

Enhancing Value Chains

Double sales of our construction machinery business in five years

Improve profit margins in our air filter business

Restructure our healthcare business to accommodate changing market forces

YAMASHIN-FILTER CORP.
Financial Results for the second quarter
of the fiscal year ending in March 2022

November 19, 2021

Market Environment

- Construction machinery filter business: The outlook remains uncertain due to concerns about a new wave of COVID-19 infections, continually rising logistics costs, and the growing cost of semiconductors and other raw materials. However, we expect the operating hours of construction machinery to increase significantly and demand for new machines to rapidly recover due to greater infrastructure capital investment and demand for resources as the economies of various countries recover¹.
- In China, the world's largest market for construction machinery, sales of new excavators are expected to remain high despite not quite matching the record high of the previous financial year.
- Air filter and healthcare business: As worldwide economic activity resumes, the accompanying societal and lifestyle changes and the issues of climate change and other environmental challenges 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 Q2 FY2021

- **Consolidated sales: ¥9.56 billion, a 45.6% increase from the same period last year**
 - Construction machinery filters: ¥7.86 billion, a 60.8% increase from the same period last year
 - Air filters: ¥1.25 billion, a 2.9% reduction from the same period last year
 - Healthcare: ¥446 million, a 15.4% reduction from the same period last year
- **Operating income: ¥887 million, a growth of ¥915 million from the same period last year**
 - Our healthcare business saw a considerable deficit, as we await the cost reductions promised by the fully automated production line from the third quarter and have been unable to sufficiently reduce manufacturing costs in the meantime
 - 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 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.

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 in our air filter and healthcare businesses

Construction machinery business

Expand lineup of high value-added filter products that leverage new materials and IoT technologies

Further promoted 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

Implement structural reforms to improve profitability through cost-reduction strategies such as the introduction of a new fully automated production line.

Medical mask market

Developed 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™*

Open up new markets for YAMASHIN Nano Filter® as an industrial material

Promote YAMASHIN Nano Filter® to various industries for use as an industrial material.

I

**Business Performance Results for Q2 and Full-Year
Forecasts for FY2021 (Ending March 31, 2022)**

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決算

I BUSINESS PERFORMANCE RESULTS FOR Q2 AND FULL-YEAR FORECASTS FOR FY2021 (ENDING MARCH 31, 2022)

Business Performance Results for Q2 FY2021 (Jul 2021 to Sep 2021)

FY2021 Q2 Financial Results (Jul to Sep)

(million yen)	Q2 FY2020 Results	Q2 FY2021 Results	YoY change		
	Amount	Amount	Amount	%	
Net sales	3,705	4,870	1,165	31.5%	
Construction machinery filters, etc.*	2,779	4,105	1,326	47.7%	
Air filters	624	613	△10	△1.6%	
Healthcare	301	151	△150	△49.9%	
Operating income	48	546	497	1,029.1%	
Construction machinery filters, etc.*	322	1,052	730	226.6%	
Air filters	16	△8	△25	-	
Healthcare	69	△125	△195	-	
Corporate expenses*	△360	△372	12	△3.4%	
Operating income margin	1.3%	11.2%	9.9Pt		
Ordinary profit	41	541	500	1,214.6%	
Ordinary profit margin	1.1%	11.1%	10.0Pt		
Net income	△69	120	189	-	
Net income margin	△1.9%	2.5%	4.3Pt		
Exchange rates (ave.)	USD	107.6	109.5	1.9	1.7%
	EUR	118.5	132.0	13.5	11.4%

*"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. Figures for the second quarter of the previous fiscal year are also based on this new approach.

(million yen)		Q2 FY2020 Results	Q2 FY2021 Results	YoY change	
		Amount	Amount	Amount	%
Construction machinery filters		2,495	3,737	1,242	49.8%
	Line parts	928	1,296	367	39.6%
	Service parts	1,566	2,441	874	55.8%
Industrial filters		126	125	△0	△0.7%
Process filters		157	242	84	53.9%
Subtotal (Construction machinery filters, etc.*)		2,779	4,105	1,326	47.7%
Air filters		624	613	△10	△1.6%
Healthcare		301	151	△150	△49.9%
Total		3,705	4,870	1,165	31.5%

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

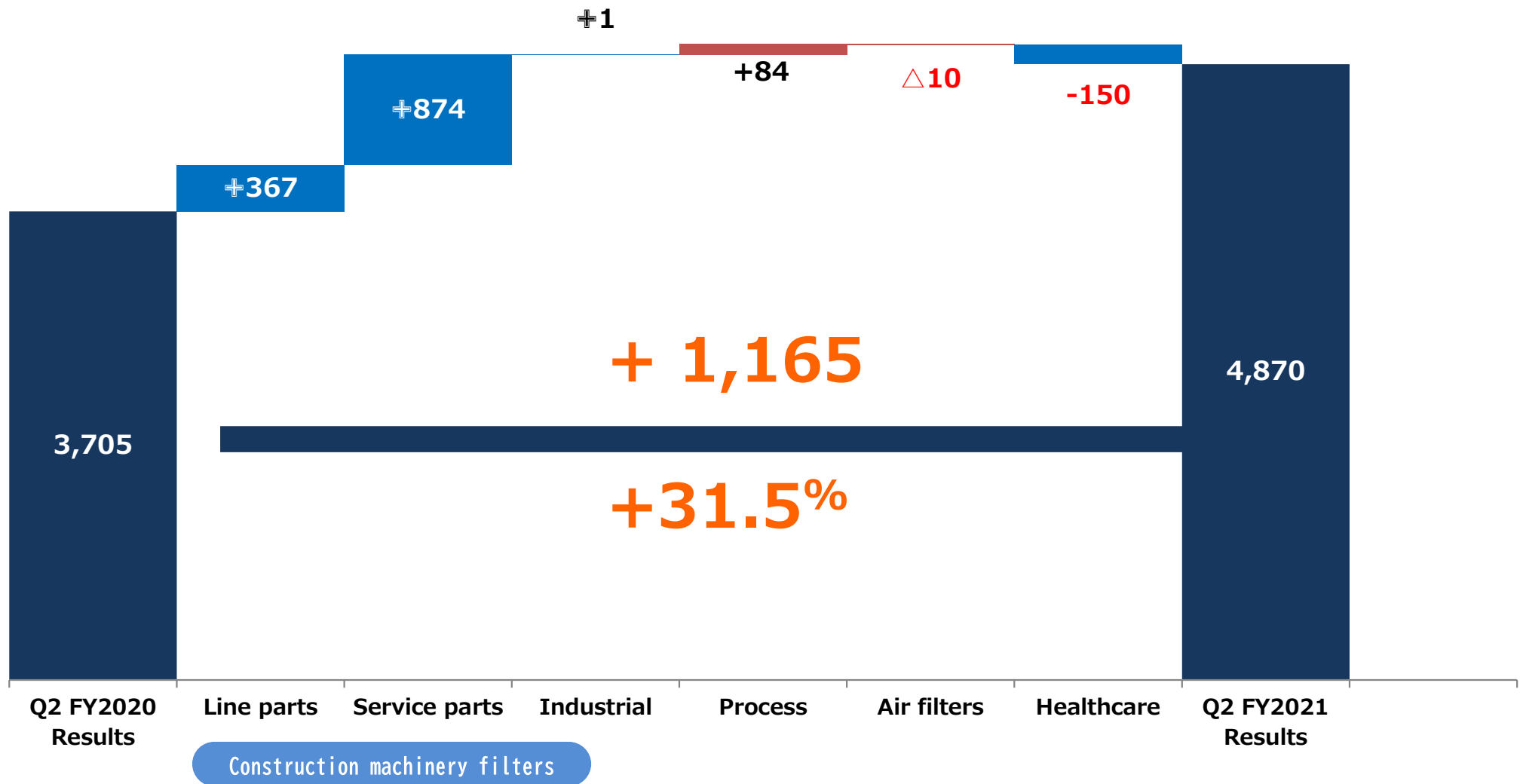
(million yen)	Q2 FY2020 Results		Q2 FY2021 Results		YoY change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Construction machinery filters, etc.*	2,779	75.0%	4,105	84.3%	1,326	47.7%
Japan	1,173	31.7%	1,862	38.2%	688	58.7%
North America	560	15.1%	904	18.6%	343	61.3%
China	351	9.5%	379	7.8%	27	7.9%
Other Asian countries	350	9.5%	553	11.4%	202	57.9%
Europe	342	9.2%	406	8.4%	64	18.8%
Others (Middle East, etc.)	0	0.0%	0	0.0%	0	△100.0%
Air filters (Japan)	624	16.8%	613	12.6%	△10	△1.6%
Healthcare (Japan)	301	8.1%	151	3.1%	△150	△49.9%
Total sales	3,705	100.0%	4,870	100.0%	1,165	31.5%

*"Construction machinery filters" 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 Q2 Sales (Jul to Sep) : Increase/Decrease factors

(million yen)

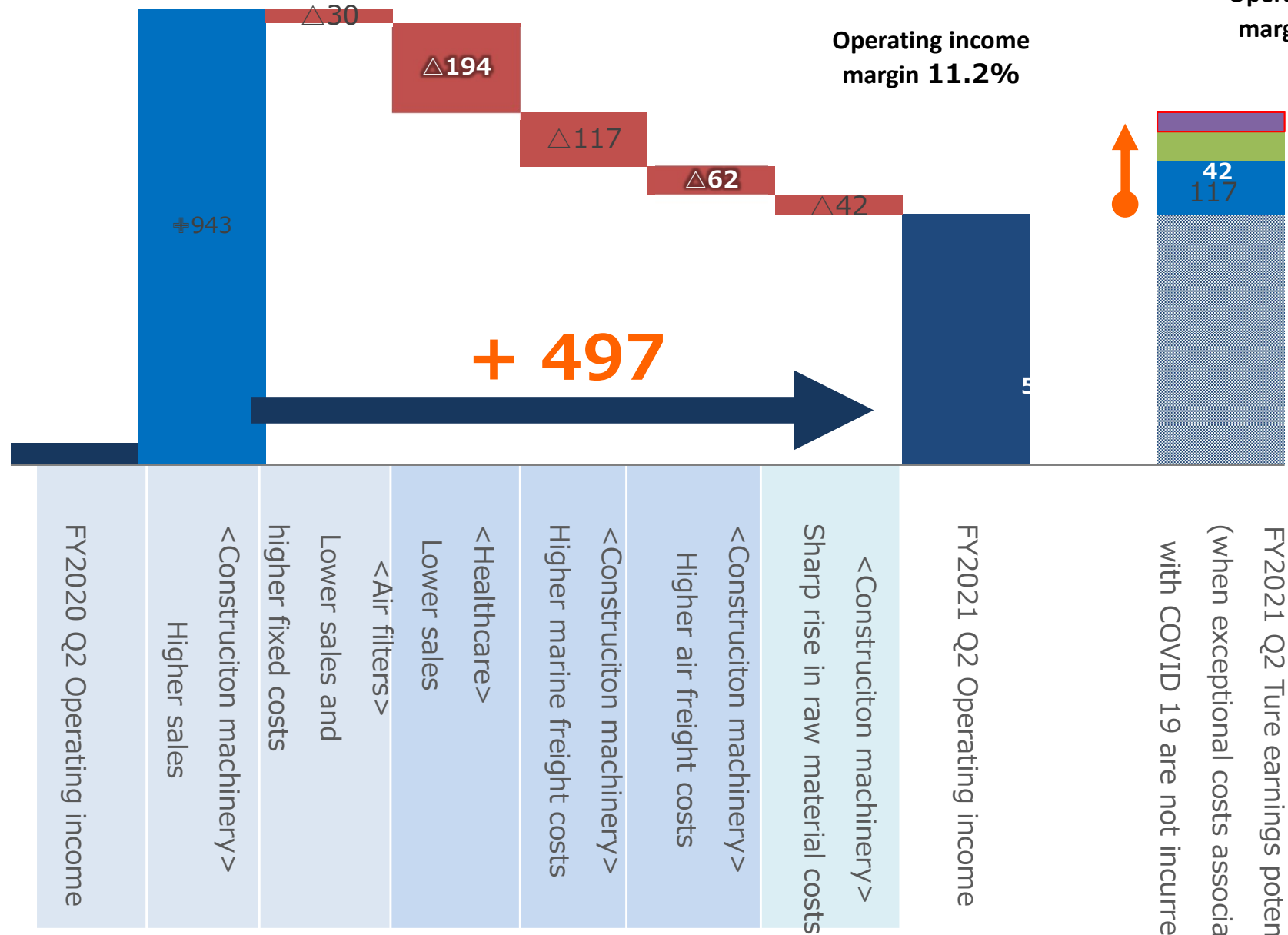


YoY Comparison of Q2 Operating Income (Jul to Sep) : Increase/Decrease Factors

(million yen)

Operating income
Margin 1.3%

Operating income
margin 15.7%



Business Performance Results for FY2020 YTD (Apr 2021 to Sep 2021)

FY2021 YTD Financial Results (Apr to Sep)

(million yen)	FY2020 YTD Results	FY2021 YTD Results	YoY change		
	Amount	Amount	Amount	%	
Net sales	6,563	9,556	2,992	45.6%	
Construction machinery filters*	4,888	7,858	2,969	60.7%	
Air filters	1,288	1,251	△36	△2.8%	
Healthcare	386	446	59	15.4%	
Operating income	△50	887	937	-	
Construction machinery filters	427	1,851	1,424	333.2%	
Air filters	87	11	△75	△86.5%	
Healthcare	106	△236	△342	△322.0%	
Corporate expenses	△671	△739	△68	10.2%	
Operating income margin	△0.8%	9.3%	10.1Pt		
Ordinary profit	△60	876	937	-	
Ordinary profit margin	△0.9%	9.2%	10.1Pt		
Net income	△152	328	480	-	
Net income margin	△2.3%	3.4%	5.8Pt		
Exchange rate (avg.)	USD	108.8	106.1	△2.7	△2.5%
	EUR	120.8	123.7	2.9	2.4%

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

* The company has changed how it allocates corporate expenses from this fiscal year, 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. Figures for the second quarter of the previous fiscal year are also based on this new approach.

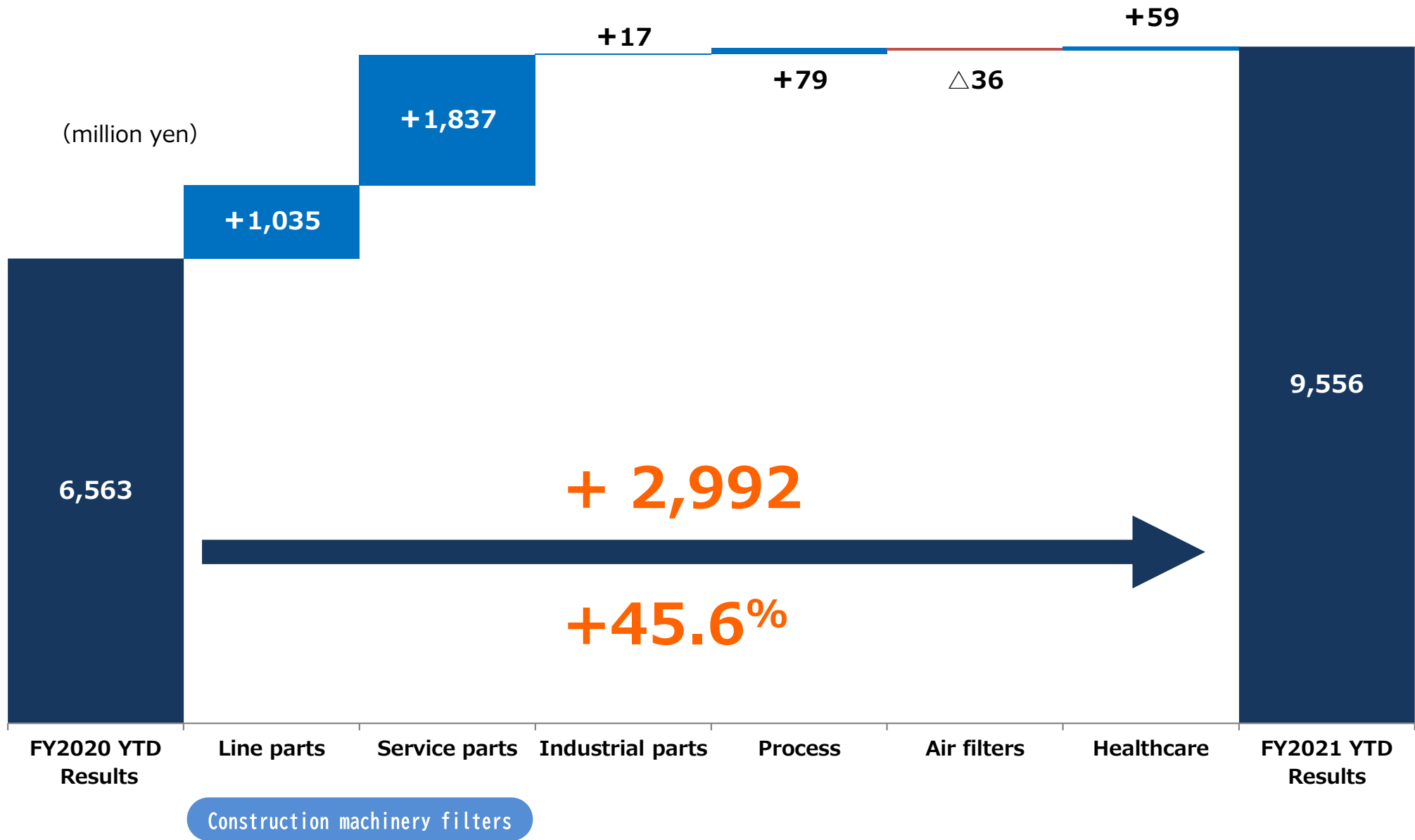
(million yen)	FY2020 YTD Results	FY2021 YTD Results	YoY change	
	Amount	Amount	Amount	Ratio (%)
Construction machinery filters	4,299	7,172	2,873	66.8%
Line parts	1,750	2,785	1,035	59.2%
Service parts	2,549	4,387	1,837	72.1%
Industrial filters	238	255	17	7.2%
Process filters	351	430	79	22.5%
Air filters	4,888	7,858	2,969	60.7%
Healthcare	1,288	1,251	△36	△2.8%
Total sales	386	446	59	15.4%

(million yen)	FY2020 YTD Results		FY2020 YTD Results		YOY Change	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)
Construction machinery filters	4,888	74.5%	7,858	82.2%	2,969	60.7%
Japan	2,174	33.1%	3,591	37.6%	1,416	65.1%
North America	855	13.0%	1,590	16.6%	735	85.9%
China	676	10.3%	944	9.9%	267	39.5%
Other Asian countries	624	9.5%	918	9.6%	293	47.0%
Europe	555	8.5%	812	8.5%	256	46.1%
Others (Middle East, etc.)	1	0.0%	1	0.0%	0	2.1%
Air filters (Japan)	1,288	19.6%	1,251	13.1%	△36	△2.8%
Healthcare (Japan)	386	5.9%	446	4.7%	59	15.4%
Total sales	12,674	100.0%	14,587	100.0%	1,913	15.1%

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

* The amounts of sales by region here are calculated based on the locations of corporations to which invoices are sent. So actual regional market trends may be different from the numbers shown above.

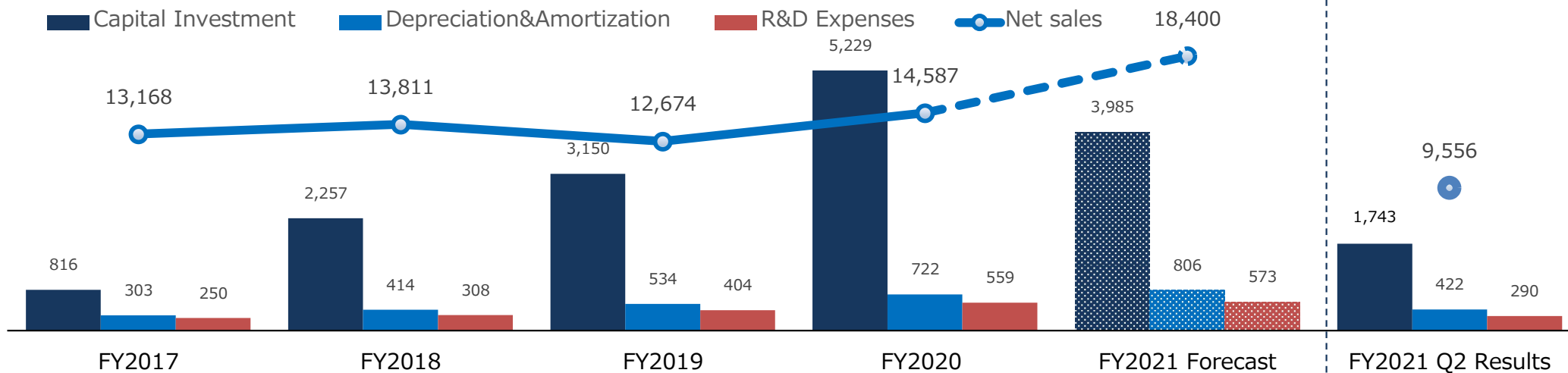
YoY Comparison of YTD Sales (Apr to Sep) : Increase/Decrease factors



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

(million yen)	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Forecast	Q2 FY2021 Q2 Results
Net sales	13,168	13,811	12,674	14,587	18,400	9,556
Capital investment	816	2,257	3,150	5,229	3,985	1,743
Land and building	-	1,588	2,682	3,194	3,233	1,062
Facilities and others	816	669	468	2,036	752	681
Expense to sales ratio	6.2%	16.3%	24.9%	35.9%	21.7%	18.2%
Depreciation and amortization	303	414	534	722	806	422
Expense to sales ratio	2.3%	3.0%	4.2%	5.0%	4.4%	4.4%
R&D expenses	250	308	404	559	573	290
Expense to sales ratio	1.9%	2.2%	3.2%	3.8%	3.1%	3.0%

Change in net sales and capital investment and depreciation & amortization



Up to FY2020

From FY 2021

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

PAC21



Promptly



Activated



Cost reduction

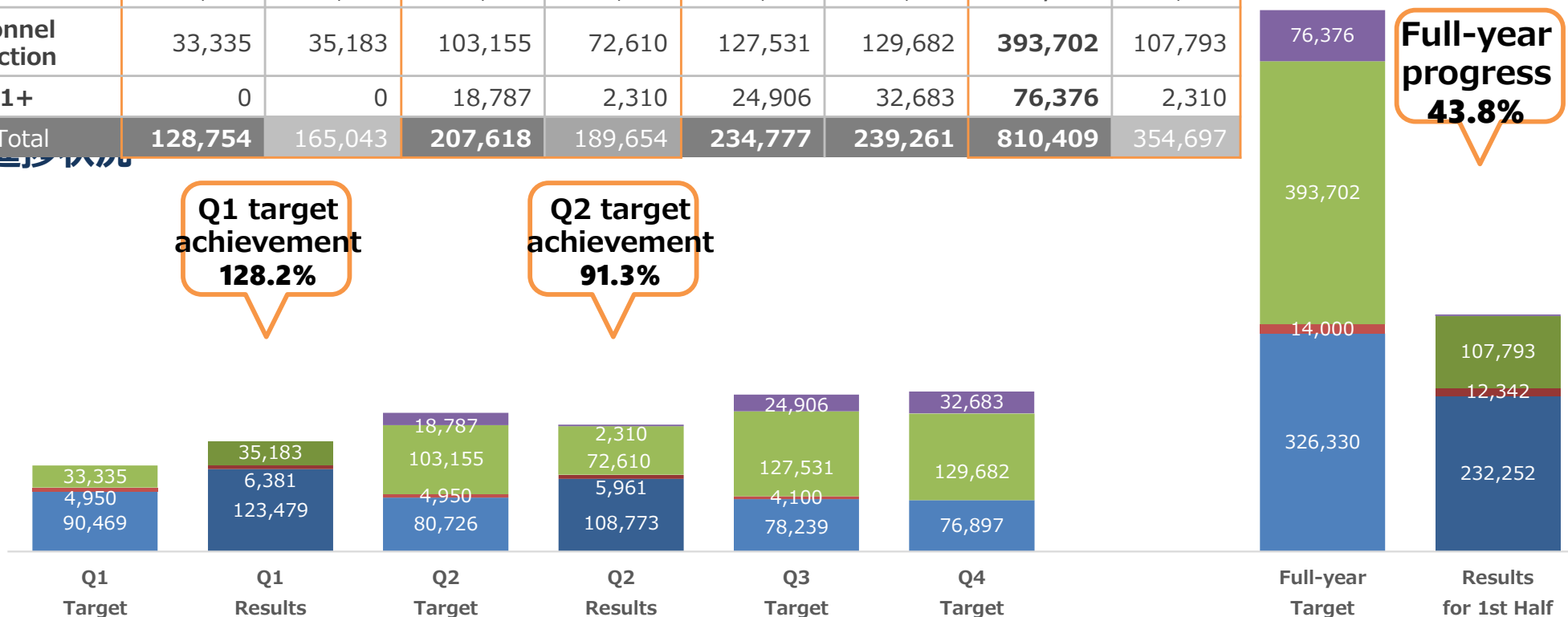
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Reduction Targets and Results

(thousands)		Q1 Target	Q1 Results	Q2 Target	Q2 Results	Q3 Target	Q4 Target	Annual target	Q1 +Q2 Results
PAC21	Mfg. Costs	90,469	123,479	80,726	108,773	78,239	76,897	326,330	232,252
	SG & A	4,950	6,381	4,950	5,961	4,100	0	14,000	12,342
Subtotal		95,419	129,860	85,676	114,734	82,339	76,897	340,330	244,594
Personnel Reduction		33,335	35,183	103,155	72,610	127,531	129,682	393,702	107,793
PAC21+		0	0	18,787	2,310	24,906	32,683	76,376	2,310
Total		128,754	165,043	207,618	189,654	234,777	239,261	810,409	354,697

(thousand yen)



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)

Maximizing
Added
Value of
Yamashin Filter
Spread

The key goal indicator (KGI), based on which each relevant department sets its KPIs and KSFs, 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).

Assign KPIs to relevant departments who are responsible for target setting and implementing actions for achieving the targets in a company-wide coordinated effort.

MAVYS: The Big Picture and the Department

Key Goal Indicator (KGI)	Key Performance Indicator (KPI)	Key Success Factor(KSF)	Relevant departments	Targets for Q3 FY2021 (action plan)	Q3 FY2021 progress			
MAVY's Prv: -11.3% Cur: 3.2%	Operating income Prv: -1.0% Cur: 9.2%	Gross profit ratio Prv: 39.8% Cur: 43.4%	Sales growth ratio Prv: 5.6% Cur: 26.1%	New product development Enhance market share of genuine products	Sales / R&D	<ul style="list-style-type: none"> Accelerate expansion of our market share in China targeting Chinese construction machinery manufacturers Leverage our air filter lineup to enhance our product line and improve the strength of our proposals Enter the mask-related product market Enter new business domains 	<ul style="list-style-type: none"> Increased adoption by Chinese construction machinery manufacturers for use in new machinery. Made progress on proposals involving hybrid filters Continuing to propose supply of mass-produced nanofibers in fields related to healthcare and other industrial materials 	
			Cost to sales ratio Prv: 60.2% Cur: 56.6%	Enhance buying power Improve yield ratio	Production / Procurement	<ul style="list-style-type: none"> PAC20, PAC20+ Reform and improve purchasing methods Improve production management 	<ul style="list-style-type: none"> Revised supplier evaluation standards and completed the consolidation process Reduced procurement costs through joint procurement with AQC Improved yields through planned service and maintenance, progress in manufacturing cost reduction measures 	
			Depreciation cost ratio Prv: 4.6% Cur: 4.4%	Investment plan	Management planning / Finance and accounting	<ul style="list-style-type: none"> M&A (for revenue expansion and diversification) →Research potential M&A targets →Acquire nonwoven manufacturing entities (downstream) →Acquire new material development entities (upstream) 	<ul style="list-style-type: none"> Exploring opportunities and gathering data for M&A (domestic and overseas) Enhanced communication (through conference calls) with Prv: possible M&A target companies 	
			R&D cost ratio Prv: 3.8% Cur: 3.1%	Narrowing down themes Prioritization	R&D	<ul style="list-style-type: none"> Develop new materials Actions to achieve IoT Develop aeration and other technologies Expand mask product line 	<ul style="list-style-type: none"> Accelerated the commercialization of nanofiber air filters Supplied various trial sensor products to clients Accelerated new materials development through industrial/academic partnerships 	
			Personnel cost ratio Prv: 16.1% Cur: 14.0%	Optimal staffing	HR and General Affairs	<ul style="list-style-type: none"> Establish and implement the talent management system 	<ul style="list-style-type: none"> 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 	
	Operating capital turnover rate Prv: 3.0 Cur: 8.5	SG&A ratio Prv: 40.8% Cur: 34.1%	Accounts receivable turnover rate Prv: 3.9 Cur: 4.0	Credit management	Sales / Finance and accounting	<ul style="list-style-type: none"> Further optimize AR collection 	<ul style="list-style-type: none"> Streamlined and optimized AR collection for improving working capital 	
			Inventory turnover rate Prv: 5.4 Cur: 5.4	Set appropriate inventory level	Production / sales	<ul style="list-style-type: none"> Reduce company-wide inventory asset 	<ul style="list-style-type: none"> Determined suitable inventory levels based on pareto analysis; currently implementing inventory reduction plans 	
			Accounts payable turnover rate Prv: 5.4 Cur: 4.6	Debt management	Procurement	<ul style="list-style-type: none"> Improve working capital 	<ul style="list-style-type: none"> Optimized AP turnover ratio for improving working capital 	
			Tangible fixed asset turnover rate Prv: 2.0 Cur: 1.7	Equipment plan (R&D, production)	Management planning Administration / Production / R&D	<ul style="list-style-type: none"> Optimize investment recovery effect 	<ul style="list-style-type: none"> Prioritized R&D and capital investments by analyzing the validity of investment return period 	
			Intangible fixed asset turnover rate Prv: 43.1 Cur: 58.7	Investment plan	Management planning	<ul style="list-style-type: none"> Formulate IP strategies and action plans 	<ul style="list-style-type: none"> Established strategies, devised action plans, and enhanced training for targeted group Actively applied for patents in Chinese market 	
	ROIC Prv: -1.4% Cur: 4.6%	Investment capital turnover rate Prv: 0.6 Cur: 0.8	FA turnover rate Prv: 1.6 Cur: 1.9	WACC Prv: 9.9% Cur: 7.8%				
				ROE Prv: 3.8% Cur: 3.5%				
				ROA Prv: 3.0% Cur: 2.6%				

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

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

Construction machinery filters (Existing business line)

- We expect current worldwide disruptions in transport logistics to contribute to ongoing increases in sea and air freight costs, and expect manufacturing costs to increase due to higher raw material costs.
- With demand for new construction machinery rapidly recovering in Japan, North America, and Europe and operating hours on the rise as key clients resume production, we expect revenue and profits to increase significantly, and have revised our full-year earnings forecast upward anticipating continued strong performance.

Air filters (Existing business line)

- Lower office building occupancy rates due to more people working from home means less demand for replacement filters and a corresponding drop in revenue.
- We have revised our full-year earnings forecast downward due to the reduction in profit caused by changes in sales mix and other factors.

Healthcare business (New business line)

- Although there is solid demand among consumers for Japan-made products that offer reliable performance and quality, sales have been disappointing with demand largely fulfilled by inexpensive, disposable overseas nonwoven fabric masks.
- We are looking to cement our position in the medical mask market from a long-term perspective.
- In terms of mass mask production, we expect profit to improve in the third quarter and beyond due to cost reductions achieved by structural reforms including the introduction of the fully automated production line in the second quarter. However, we expect a full-year decline in revenue and profit and have revised our full-year earnings forecast downward..

(million yen)		FY2020 Results	FY 2021 Initial forecast	FY 2021 Revised forecast	Difference
		Amount	Amount	Amount	Amount
Net sales		14,587	16,600	18,400	1,800
	Construction machinery filters, etc.*	10,970	12,000	15,000	3,000
	Air filters	2,607	3,000	2,500	△500
	Healthcare	1,009	1,600	900	△700
Operating income		△145	1,500	1,700	200
	Construction machinery filters, etc.*	1,289	2,307	3,355	1,047
	Air filters	123	400	35	△365
	Healthcare	△150	240	△200	△440
	Corporate expenses	△1,408	△1,447	△1,490	△42
Operating income margin		△1.0%	9.0%	9.2%	0.2Pt
	Ordinary profit	△135	1,470	1,680	210
Ordinary profit margin		△0.9%	8.9%	9.1%	0.2Pt
	Net income	750	960	750	△210
Net income margin		5.1%	5.8%	4.1%	△1.7Pt
Exchange rate (JPY)	USD	106.1	105.0	110.0	3.7%
	EUR	123.7	125.0	130.0	5.1%

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

* The company has changed how it allocates corporate expenses from this fiscal year, 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. Figures for the second quarter of the previous fiscal year are also based on this new approach.

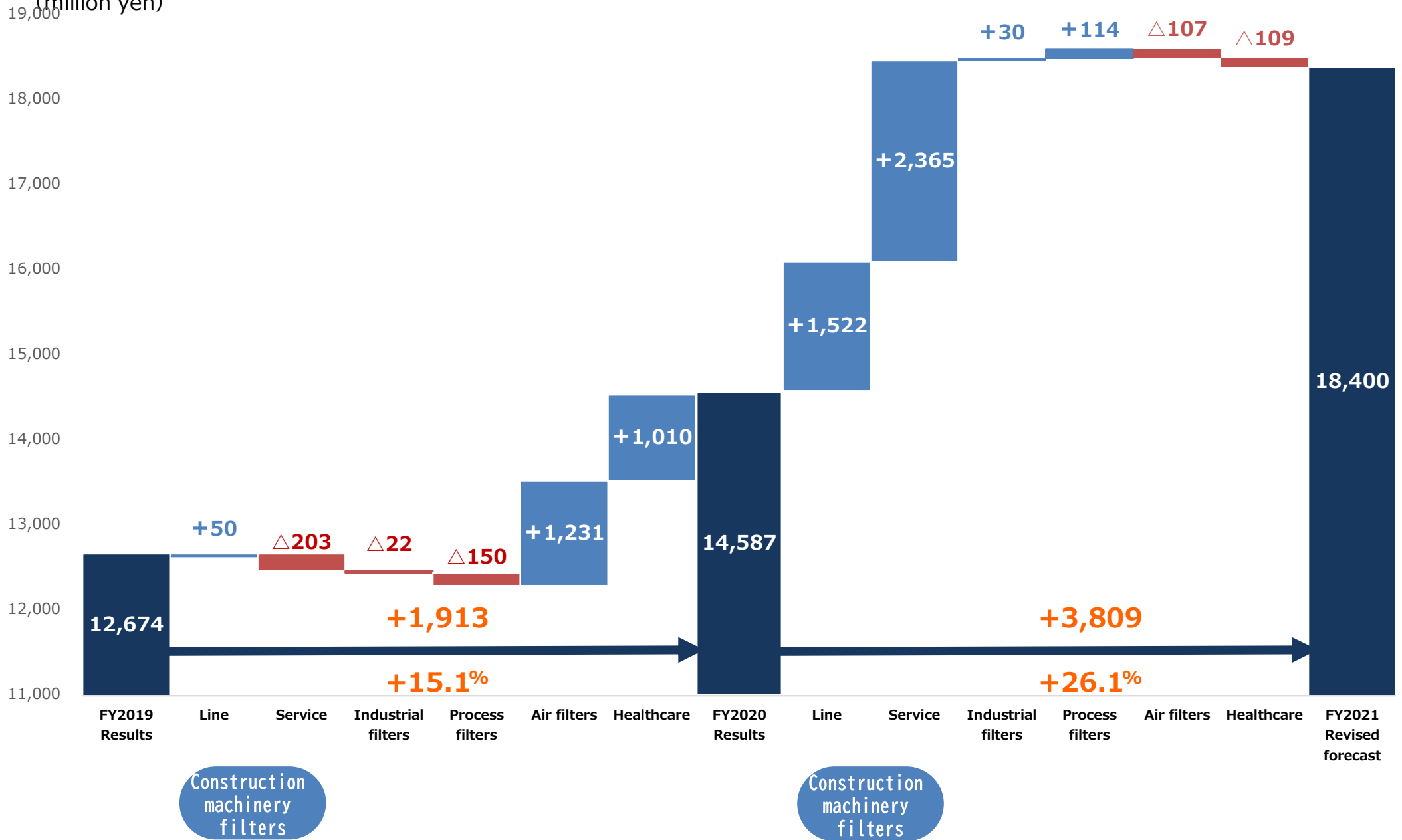
	FY2020 Results		FY2021 Initial Forecast		FY2021 Revised Forecast		Difference	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters	9,713	66.6%	10,748	64.7%	13,600	73.9%	2,851	26.5%
Line parts	4,178	28.6%	4,690	28.3%	5,700	31.0%	1,009	21.5%
Service parts	5,534	37.9%	6,057	36.5%	7,900	42.9%	1,842	30.4%
Industrial filters	470	3.2%	464	2.8%	500	2.7%	35	7.7%
Process filters	786	5.4%	787	4.7%	900	4.9%	112	14.2%
Subtotal (Construction machinery filters, etc. *)	10,970	75.2%	12,000	72.3%	15,000	81.5%	3,000	25.0%
Air filters	2,607	17.9%	3,000	18.1%	2,500	13.6%	△500	△16.7%
Healthcare	1,009	6.9%	1,600	9.6%	900	4.9%	△700	△43.8%
Total	14,587	100.0%	16,600	100.0%	18,400	100.0%	1,800	10.8%

(million yen)	FY2020 Results		FY2021 Initial Forecast		FY2021 Revised Forecast		Difference	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters, etc. *	10,970	75.2%	12,000	72.3%	15,000	81.5%	3,000	25.0%
Japan	5,019	34.4%	5,437	32.8%	7,216	39.2%	1,779	32.7%
North America	1,915	13.1%	2,226	13.4%	2,790	15.2%	563	25.3%
China	1,552	10.6%	1,727	10.4%	1,882	10.2%	155	9.0%
Other Asian countries	1,235	8.5%	1,311	7.9%	1,683	9.2%	372	28.4%
Europe	1,243	8.5%	1,296	7.8%	1,376	7.5%	79	6.1%
Others (Middle East, etc.)	3	0.0%	0	0.0%	50	0.3%	50	-
Air filters (Japan)	2,607	17.9%	3,000	18.1%	2,500	13.6%	△500	△16.7%
Healthcare (Japan)	1,009	6.9%	1,600	9.6%	900	4.9%	△700	△43.8%
Total sales*	14,587	100.0%	16,600	100.0%	18,400	100.0%	1,800	10.8%

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

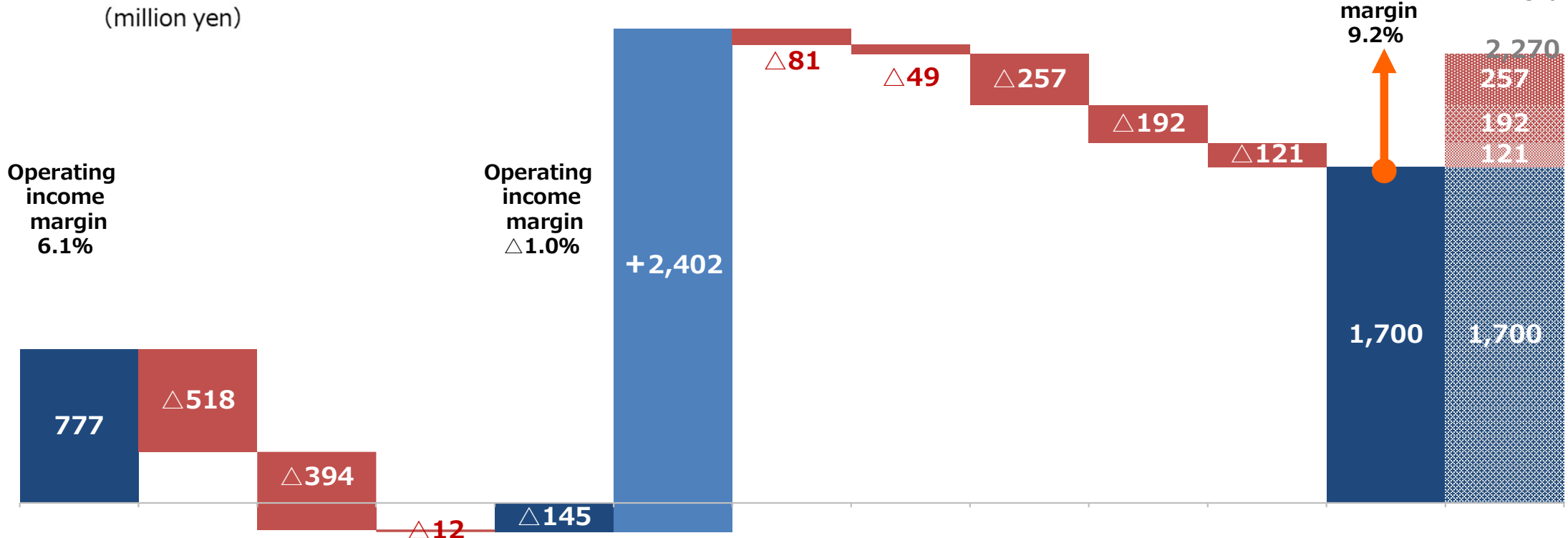
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(million yen)



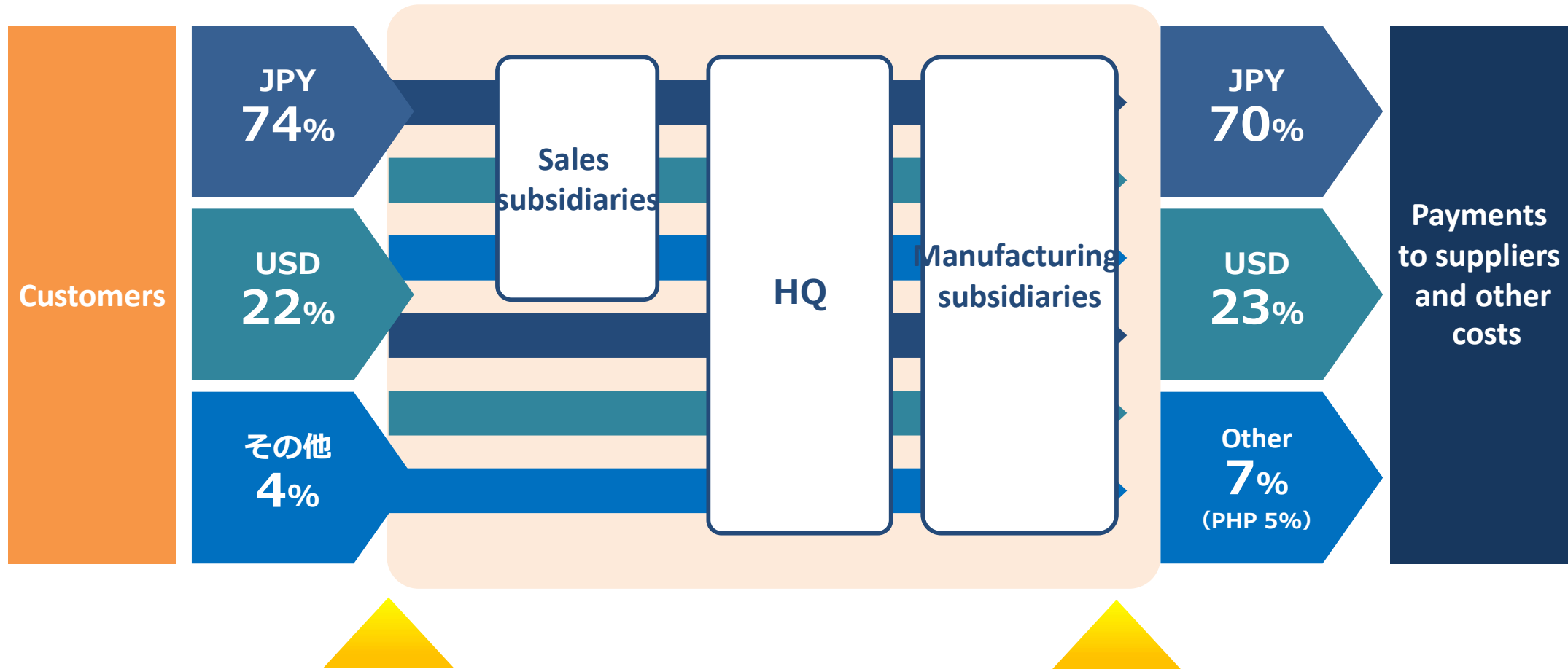
FY2021 Forecasts : Changes in Operating Income

Operating income margin 12.3%



Category	Item	Impact
FY2019 Results	<Construction machinery> Higher SG&A expenses (air freight expense, etc.)	-
	<Air filters> One-time costs (relocation cost, etc.)	-
	<Healthcare> Higher operating expenses associated with the launch of new business and start-up of mass production facilities	-
FY2020 Results	<Construction machinery> Higher sales	+
	<Air filters> Lower sales and higher fixed expenses	-
	<Healthcare> Lower sales	-
FY2021 Revised forecast	<Construction machinery> Higher sea freight expenses	-
	<Construction machinery> Higher air freight expenses	-
	<Construction machinery> Higher raw material costs	-
FY2021 Original operating income (When exceptional costs associated with COVID 19 are not incurred)		+

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 7 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円	6.0円	6.0円	6.0円
DOE^{*1}	2.4%	2.3%	2.2%	2.1%
Total return ratio^{*2}	31.9%	72.3%	59.3%	59.7%

*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



市場

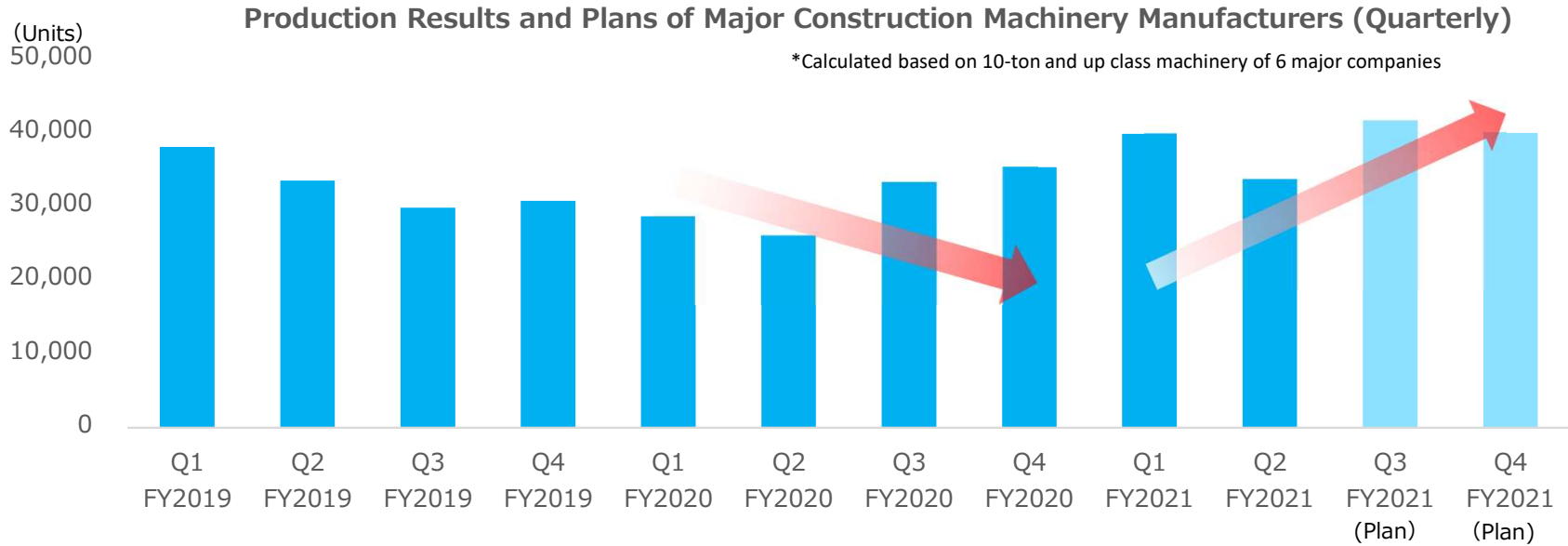
II Market Conditions

Conditions in the Construction Machinery Market

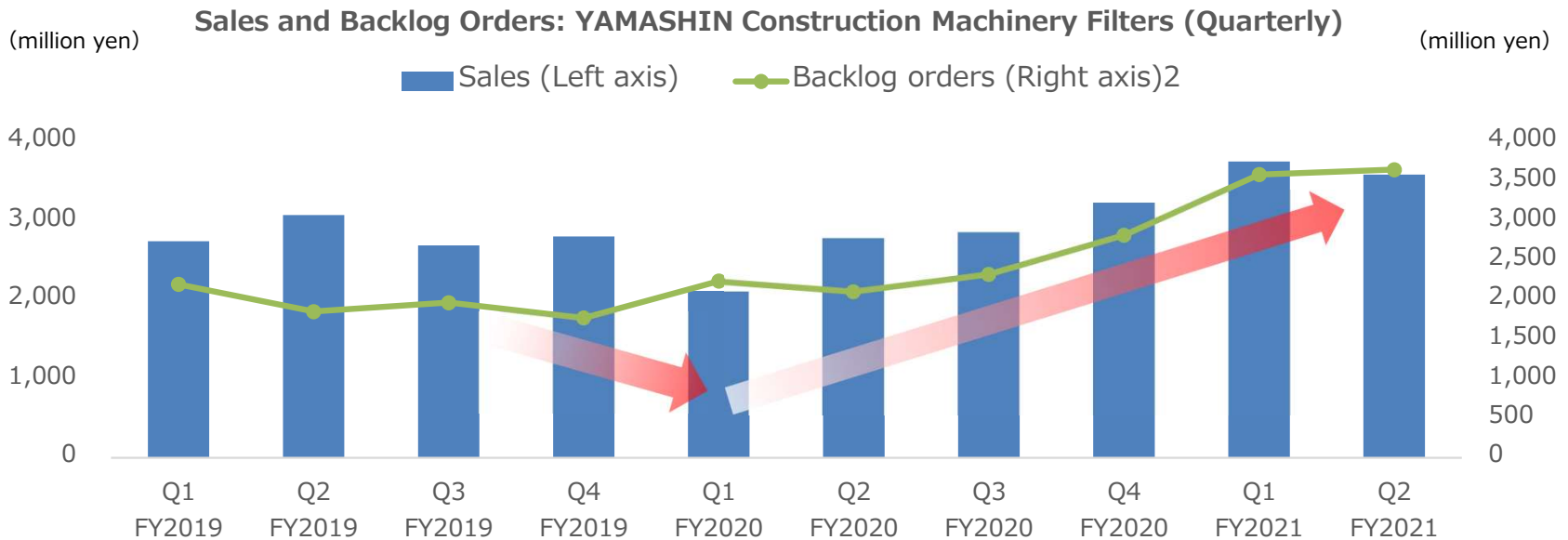
- With the cost of natural resources remaining high, demand for our products has grown significantly in every region.
- Despite lingering uncertainty in China, the business environment is favorable in all regions.

	FY2020 Q4	FY2021 Q2	Future outlook
Japan	Demand for construction machinery has remained strong particularly in the area of public works which has proven particularly resilient to the effects of rising COVID-19 infection rates.	Although the effects of the COVID-19 pandemic linger, the operating hours of construction machinery have increased significantly and demand for new vehicles is rapidly recovering.	Demand for construction machinery is expected to increase in line with the growth of civil engineering activity, and housing investment and private capital investment are expected to recover in the second half of the year.
North America	Our major customers have resumed production activity and demand is increasing, heralding a recovery to pre-pandemic levels.	Government measures have yielded recovery from the impact of COVID-19, with substantial growth in operating hours and sales of new construction machinery.	Demand has recovered to pre-pandemic levels, and we expect it to increase significantly going forward.
Europe	The region is starting to recover from the impact of rising COVID-19 infection rates.	Demand for construction machinery has grown in both the new and rental markets.	Demand has recovered to pre-pandemic levels, and we expect it to increase significantly going forward.
Southeast Asia	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.	Although the effects of the COVID-19 pandemic linger, the operating hours of construction machinery have increased, heralding a return to normal operations.	Although concerns remain about potential lockdowns related to COVID-19, we expect demand for construction machinery to recover as economic activity resumes.
China	Significant increase in demand for new vehicles due to the effects of government-led investment and consumption stimulus measures driven by a policy environment of growing industry subsidies	New vehicle sales are down slightly from the all-time high of the previous fiscal year but remain high.	Although uncertainty remains, aggressive fiscal policy intended to stimulate the economy and demand for new machinery to meet environmental regulations will likely see that conditions remain favorable.

- A favorable macro environment has driven steady growth in demand.



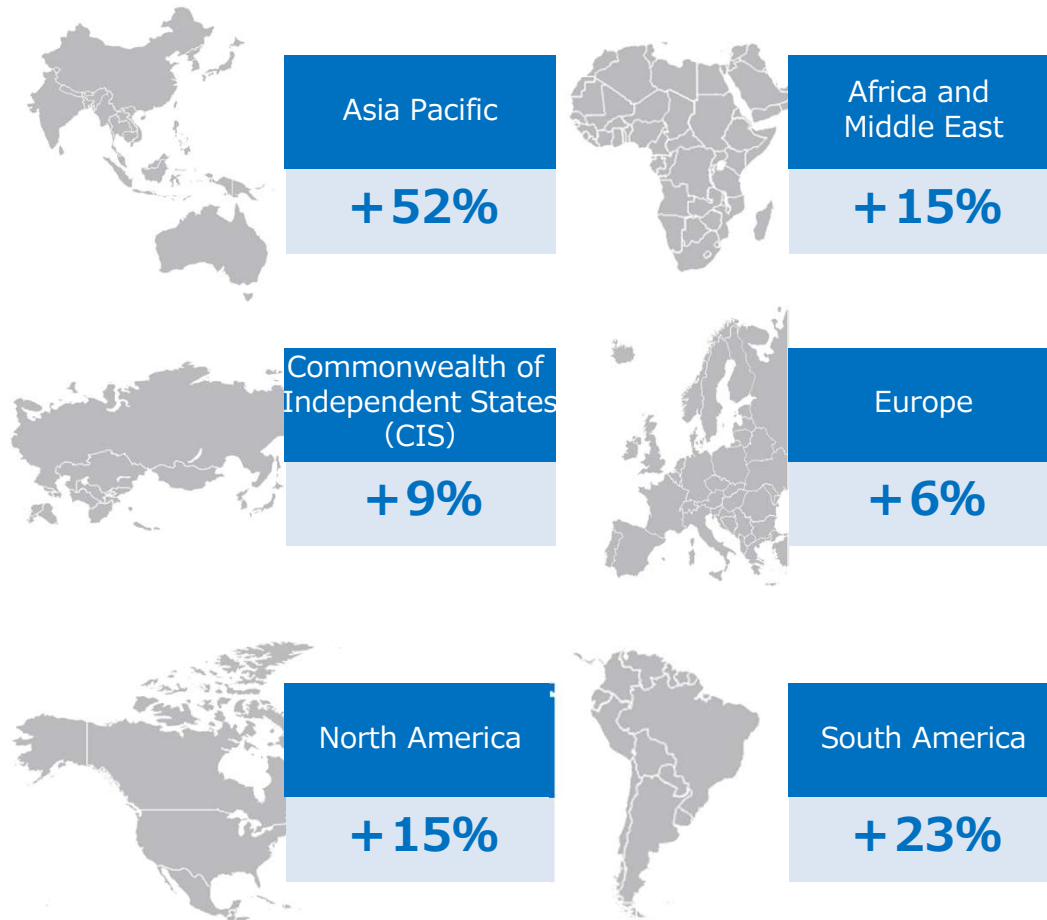
We have increased planned production in response to rising demand



Despite delays on the logistics front, our backorders have reached record levels

- Government measures in the wake of COVID-19 have driven significant growth in new housing construction in North America.
- Demand has rapidly recovered, and agents' construction machinery and parts inventory has rebounded from the low level of the previous year.

Growth in demand for construction machinery by region



North American market: Trends in new housing construction



(Bureau of the Censusより当社作成)

- We have established a new factory to further enhance our presence in the North American market. We aim to achieve stable product supply in the North American region and create synergies through cooperation with sales offices.

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

Hydraulic filter share

	2020	2021	Increase/Decrease
Construction machinery	27%	39%	12%
Mining machinery	11%	20%	9%
Forestry machinery	30%	30%	0%

TM filter share

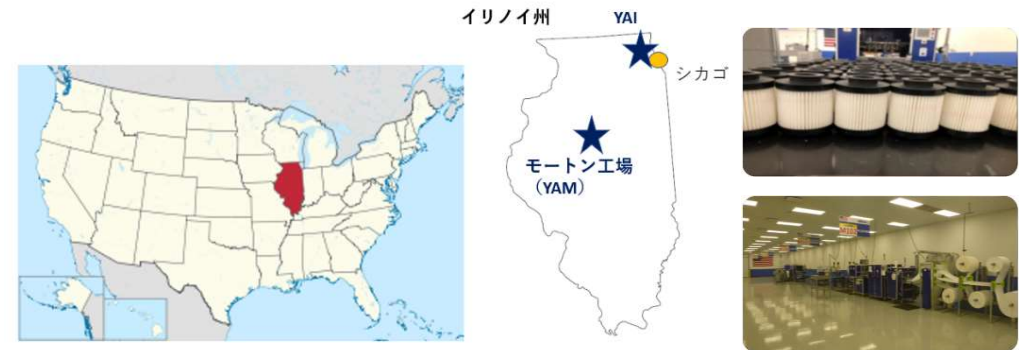
	2020	2021	Increase/Decrease
Construction machinery	82%	88%	6%
Mining machinery	45%	56%	11%
Forestry machinery	62%	70%	8%

Other filter share

	2020	2021	Increase/Decrease
Construction machinery	12%	17%	5%
Mining machinery	9%	12%	3%
Forestry machinery	18%	15%	-3%

YAMASHIN America's Morton Factory

Achieving stable supply from a BCP perspective



Quickly responding to the needs of North American customers

As well as improving the delivery time of mass-produced products, this new facility lets our customers' production engineers and production department staff visit the site where our samples are produced. This greatly improves our ability to accommodate user needs, and creates a competitive advantage that helps us win more orders.



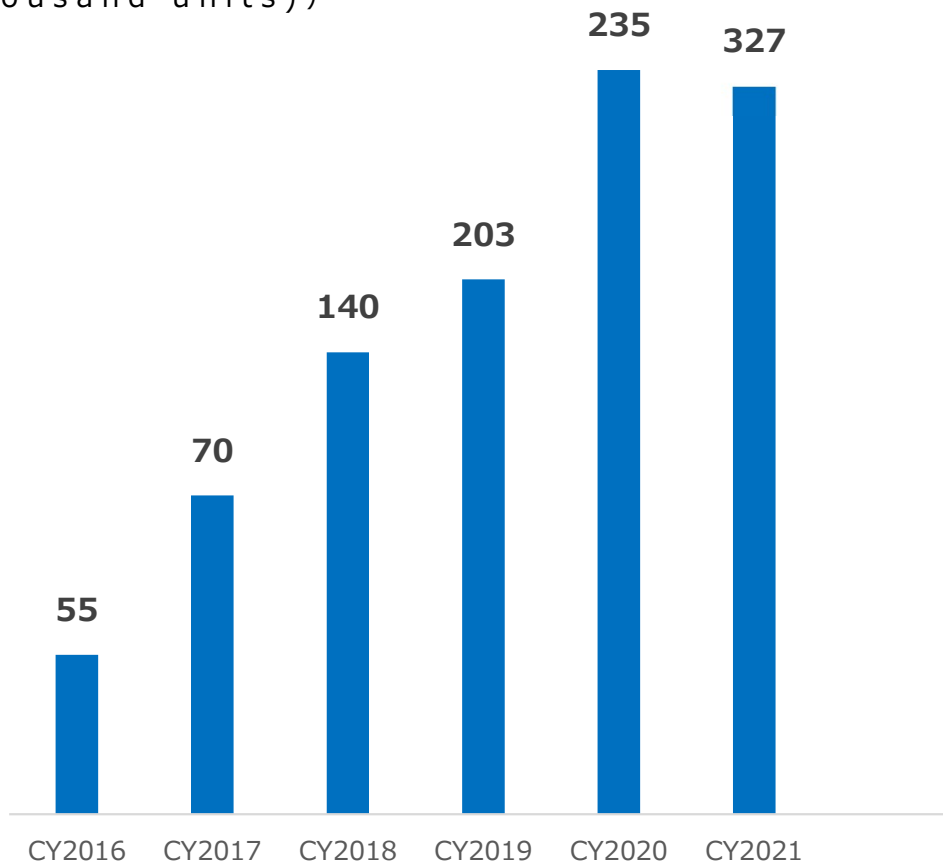
- In order to expand the market share of our products, the YAMASHIN brand, which has been developed through construction machinery filters, will be expanded into new fields.



- Although we expect a similar level of sales as 2020, with the introduction of new emissions regulations, the situation in 2022 is uncertain.

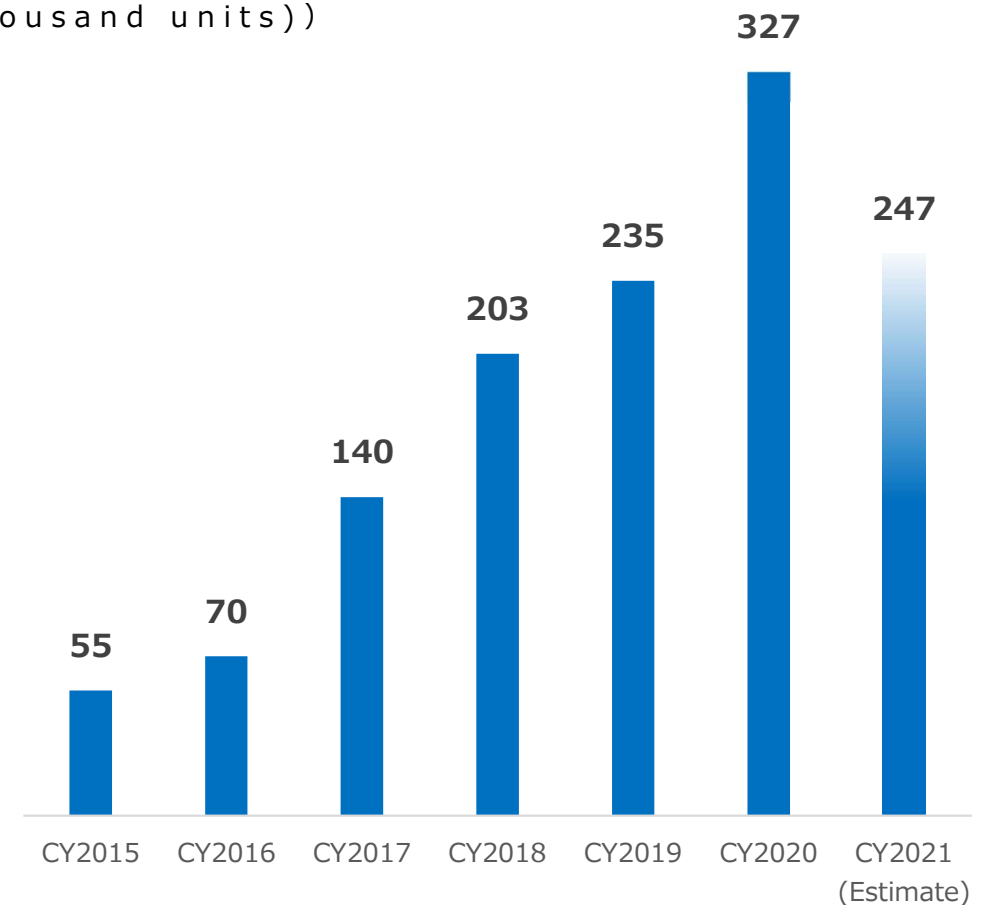
Trends in annual sales

(Thousand units))



Production volume of 3 major Chinese construction machinery manufacturers

(Thousand units))



- The delayed Tier 4 emissions regulations will now come into effect in December 2022.

Seizing the sales opportunities presented when companies refresh their product lines to comply with new emissions regulations

Status of emissions regulations

排放标准发布实施过程

Implementation schedule of standards for exhaust emissions

Tier 1: Implemented 1st October, 2007
 Tier 2: Implemented 1st October, 2009
 Tier 3: Implemented 1st April, 2016
 Tier 4: Scheduled for implementation on 1st December, 2022 (for engines rated 560 KW or lower)

国四标准 2022年12月1日 (560kW以下的发动机)。

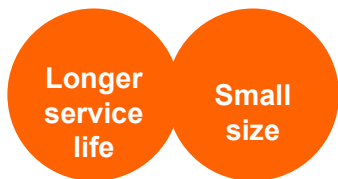
Issued by China's Ministry of Ecology and Environment,

Tier 4 emissions regulations: China's Ministry of Ecology and Environment promulgated its Tier 4 regulations for the emission of pollutants by non-road diesel mobile machinery. These regulations officially take effect on **December 1st, 2022**, and apply to all domestically produced and imported diesel engines rated 560 kW or less.

Changes to product lineups will be needed to comply with new regulations

Manufacturers seek longer life products with a small form factor

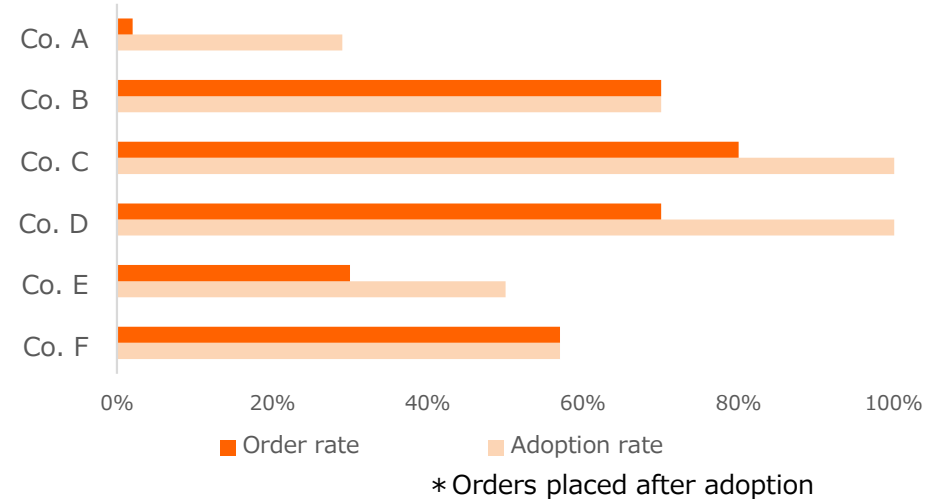
Aspects of filter performance sought by Chinese manufacturers



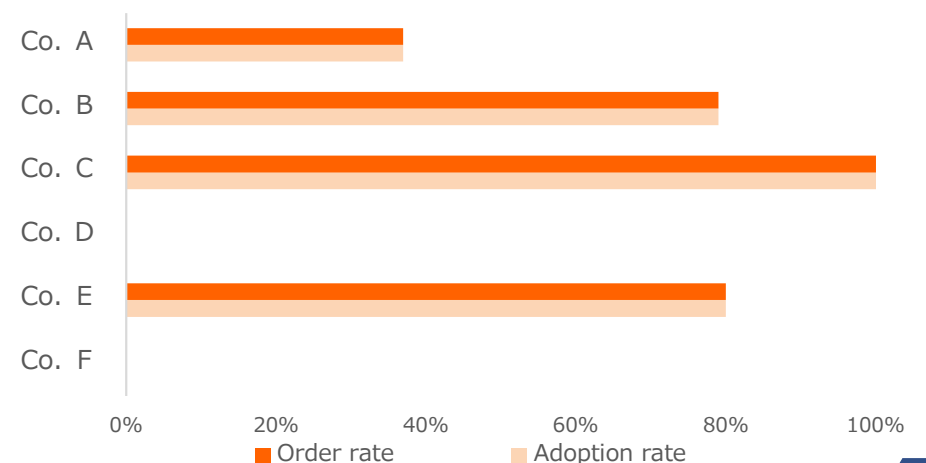
(Images illustrating filter performance and fiber size)

Because high filter material performance is required to achieve a long service life, **our technological prowess gives us a strong advantage.**

Adoption rate by Chinese construction machinery manufacturers (our next flagship glass fiber model)



Adoption rate by Chinese construction machinery manufacturers (our new long-life nanofiber model)



- Received the Grand Partner Award from our client, Komatsu Ltd.
- We were recognized for developing a long-life hydraulic filter equipped with nanofibers and quickly releasing it to the market YAMASHIN-FILTER CORP.

Receiving the award



Overview of the award

2019 Komatsu Grand Partner Award.

Development Category

YAMASHIN-FILTER CORP. Atsuhiko Yamazaki,
Representative Director & President

In addition to continuous cost improvements, YAMASHIN-FILTER has made significant contributions including proposals of a new products that enable longer filter replacement cycles, which can contribute to TCO improvement from the perspective of Komatsu's customers.
In recognition of these achievements, we would like to present the Komatsu Grand Partner Award in the Development Category to YAMASHIN-FILTER.



- Knowledge accumulation by maximizing the knowledge and top market share of a specialized filter manufacturer
- Enhancement of competitiveness by digitizing differentiating factors that were previously dealt with using analog technology

Digital information that can be captured by using sensors

We use the digital data sent from the sensors to provide the best solution.



SWIFTROCK™

【Featured functions】

- Monitoring of oil contamination levels
- Complete functions with a single product

【What can be achieved】

- Finding errors in early stages

→ **Minimizing repair costs**



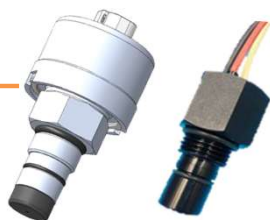
FILTER SAVER™

【Featured functions】

- Filter life prediction
- Visualization of genuine rate

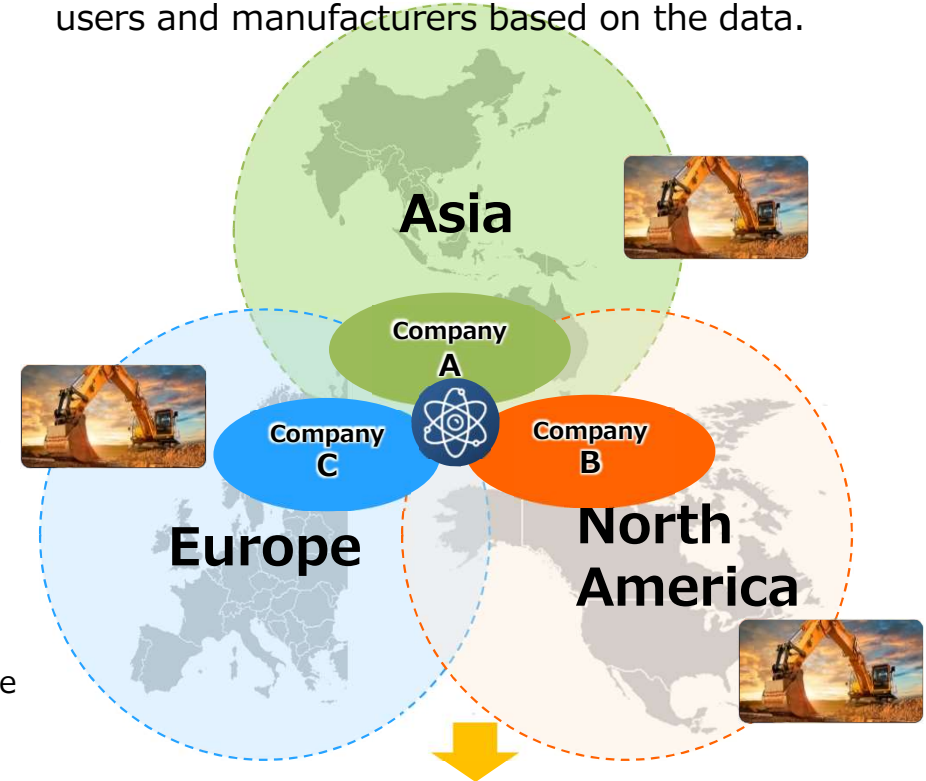
【What can be achieved】

- Visualization of demand
- **Strategic inventory planning**



YAMASHIN's ideal form of digital transformation (DX)

We aggregate usage data for each region and formulate strategies tailored to the characteristics of users and manufacturers based on the data.



Establishing our position as a global information aggregator

Conditions in the Air Filter Market

- With more interest being shown to air quality, we find ourselves in a position where we can leverage our strengths as a comprehensive filter manufacturer.
- Our differentiated, high value-added technologies let us meet the demand for environmentally friendly products at a competitive price point.

NanoWHELP

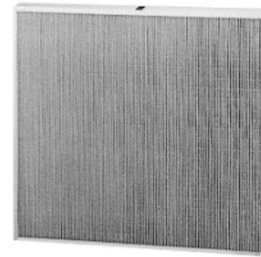


• Obtained MERV14 · 15 · 16

World's first nanofiber air filter

Medium performance nanofiber air filter with low pressure loss and high collection rate.

Strengthening supply to office buildings, factories, railroad cars, home appliances, and other applications.



HEPA, ULPA filter development

HEPA and ULPA filters with low pressure loss, high collection rate and low cost.
Actively used in offices, schools, hospitals, stores, and other facilities.

Lytic enzyme filters



Specialized anti-virus filter

The value our company provides with its Nano WHELP and lytic enzyme filters

Contributing to society

Reduced risk to health

Lower greenhouse gas emissions

Less waste (longer service life)

Helping users

Reduced costs to users

Committing to corporate responsibility

SUSTAINABLE DEVELOPMENT GOALS



- 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.	↘ Demand is recovering, driven primarily by large projects in urban areas. The number of new projects remains low.
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.	↑ Capital investment remains strong.
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.	→ There is a downward trend in new housing construction due to issues with the supply of housing materials; however, the demand is there to be fulfilled.
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.	↑ There is no growth in demand for replacement of public transport equipment, but the rising demand for construction machinery is bridging the gap.

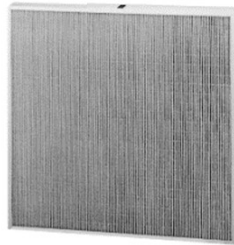
- The ultimate air filter for reducing environmental impact with long life and low pressure loss.
- Started implementation of product roll-out to major customers that support SDGs.

New product **NanoWHELP**

The world's first nanofiber air filter

MERV14

NanoWHELP™ has earned MERV 14 certification, outperforming MERV 13 filters which are the highest level used for building air conditioning. Among medium-to-high performance filters, NanoWHELP™ stakes its claim as the only Japan-made filter to achieve MERV 14 certification.

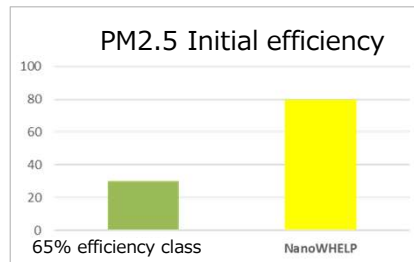


Product Features

- The performance inherent to YAMASHIN NANO FILTER® **keeps pressure loss consistently low**
- Among medium-to-high performance filters, NanoWHELP™ is the only Japan-made filter to achieve **MERV 14 certification**, the highest level for building air conditioning (Obtained Merv 15 and 16 certification as well)

96% collection efficiency for PM2.5 Initial effectiveness of at least 80%

- Unparalleled filter performance
- Lower cost due to longer times between replacement
- Competitively priced



Target Markets

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

Market Position

Hotels and concert halls



TACHIKAWA STAGE GARDEN (Event Hall)

MARV14 certification has brought us new opportunities for sales, and our filter products are making their way into foreign-owned hotels and concert halls.

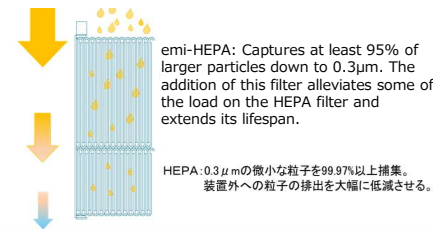
Use in machine tools



Due to their low pressure loss and long service life, we are seeing our filters adopted as oil mist collectors in machine tools.

Factory clean rooms

A two-layer structure combining semi-HEPA and HEPA filters



Clean rooms require highly effective collection of fine dust. **NanoWHELP** contributes greatly to the service life of clean rooms by filtering circulating air and taking in outside air.

- We are focusing on supplying our filters to the service industry whose post-pandemic recovery will spur growing demand.
- We are proactively promoting our points of difference to end users through direct sales and joint verification.

New product **Lytic Enzyme Filters**

Infection prevention measures are in place!



Product Features

- Our unique production methods for our **specialized anti-virus filters** ensure sustained efficacy.
- Enzymes destroy the protein membrane (e.g., the cell wall) of molds and microorganisms, **eliminating the risk of secondary contamination**

Our filters appeal to a wide range of markets as an anti-virus measure

- Unlike traditional methods of chemical application, our unique methods ensure sustained efficacy.
- Because we use natural materials, our filters can be used in food preparation and other facilities that are subject to strict standards. Our products are also effective against mold and microorganisms.
- Lytic enzymes can inactivate COVID-19 and other enveloped viruses.

Target Markets

Offices, schools, hospitals, retail stores, factories, etc.

Market Position

FY2023
Expansion into 3 new fields

Amid heightened interest in air purification, we are in exploring markets in new fields.



Major private tutoring schools

Already in use



Major Internet cafés

We conducted simultaneous trials of our products in two Internet cafés. Our filters were found to be effective in smoking rooms and air conditioners and will be officially rolled out in the next fiscal year.



Major salons

Field testing is underway

Note: We are currently in the proposal stage with several companies, including major restaurant chains.

Conditions in the Mask Market

- We are engaging in a variety of collaborative projects to build brand awareness for our YAMASHIN Filter Masks®.

Japan Post Insurance Co, Ltd. Is providing YAMASHIN Filter Masks® as free gifts to its customers

With our YAMASHIN Filter Masks® in high regard as a product that contributes to customers' safety and peace of mind, **Japan Post Insurance has found our masks to be the ideal free gift for customers who engage with its insurance contract review campaign.**



Front:
"We place the highest priority on customer satisfaction and peace of mind by working closely with each customer." These two original designs represent the corporate stance of Japan Post Insurance.



Back:
The back of the package lauds the performance of our YAMASHIN Filter Masks® and the fact that they can be washed and reused repeatedly.

Central Japan Railway Company merchandising adopted YAMASHIN Filter Masks® for its second release of original mask designs

Being well received on their release in 2020, **N700S Shinkansen Filter Masks** with an original design featuring the new Central Japan Railway Shinkansen model N700S will remain on sale throughout 2021.



Packaging



Mask being worn

Package contents and price:
3 pack set, 3 masks per pack
¥3,500 (Including tax and shipping)

Release date and availability:
Available from midday (12:00) on October 14th (Thu) on the Central Japan Railway merchandise website
(<https://e-mono.jr-central.co.jp/traingoods/>)

Note: In addition to the above site, this product will be available for purchase at some kiosks in major Shinkansen stations on the Central Japan Railway network.

未来

III Future Strategies

Corporate Principle

Rokajini tsukafuru

(contribute
to society through
filtration activities)



Emergence of
various societal issues

Climate change

Waste
processing

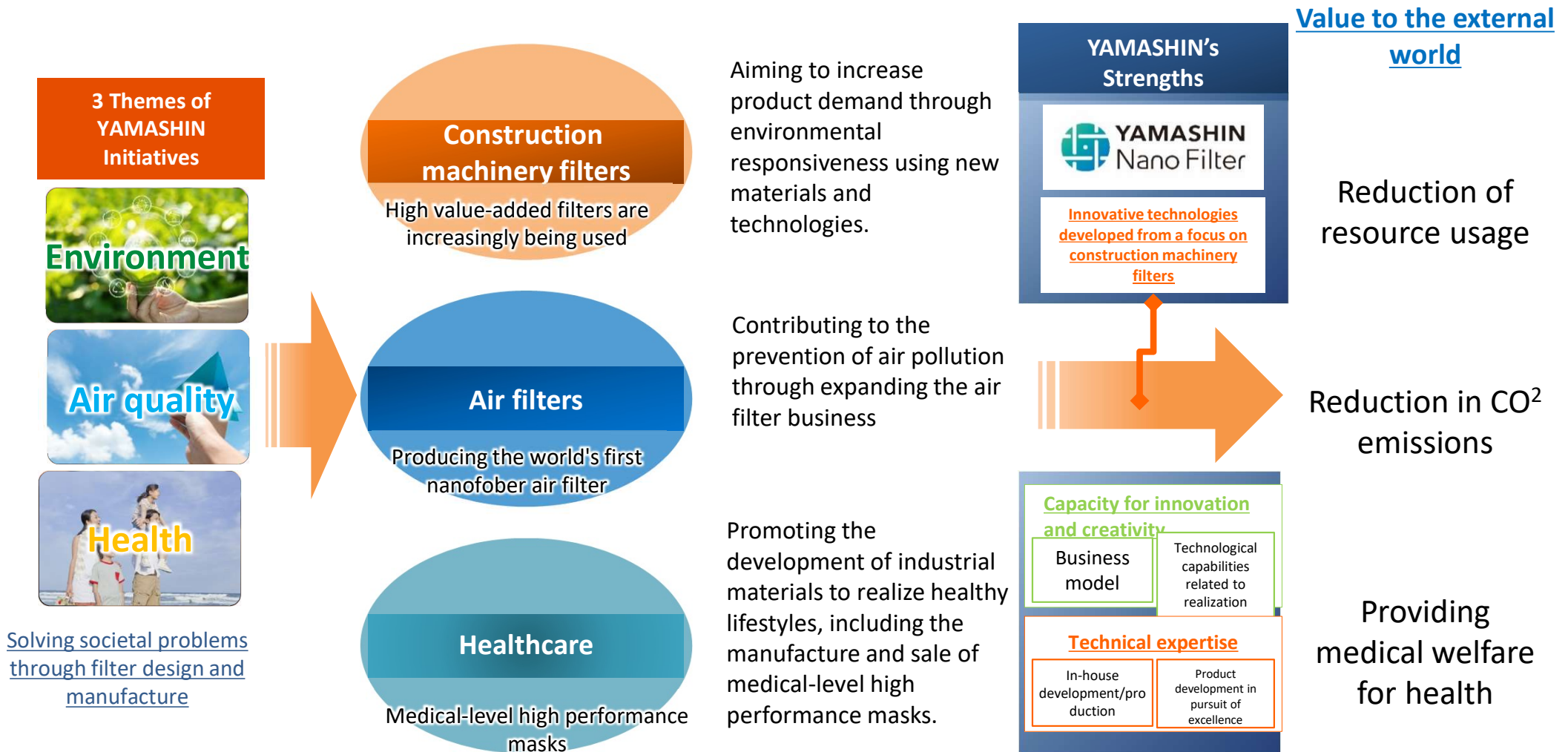
Declining
biodiversity

Spread of
COVID-19

Realizing *Rokajini tsukafuru*

**Working to solve societal problems
through filter design and manufacture**

Realizing corporate philosophy : 仕濾過事 (Rokajini tsukafuru) or “Contribute to society through filtration business”



Launch of an ESG project (YSS: Yamashin Sustainable Solutions) to enhance business models and strengths from a sustainable perspective

YSS

Name : Yamashin Sustainable Solutions

(Theme at time of launch)

Solving societal issues and creating business opportunities :

(Direction)

- In order to solve societal issues such as the environment and climate change, we will examine measures to contribute to areas such as the reduction of CO2 emissions and industrial waste by utilizing YAMASHIN's technologies and products.
- Calculation of quantitative KPIs, etc. in the future.

【Major products】

Construction machinery filters

: Return filters made with nanofiber filter

Air filters

: Air filters made with nanofiber filter
(NanoWHELP)

Healthcare

: Masks made with nanofiber filter

Key issues to be addressed

Formulation of company-wide policies and objectives regarding sustainability, and promotion of the construction and development of systems to put these policies and objectives into practice.

Results of this term



Sustainability Report 2021, a report summarizing the current status of ESG initiatives, was published in October 2021.

The switchover to YAMASHIN Nano Filter® for construction machinery filters will begin gradually from March 2024, and we are expecting a significant increase in sales.

YAMASHIN Nano Filter®


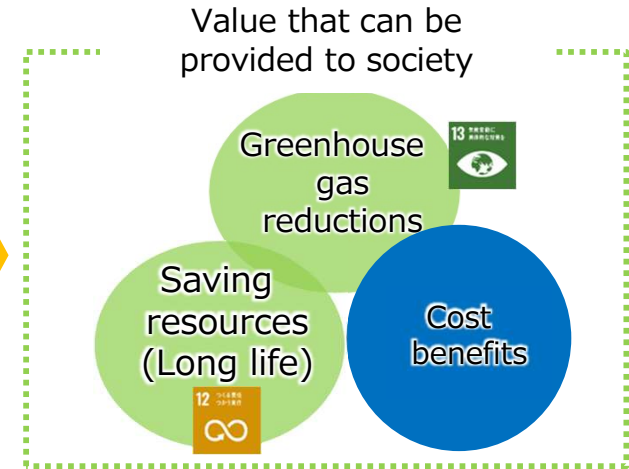


Price is approximately **2** times that of the existing product
Growing into a medium- to long-term earnings




Iot sensor

Sensors measure filter life and hydraulic oil contamination which further increases the value of the filter.

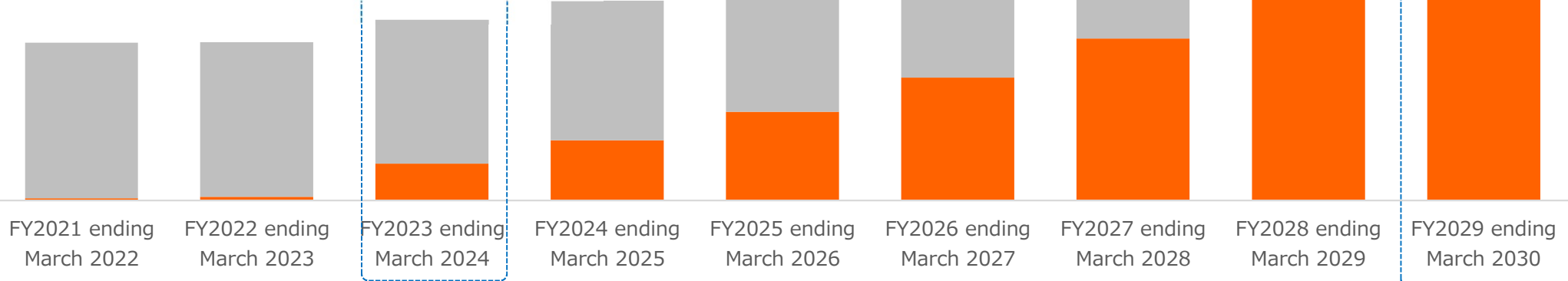



Sales forecast of filters made of nanofiber filters

■ Long life filters made of nanofibers ■ Return filters made of glassfibers

Companies begin switching to YAMASHIN Nano Filter®

Sales of long life filters are expected to increase to over 70% of total sales.



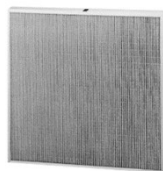
We are aggressively developing environmentally friendly products by leveraging the amazing capabilities of YAMASHIN Filter®. Goal of 5 billion yen in sales over the medium term.

Technology master

(Product appeal)

NanoWHELP

World's first air filter made of nano filters



Production capacity

(capabilities)

Strengthening of internal systems

- SAP implementation
- Optimization of workforce
- Optimization of sales network

Target markets for future development

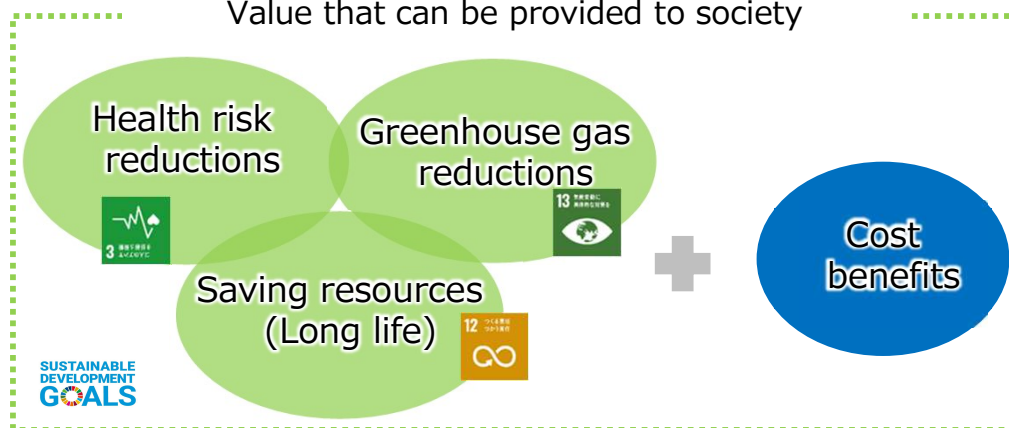


The only medium- to high-performance filter from a Japanese manufacturer that has obtained the highest level of air filter performance standards (MERV 14, 15, 16) in the European and American markets.



Goals of achieving sales of 5 billion yen in the medium term

Value that can be provided to society



Improving the value chain

True earnings potential by strengthening the value chain

Aiming to achieve an operating margin of 20% over the medium term.

Strengthening measures

1

Construction machinery filter business

Improvements to profitability through PAC21, airfare control, fixed cost reduction, and cost cutting

3

Healthcare management

Automation of production lines and reduction of fixed costs by investment in mask production facilities, reduction of production costs, efficient management of sales promotion and advertising expenses, etc.

2

Air filter business

Reduction of manufacturing costs PAC21 through transfer to YCF production and introduction of SAP (strengthening of cost management system), improvement of profitability through reduction of fixed costs, and reduction of defects

4

Strengthening the supply chain

Reorganization of production bases (New Saga Plant, New Vietnam Plant, North America Plant), significantly increased production capacity and reduced manufacturing costs

Strengthening the supply chain

Reorganized development and production systems, launch of new facilities

Shift from a centralized production system to a multiple production system, and establishment of a more robust supply chain system.

Development facility



Yokosuka Innovation Center



Consolidation of dispersed R&D bases to accelerate development of new material applications

Production system



New Saga Factory



YAMASHIN America, Morton Factory

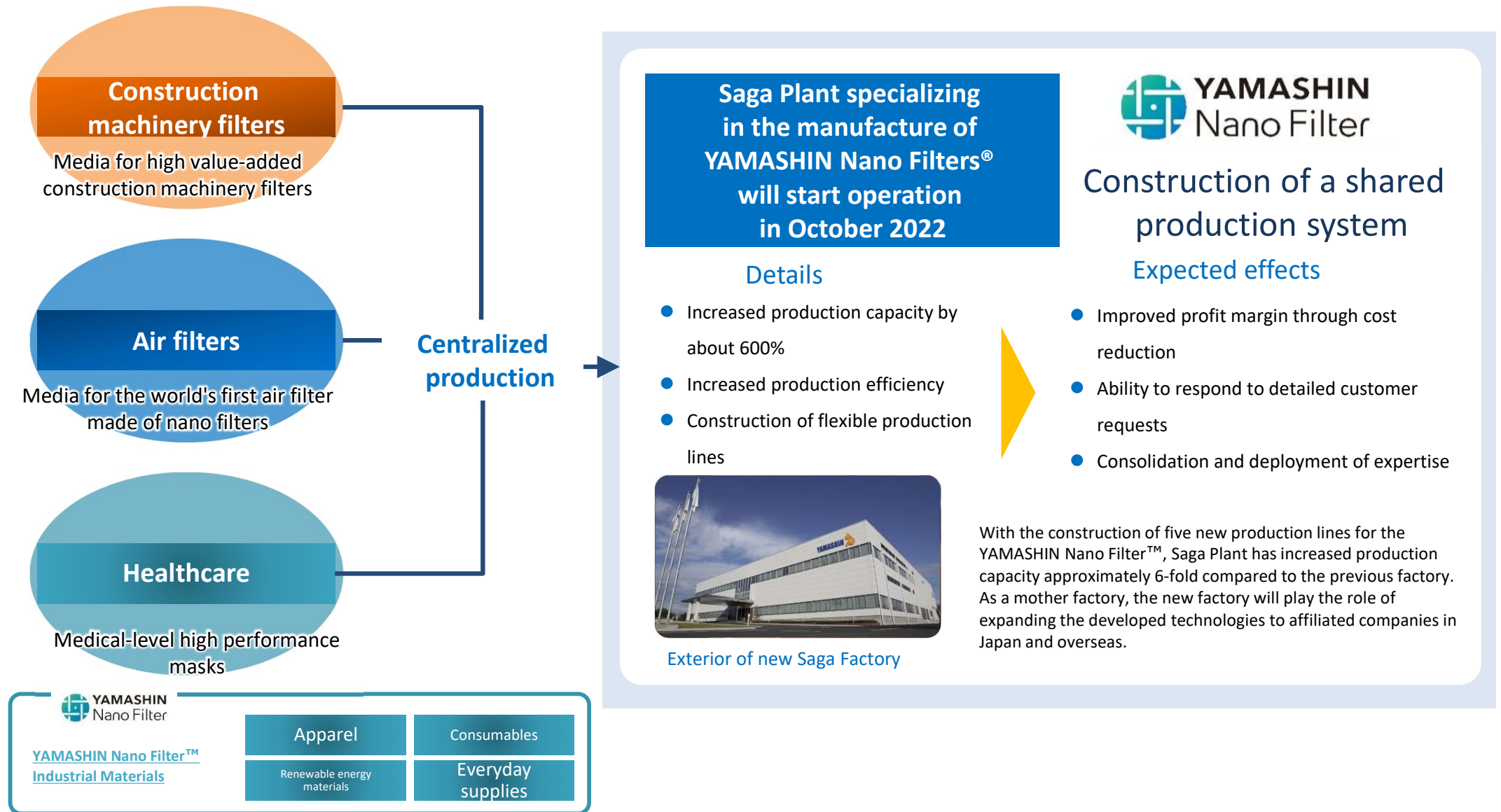


New Vietnam Factory



Cebu Factory

Construction of an efficient production system suitable for the YAMASHIN Nano Filter®



Construction machinery filters

YCF (production)

YST (Sales/R&D)

YAI
(Sales/production)

YTL (Sales)

YEB (Sales)

The Specialist in Filtration
YAMASHIN

Accelerating the leap from a specialized manufacturer of construction machinery filters to a
Comprehensive Filter Manufacturer



YAMASHIN Nano Filter™ Industrial Materials

Healthcare

Apparel

Consumables

Renewable energy materials

Everyday supplies



Air filters




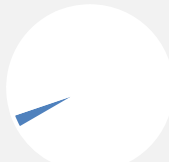

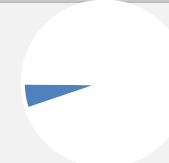
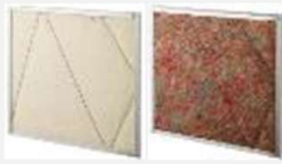
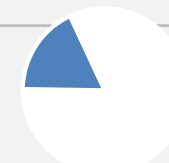

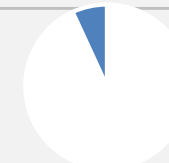
(Sales/production)

目次

REFERENCE MATERIALS

① BASIC COMPANY INFORMATION

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	<p>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.</p> <p>Applications : Various types of construction machinery</p>		
Hydraulic filters for various industrial fields	<p>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.</p> <p>Applications : machine tools, refrigerating compressors, agricultural machinery, vessels, railway vehicles, airplanes, and helicopters</p>		
Filters for process lines	<p>A process filter is used for filtration and separation in processes for manufacturing customer products</p> <p>Applications : Production lines for electronic parts, precision parts, liquid crystal displays, and food.</p>		
Air filters	<p>Air filters used for dust removal and medium-to-high performance air filters</p> <p>Applications: general buildings, hotels and factories.</p>		
Healthcare	<p>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.</p> <p>Applications: For general consumers in Japan and around the world</p>		

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

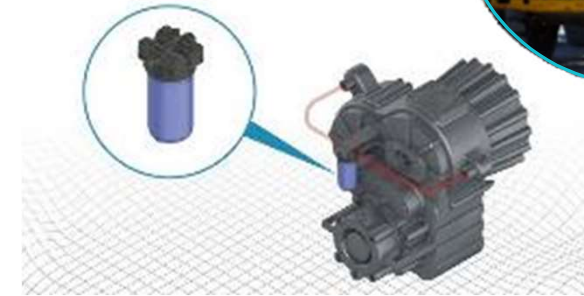
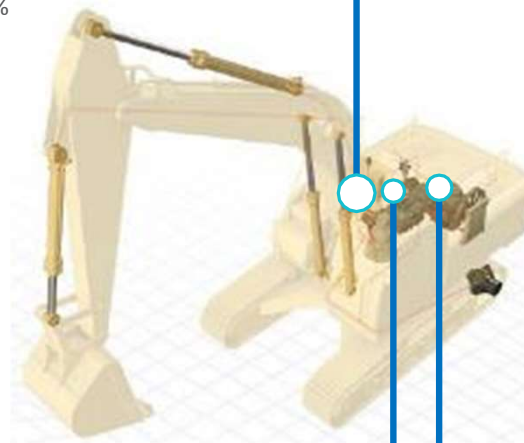
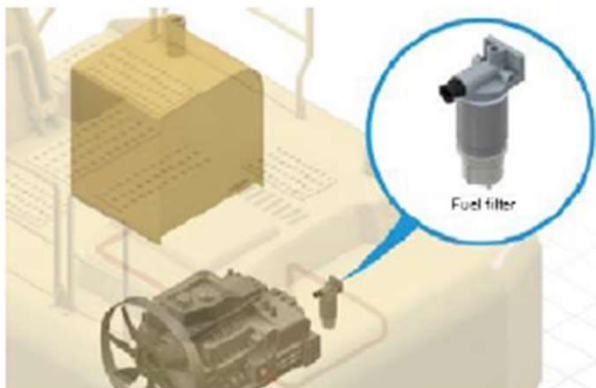


For hydraulic systems

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.

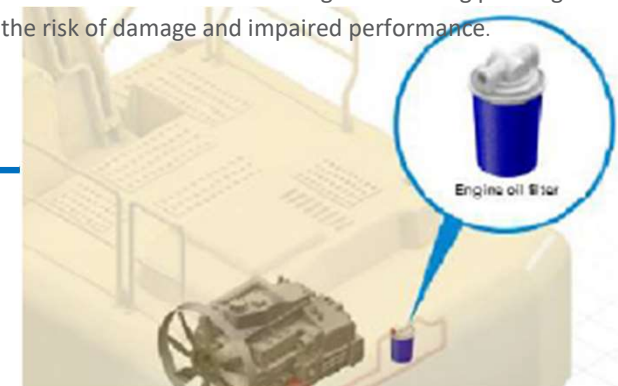


For transmissions

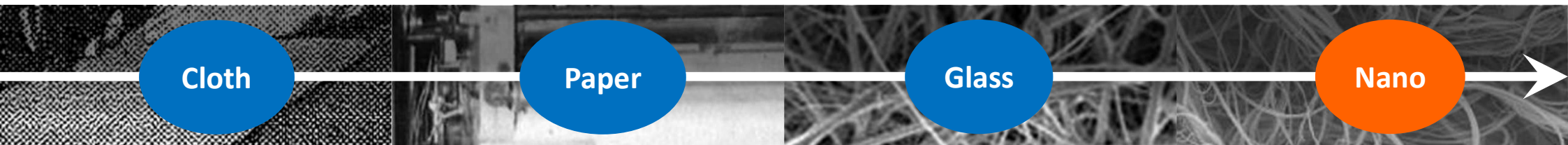
These filters are found in the transmissions of construction machinery. Transmissions are composed of multiple gears. Friction between these gears produces metal powder and particulates. Our company's filters employ proprietary filter elements and materials to remove these particulates and minimize equipment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



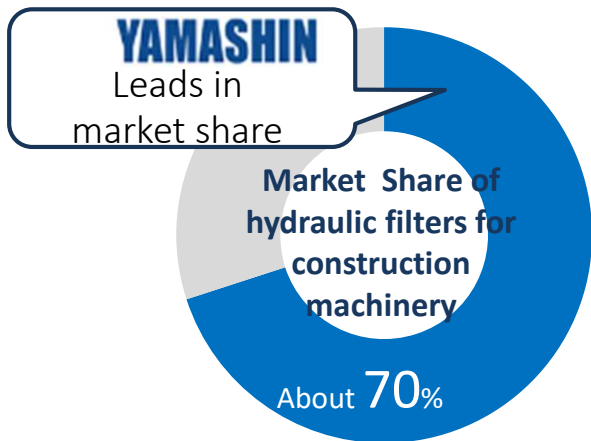
Capability of researching and developing innovative filter media in line with the evolution of construction machinery.



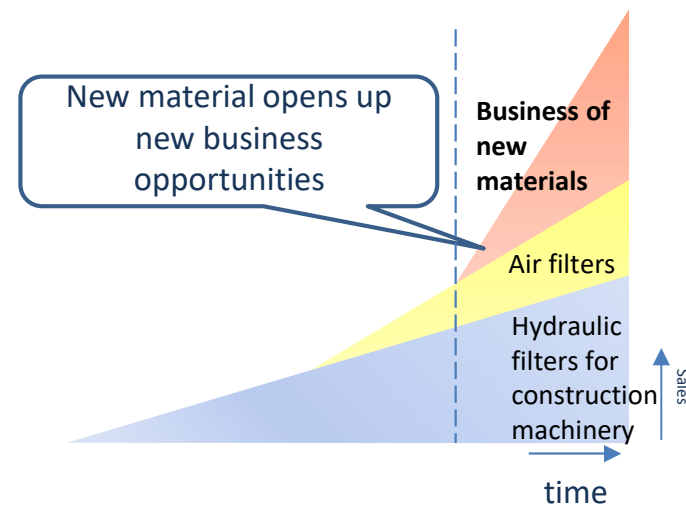
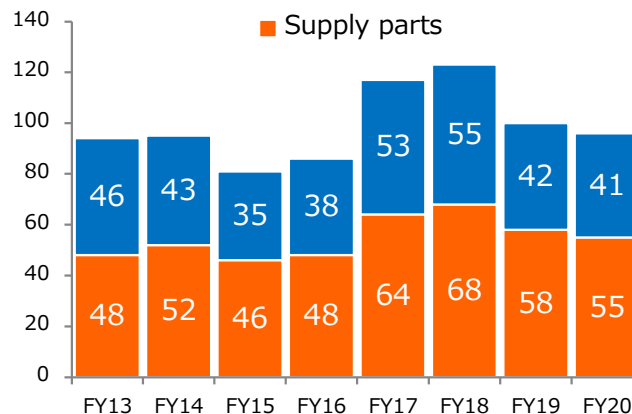
A lion's share in the market of hydraulic filters for construction machinery

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

Expansion of business domain with newly developed innovative materials



(Unit: 100 million yen)



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	$\text{NOPAT} \div \text{Capital investment}$
Rate of return on capital investment	$(\text{Ordinary income} + \text{Interest paid}) \div \text{Capital investment}$
Turnover rate of working capital	$\text{Net sales} \div (\text{Accounts receivable} + \text{Inventory assets} - \text{Accounts payable})$
Turnover rate of fixed assets	$\text{Net sales} \div \text{Fixed assets}$
Turnover rate of accounts receivable	$\text{Net sales} \div \text{Accounts receivable}$
Turnover rate of inventory assets	$\text{Net sales} \div \text{Inventory assets}$
Turnover rate of accounts payable	$\text{Sales cost} \div \text{Accounts payable}$
Turnover rate of tangible fixed assets	$\text{Net sales} \div \text{Tangible fixed assets}$
Turnover rate of intangible fixed assets	$\text{Net sales} \div \text{Intangible fixed assets}$
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

OPPORTUNITIES

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

WEAKNESSES

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

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**

Overcome these issues to evolve into a comprehensive filter manufacturer

Eliminate counterfeits by using new high-performance materials

Growth business

Air filters

New material business line

STRATEGY MATRIX

Core business (growing)

Filters for construction machinery

Restructured business

Core business (stable)

Corporate Principle

Realizing *Rokajini tsukafuru* (contributing to society through filtration activities)

Business Conditions

3 Themes of YAMASHIN Initiatives



Solving societal problems through filter design and manufacture

Societal issues

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



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.

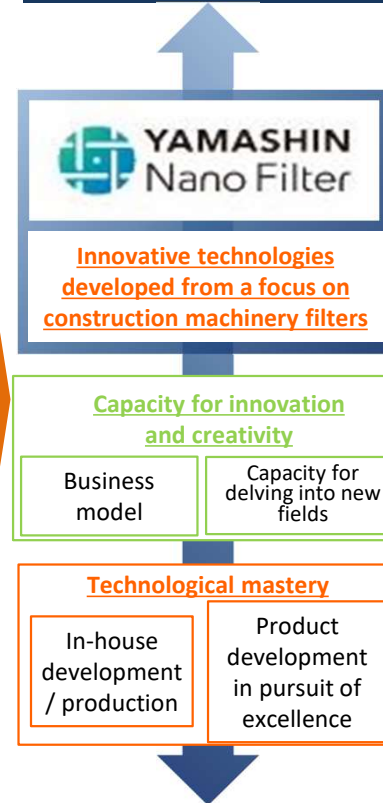
YAMASHIN NANO FILTER™ as an industrial subsidiary material

Non-financial capital supporting value creation

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

Corporate governance

YAMASHIN's Strengths



Created Value

Our goal:
To be a comprehensive filter manufacturer

Value we bring to the world



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.



Increasing the ratio of renewable energy by using electricity 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.

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 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

Osaka Factory (AQC)	Relocated main factory, strengthened production capacity, and commenced mask mass production
----------------------------	--

*manufacturing outsourced

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

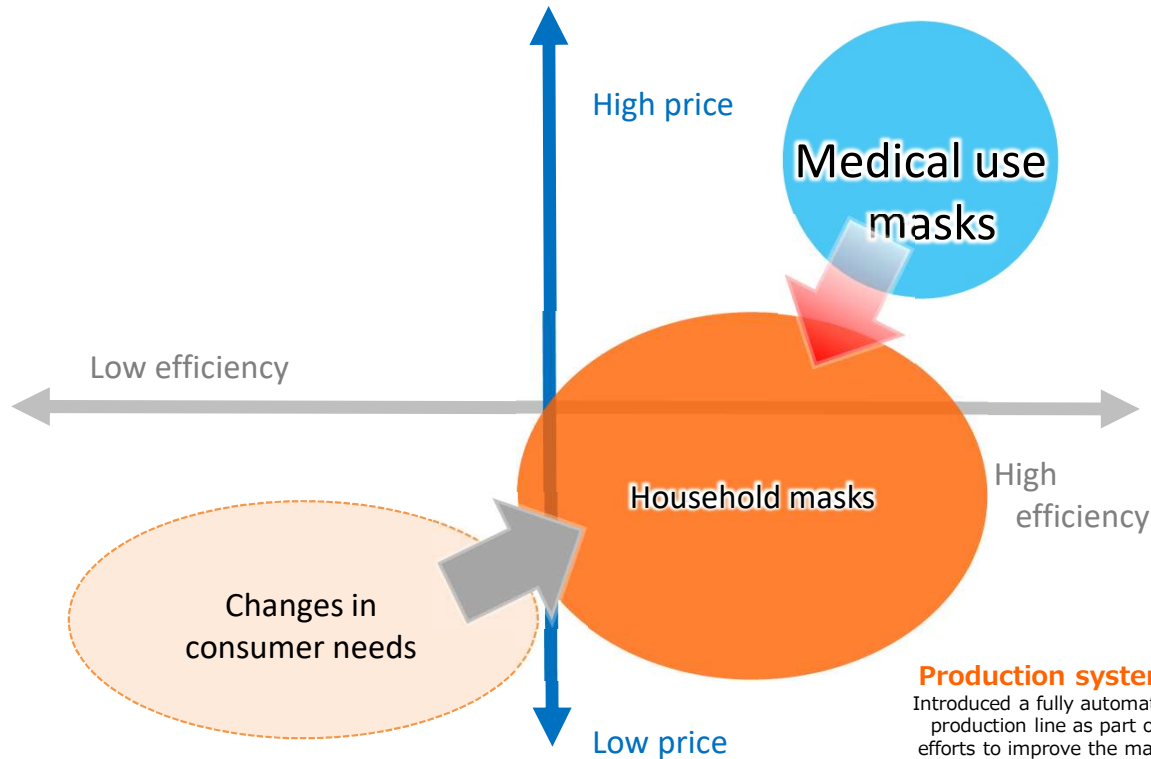
Economic activity is resuming. Further growth in the construction machinery market is expected with increasing government-led public investments.

[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.

Mask market segmentation and our strategy



Production system
Introduced a fully automated production line as part of efforts to improve the mask mass production system and began mass production operations.

Third year (2022-)
Strengthen the brand

Second year (2021)
Enhance product lineup

First year (2020)
Expand sales measures

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.

Introduction of new products

New design that is easily wearable for women!

Flagship model

Product specifications are subject to change without notice.

The ultimate standard model!
New release!

3 filter masks

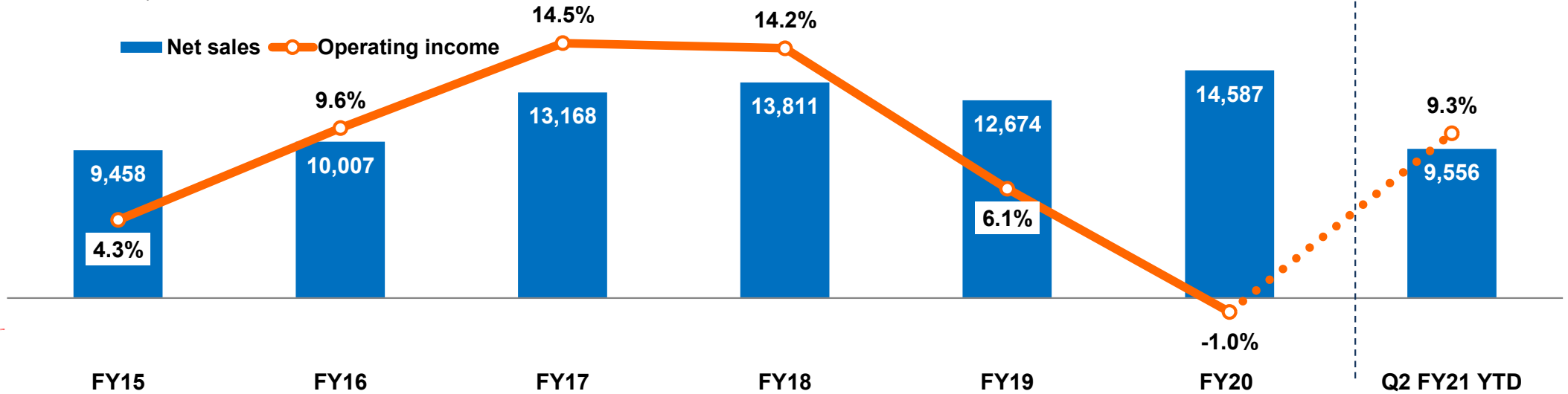
目次

REFERENCE MATERIALSDD

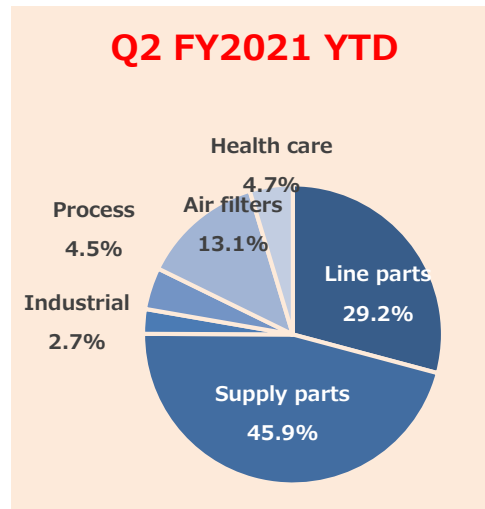
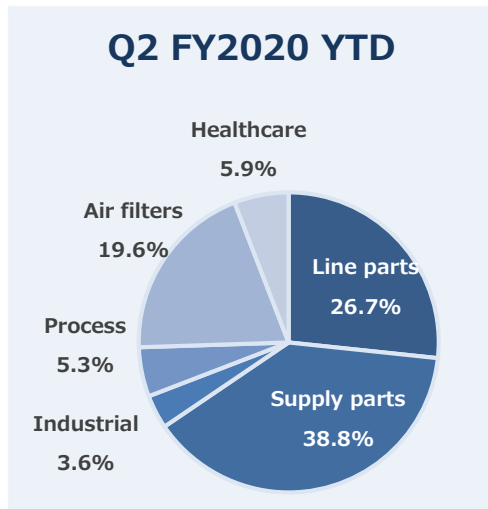
② FINANCIAL HIGHLIGHTS

Net sales, Operating income

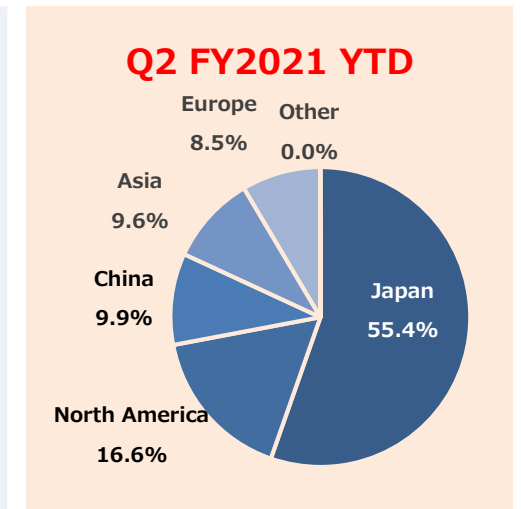
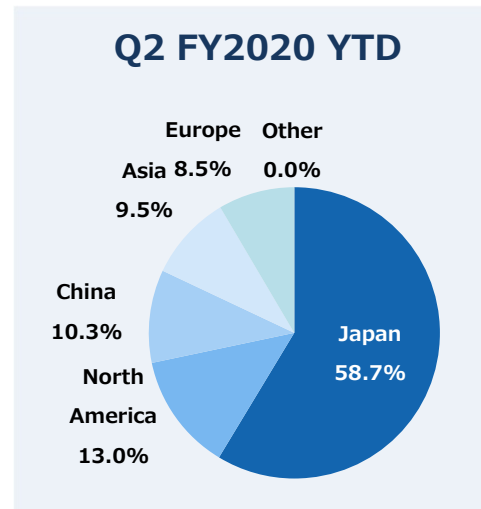
(Unit: million yen)



Sales breakdown by product category

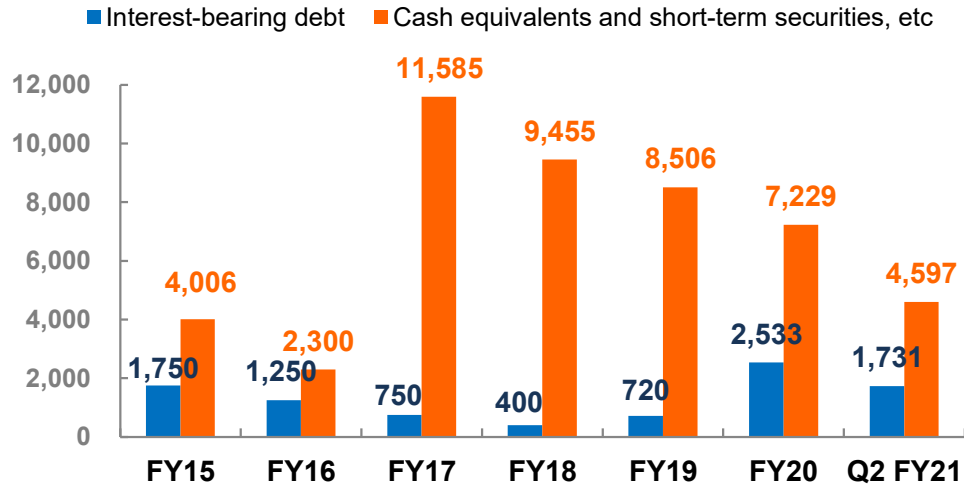


Sales breakdown by region

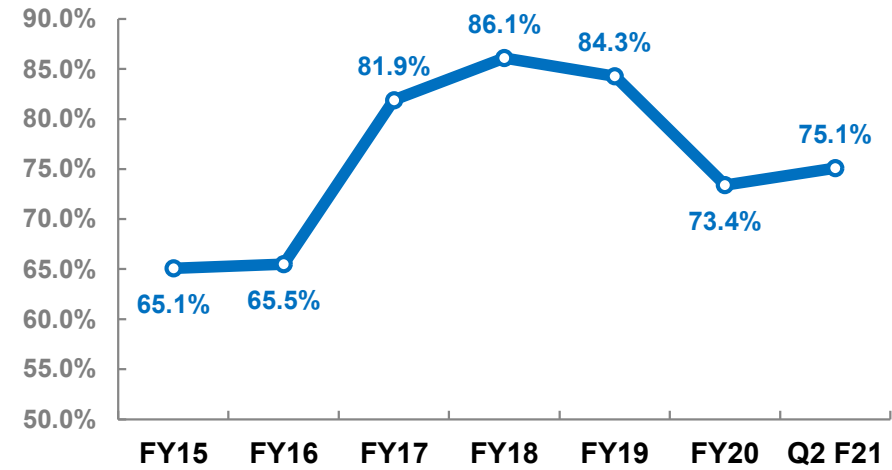


Interest-bearing debt, Cash equivalents, Short-term securities, etc.

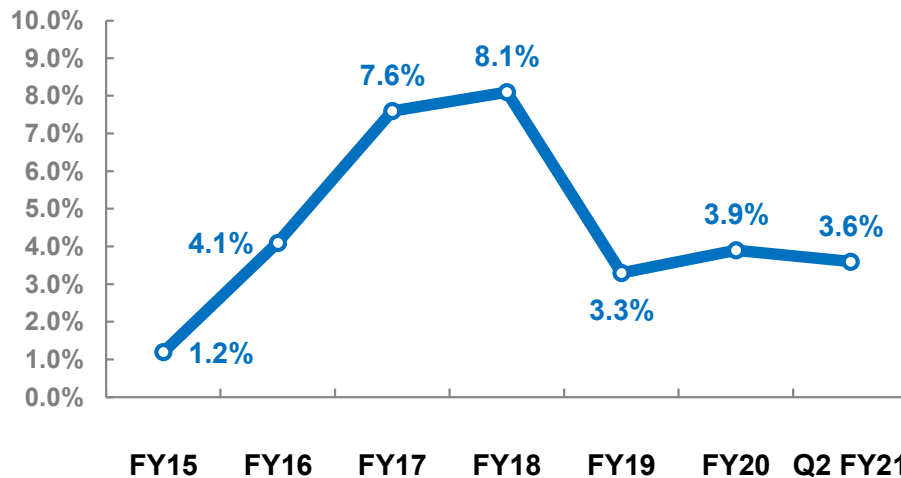
(Unit: million yen)



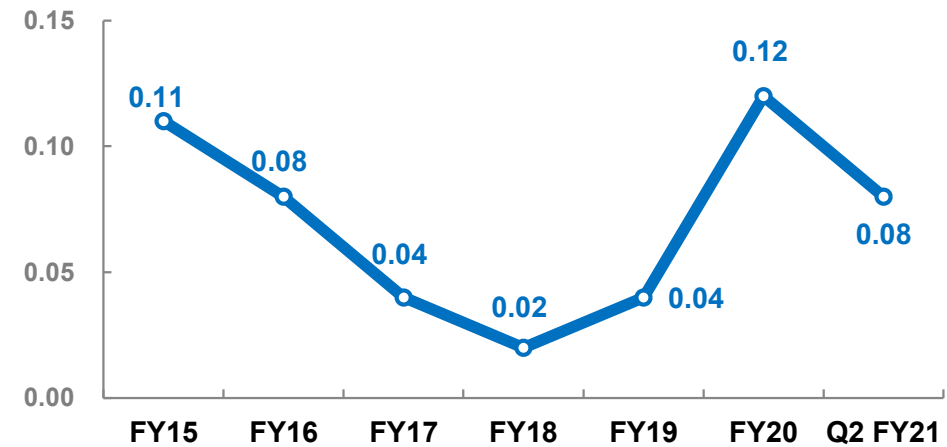
Shareholders' equity ratio



ROE



D/E ratio



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

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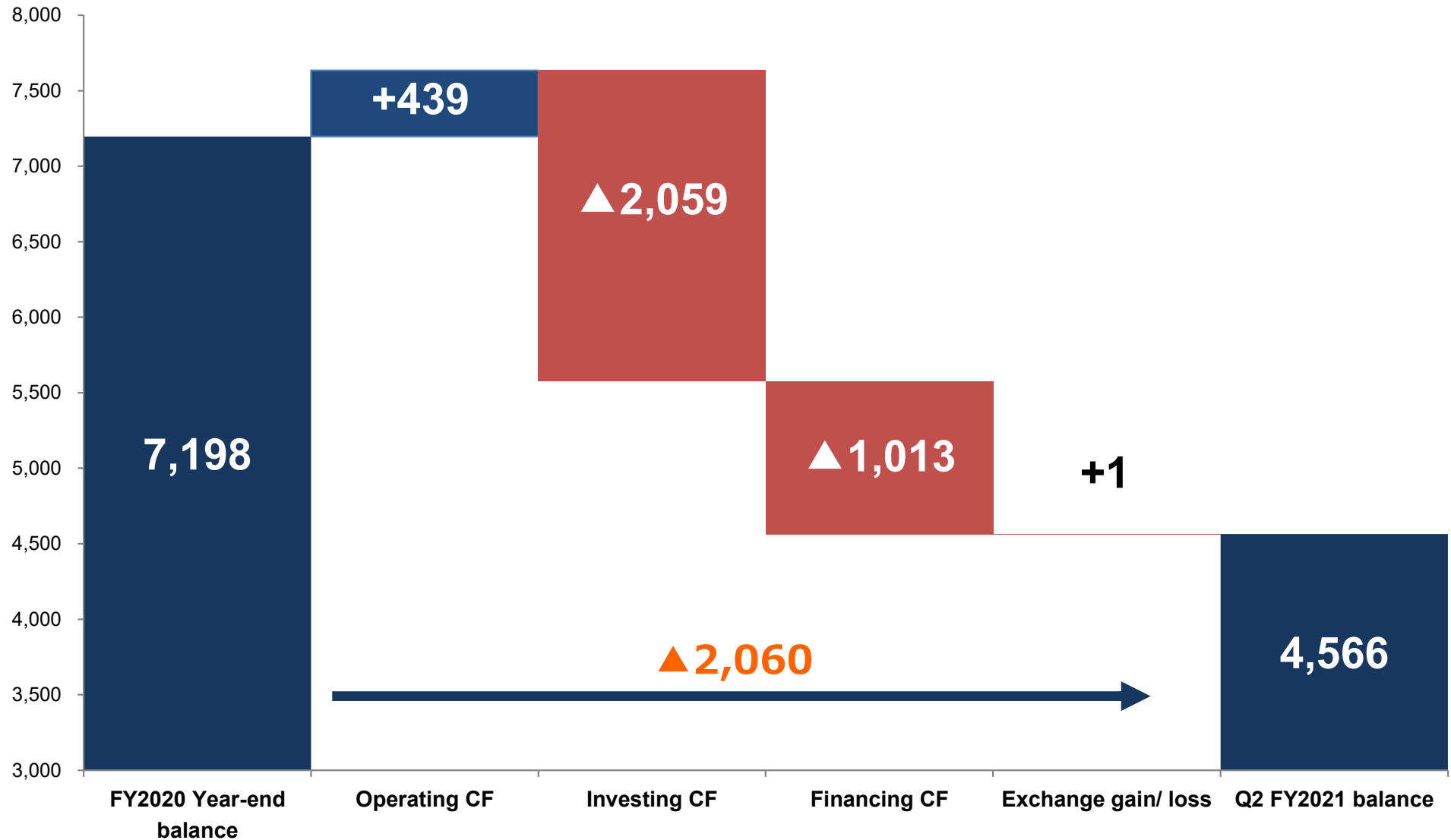
(Unit: million yen)

	FY2020	Q2 FY2021	Change (Amount)	Change (%)
Current assets	15,323	13,806	△1,516	△9.9%
Cash and deposits	7,229	4,597	△2,631	△36.4%
Notes and accounts receivable-trade	4,285	4,707	422	9.8%
Merchandise and finished goods, Raw materials and Supplies	3,021	4,128	1,106	36.6%
Other	785	372	△413	△52.6%
Fixed assets	12,868	13,933	1,065	8.3%
Tangible fixed assets	10,813	11,844	1,030	9.5%
Intangible fixed assets	330	301	△28	△8.7%
Investments and other assets	1,724	1,787	63	3.7%
Total assets	28,191	27,740	△451	△1.6%

	FY2020	Q2 FY2021	Change (Amount)	Change (%)
Current liabilities	5,539	5,186	△353	△6.4%
Notes and accounts payable-trade	1,952	2,377	424	21.7%
Corporate bonds payable within one year and short-term loans payable	1,003	403	△600	△59.8 %
Other	2,583	2,405	△177	△6.9%
Fixed liabilities	1,969	1,729	△239	△12.2%
Corporate bonds and long-term debt	1,529	1,327	△201	△13.2%
Net defined benefits Liability	225	220	△4	△2.1%
Other	214	181	△33	△15.5%
Total net assets	20,682	20,824	141	0.7%
Total of liabilities and net assets	28,191	27,740	△451	△1.6%

*Shareholders' equity ratio 73,4% 75.1%

(Unit: million yen)

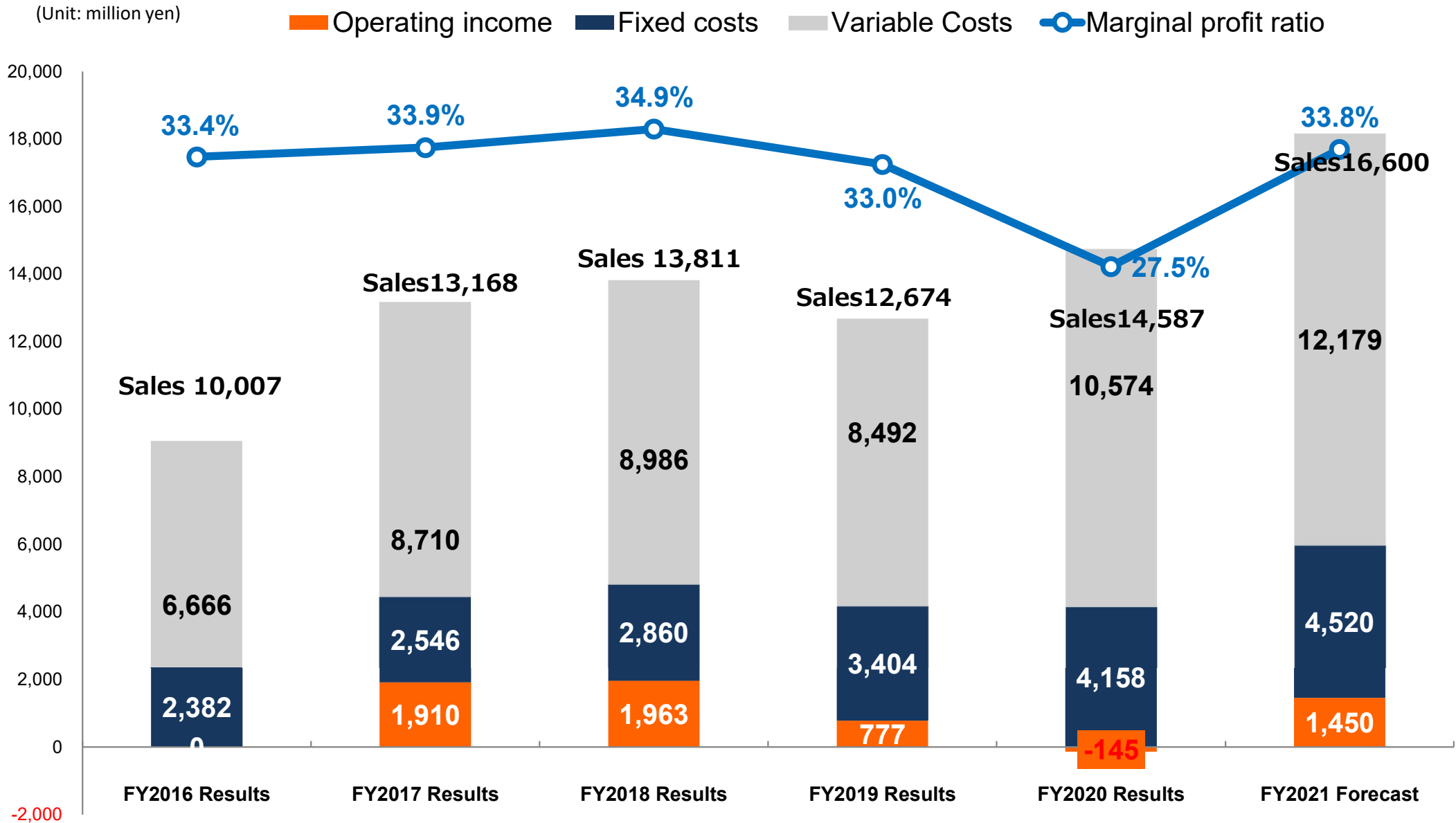


Conditions of Operational Hedge – “Marry and Netting” and Foreign Exchange Sensitivity

(unit: million yen)

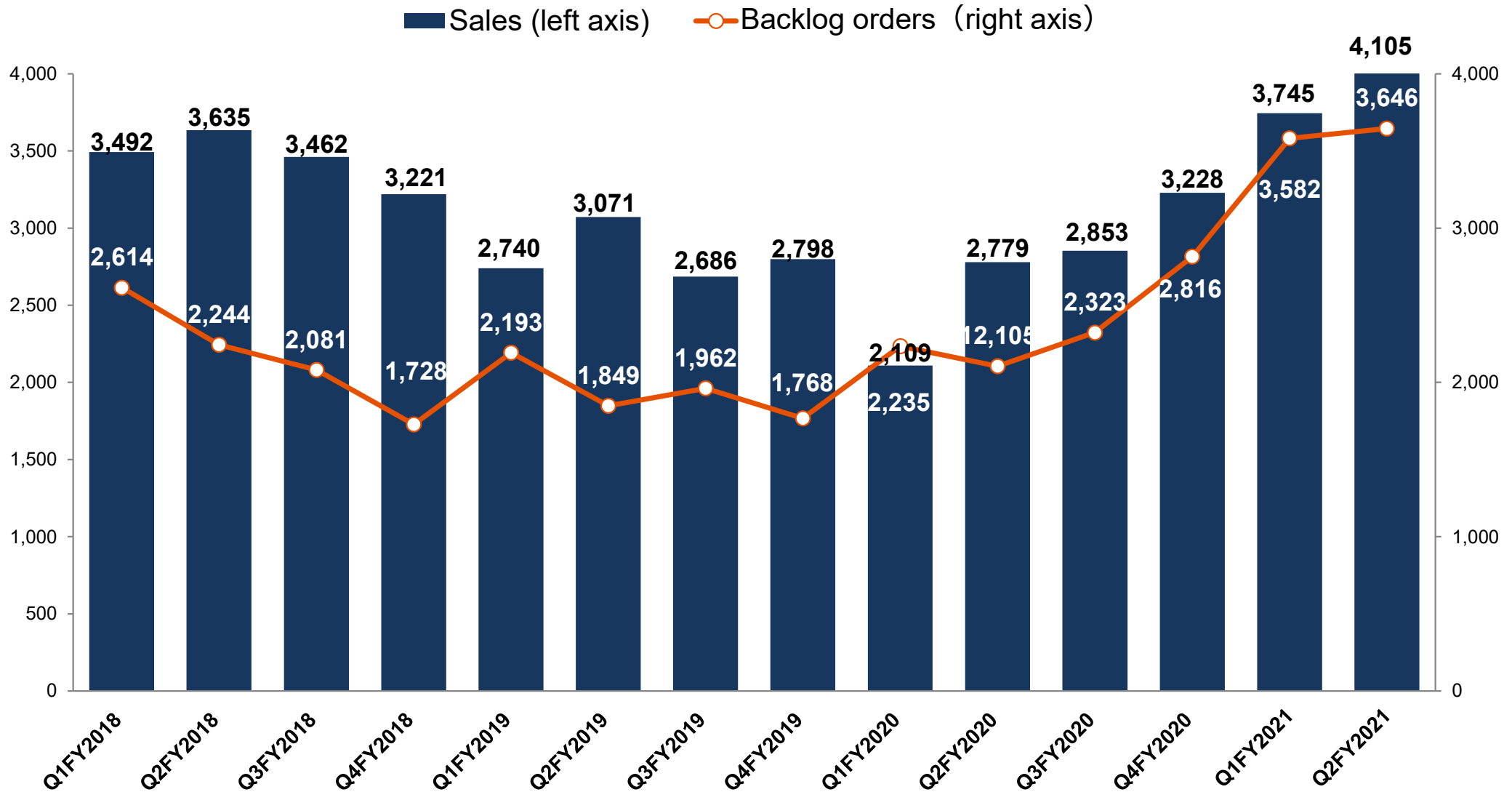
Currency	Incoming		Outgoing		Net	Average rate during the term (JPY)	In case of yen appreciation (10%)			In case of yen depreciation (10%)		
	Amount by currency	Composition ratio	Amount by currency	Composition ratio			Amount by currency	If yen is appreciated ▲10% (JPY)	Difference	Affected amount (QTD)	If yen is depreciated +10% (JPY)	Difference
JPY	¥11,300.0	74%	¥12,000.0	70%	¥-700.0	-	-	-	-	-	-	-
USD	\$30.1	22%	\$36.2	23%	-\$6.1	¥109.8	¥98.83	¥-10.98	¥66.98	¥120.79	¥10.98	¥-66.98
EUR	€ 3.2	3%	€ 2.6	2%	€ 0.6	¥130.9	¥117.82	¥-13.1	¥-7.85	¥144.00	¥13.09	¥7.85
PHP	PP0.0	0%	PP373.5	5%	PP-373.5	¥2.2	¥2.02	¥-0.2	¥83.66	¥2.46	¥0.22	¥-83.66
THB	฿44.30	1%	฿14.10	0%	฿30.20	¥3.4	¥3.08	¥-0.3	¥-10.33	¥3.76	¥0.34	¥10.33
Total	-	100%	-	100%	-	-	-	-	¥132.47	-	-	¥-132.47

Variation in Marginal Profit Ratio



YAMASHIN Construction Machinery Filters Changes in Backlog Orders (Quarterly)

(Unit: million yen)



(million yen)	Q1 FY2020 YTD Results	Q1 FY2021 YTD Results	YoY change	
	Amount	Amount	Amount	%
Net sales	3,705	4,870	1,165	31.5%
Construction machinery filters, etc.*	2,779	4,105	1,326	47.7%
Air filters	624	613	△10	△1.6%
Healthcare	301	151	△150	△49.9%
Operating income	48	546	497	1,028.7%
Construction machinery filters*	△14	707	722	-
Air filters	△7	△37	△30	-
Healthcare	69	△125	△195	-
Operating income margin	1.3%	11.2%	9.9Pt	
Ordinary profit	41	541	500	1,214.6%
Ordinary profit margin	1.1%	11.1%	10.0Pt	
Net income	△69	120	189	-
Net income margin	△1.9%	2.5%	4.3Pt	

Exchange rates (ave.)	USD	106.9	109.8	2.9	2.7%
	EUR	121.3	130.9	9.6	7.9%

*“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. Figures for the second quarter of the previous fiscal year are also based on this new approach.

FY2021 YTD Financial Results (Apr – Sep)

(million yen)	Q1 FY2020 YTD Results	Q1 FY2021 YTD Results	YoY change	
	Amount	Amount	Amount	%
Net sales	6,563	9,556	2,992	45.6%
Construction machinery filters, etc.*	4,888	7,858	2,969	60.7%
Air filters	1,288	1,251	△36	△2.8%
Healthcare	386	446	59	15.4%
Operating income	△50	887	937	-
Construction machinery filters*	△195	1,187	1,382	-
Air filters	38	△63	△102	-
Healthcare	106	△236	△342	-
Operating income margin	△0.8%	9.3%	10.1Pt	
Ordinary profit	△60	876	937	-
Ordinary profit margin	△0.9%	9.2%	10.1Pt	
Net income	△152	328	480	-
Net income margin	△2.3%	3.4%	5.8Pt	

Exchange rates (ave.)	USD	106.9	109.8	2.9	2.7%
	EUR	121.3	130.9	9.6	7.9%

*“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. Figures for the second quarter of the previous fiscal year are also based on this new approach.

(million yen)		FY2020 Results	FY2021 Results	FY2021 Forecast	YoY Change
		Amount	Amount	Amount	Amount
Net sales		14,587	16,600	18,400	1,800
	Construction machinery filters*	10,970	12,000	15,000	3,000
	Air filters	2,607	3,000	2,500	△500
	Healthcare	1,009	1,600	900	△700
Operating income		△145	1,500	1,700	200
	Construction machinery filters*	22	960	2,000	1,040
	Air filters	△18	300	△100	△400
	Healthcare	△150	240	△200	△440
Operating income margin		△1.0%	9.0%	9.2%	0.2Pt
Ordinary profit		△135	1,470	1,680	210
Ordinary profit margin		△0.9%	8.9%	9.1%	0.2Pt
Net income		750	960	750	△210
Net income margin		5.1%	5.8%	4.1%	△1.7Pt
Exchange rate (JPY)	USD	106.1	105.0	110.0	3.7%
	EUR	123.7	125.0	130.0	5.1%

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

The Specialist in Filtration
YAMASHIN 



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

TEL 045-680-1680

E-mail ir@yamashin-filter.co.jp