-tion ratio	Amount by currency		If yen is appreciated ▲10% (JPY)	Difference	Affected amount (QTD)	If yen is depreciated +10% (JPY)	Difference	Affected amount (QTD)
JPY	¥5,100.0	75%	¥6,400.0	74%	¥-1,300.0	-	-	-	-	-	-	-
USD	$13.0	21%	$15.3	19%	-$2.3	¥109.5	¥98.55	¥-10.95	¥25.19	¥120.45	¥10.95	¥-25.19
EUR	€ 1.3	3%	€ 1.1	2%	€ 0.2	¥132.0	¥118.76	¥-13.2	¥-2.64	¥145.16	¥13.20	¥2.64
PHP	PP0.0	0%	PP177.4	5%	PP-177.4	¥2.3	¥2.04	¥-0.2	¥40.27	¥2.50	¥0.23	¥-40.27
THB	฿20.60	1%	฿2.80	0%	฿17.80	¥3.5	¥3.15	¥-0.4	¥-6.23	¥3.85	¥0.35	¥6.23
Total	-	100%	-	100%	-	-	-	-	¥56.59	-	-	¥-56.59

Variation in Marginal Profit Ratio



YAMASHIN Construction Machinery Filters
Sales and Confirmed Orders of (Quarterly)

(Unit: million yen)



Q1 FY2021 Business Performance

(million yen)

		Q1 FY2020 Results	Q1 FY2021 Results	YoY change	
		Amount	Amount	Amount	%
Net sales		2,858	4,685	1,827	63.9%
	Construction machinery filters, etc.*	2,194	3,752	1,558	71.0%
	Air filters	663	637	△26	△3.9%
	Healthcare	-	295	295	-
Operating income		△98	341	439	-
	Construction machinery filters*	△144	478	623	-
	Air filters	45	26	△72	-
	Healthcare	-	△111	△111	-
Operating income margin		**△3.4%**	**7.3%**	**-**	
Ordinary profit		△101	334	436	-
Ordinary profit margin		**△3.6%**	**7.1%**	**-**	
Net income		△82	208	291	-
Net income margin		**△2.9%**	**4.4%**	**-**	
Exchange rates (ave.)	USD	107.6	109.5	1.9	1.7%
	EUR	118.5	132.0	13.5	11.4%

*"Construction machinery filters, etc." here includes industrial filters and process filters in addition to construction machinery filters.
* The company has changed how it allocates corporate expenses, with the goal of more accurately representing segment results and corporate expenses. Specifically, the head office's general and administrative expenses and other corporate expenses not attributable to individual business segments are no longer allocated to specific segments.

FY2021 Full-year Forecasts

(million yen)

		FY2019 Results	FY2020 Results	FY2021 Forecast	YoY Change
		Amount	Amount	Amount	Amount
Net sales		12,674	14,587	16,600	2,012
	Construction machinery filters*	11,296	10,970	12,000	1,029
	Air filters	1,377	2,607	3,000	392
	Healthcare	-	1,009	1,600	590
Operating income		777	△145	1,500	1,645
	Construction machinery filters*	654	22	960	937
	Air filters	122	△18	300	318
	Healthcare	-	△150	240	390
Operating income margin		**6.1%**	**△1.0%**	**9.0%**	**-**
Ordinary profit		603	△135	1,470	1,605
Ordinary profit margin		**4.8%**	**△0.9%**	**8.9%**	**-**
Net income		608	750	960	209
Net income margin		**4.8%**	**5.1%**	**5.8%**	**0.6Pt**

Exchange rate (JPY)	USD	108.8	106.1	105.0	△1.0%
	EUR	120.8	123.7	125.0	1.0%

*Construction machinery filters" includes industrial filters and process filters, in addition to construction machinery filters.

* The company has changed how it allocates corporate expenses, with the goal of more accurately representing segment results and corporate expenses. Specifically, the head office's general and administrative expenses and other corporate expenses not attributable to individual business segments are no longer allocated to specific segments.

この資料に記載されている業績の見通し等将来に関する情報は、現在入手可能な情報に基づいて作成しております
実際の業績は市場動向や業績情勢等の様々な要因等によって異なる可能性があります

この資料に関するお問い合わせは ヤマシンフィルタ株式会社 広報・IR担当まで

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