

Responding to change

Build a profit structure not affected by
market conditions

YAMASHIN-FILTER CORP.
Financial Results for the Third Quarter of
the Fiscal Year Ended March 31, 2023

February 6, 2023

- While sales and income decreased due to various factors such as Chinese market stagnation, high marine transportation costs, soaring raw material costs, and depreciation of the yen, profitability steadily improved through price pass-on and cost improvement

Construction machinery filter business (Market Environment)

The market

Japan

North America

Europe

Asia

China



Construction equipment uptime and demand for new vehicles remains strong



Sluggish

Logistics costs and raw material prices

Sudden price jump

Exchange (e.g. foreign)

Weakening of the yen

Air Filter Business (Market Environment)

Demand for filter replacement of office buildings, etc. is recovering

Under the environmental issues such as CO₂ reduction and reduction of industrial waste

Opportunities to expand our business are coming

Business Results for Q3 FY2022

Consolidated sales: 14,118 million yen
YoY: **0.5% decrease**

Consolidated operating income: 1,067 million yen
YoY: **4.1% decrease**

***Shareholders' equity ratio: 78.6%**

Construction machinery filter

Sales decreased 1.2% YoY to 12,151 million yen

Construction equipment uptime and demand for new vehicles remained strong, but lockdowns in the Chinese market had a major impact

Air filter

Sales increased 3.9% YoY to 1,967 million yen

Demand for filters for building air-conditioning systems is recovering in line with the recovery in economic activity, and is on a par with the previous year

- Construction equipment market remains firm
- Due to partial revision of production plans by major customers as a result of stagnation in the Chinese market, a decline in sales is expected in the fourth quarter and the full-year forecast has been revised downward

Full-Year Forecasts for FY2022

Consolidated sales:

¥18,650 million

Compared to million the previous announcement:
¥19,230 million
3.0% decrease in sales

Consolidated operating income:

¥ 1,325 million (7.1%)

Compared to the previous announcement:
¥1,380 million
4.0% decrease in profit

EPS ¥9.96 ROE 3.5%

Construction machinery filter	Compared to the previous announcement: 3.2% decrease in sales 16,000 million yen	Due to partial revision of production plans by major customers, a decline in sales is expected in the fourth quarter
Air filter	Sales down 1.9% from the previous announcement: 2,650 million yen	Profitability is expected to improve due to cost improvement and price shifting

I

Business Performance Results for Q3 FY2022 and Full-Year Forecasts for FY2022 (Ending March 31, 2023)

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決算

I BUSINESS PERFORMANCE RESULTS FOR Q3 FY2022 AND FULL-YEAR FORECASTS FOR FY2022 (ENDING MARCH 31, 2023)

Business Performance Results for Q3 FY2022

(Oct 2022 to Dec 2022)

Q3 FY2022 Financial Results (2022 Oct to Dec)

(million yen)		Q3 FY2021 Results	Q3 FY2022 Results	Difference	
		Amount	Amount	Amount	%
Net sales		4,632	4,995	363	7.8%
	Construction machinery filters, etc.*1*2	3,990	4,298	308	7.7%
	Air filters	642	697	54	8.5%
Operating income (segment income)		225	546	320	141.7%
	Construction machinery filters, etc.*3	244	506	262	107.4%
	Air filters*3	△18	40	58	—
Operating income margin		4.9%	10.9%	6.1Pt	
	Ordinary profit	202	380	178	88.1%
Ordinary profit margin		4.4%	7.6%	3.3Pt	
	Net income	△416	275	691	—
Net income margin		△9.0%	5.5%	14.5Pt	
Exchange rates (ave.)	USD	111.1	136.5	25.4	22.9%
	EUR	130.6	140.6	9.9	7.6%

*1 "Construction machinery filters" includes filters for construction machinery, industrial use and process use.

*2 The healthcare business is included in the product lineup of the construction machinery filter business from the fiscal year ending March 31, 2022, to reflect the degree of impact on YAMASHIN's performance.

*3 With respect to operating income for the fiscal year ending March 31, 2022, general and administrative expenses and other expenses of the administrative divisions of the head office and subsidiaries, which were separately presented as corporate expenses, are included in the operating income of each segment.

(million yen)	FY2021	Q3 FY2022	Change (Amount)	Change (%)
Current assets	13,964	13,860	△ 104	△ 0.7%
Cash and deposits	3,750	4,310	559	14.9%
Notes and accounts receivable-trade	4,696	4,740	44	1.0%
Merchandise and finished goods, Raw materials and Supplies	4,775	4,563	△ 211	△ 4.4%
Other	742	244	△ 497	△ 67.1%
Fixed assets	12,747	12,620	△ 127	△ 1.0%
Tangible fixed assets	11,609	11,668	59	0.5%
Intangible fixed assets	236	168	△ 68	△ 28.8%
Investments and other assets	901	782	△ 118	△ 13.2%
Total assets	26,712	26,480	△ 232	△ 0.9%

	FY2021	Q3 FY2022	Change (Amount)	Change (%)
Current liabilities	4,634	4,315	△ 319	△ 6.9%
Notes and accounts payable-trade	2,213	1,670	△ 543	△ 24.5%
Corporate bonds payable within one year and short-term loans payable	403	1,603	1,200	297.5%
Other	2,016	1,041	△ 975	△ 48.4%
Fixed liabilities	1,506	1,339	△ 167	△ 11.1%
Corporate bonds and long-term debt	1,126	823	△ 302	△ 26.9%
Net defined benefits Liability	232	246	14	6.1%
Other	147	268	121	82.2%
Total net assets	20,571	20,825	254	1.2%
Total of liabilities and net assets	26,712	26,480	△ 232	△ 0.9%

*Shareholders' equity ratio 77.0 78.6%

FY2022 Q3 Sales by Product Category (2022 Oct to Dec)

(million yen)	Q3 FY2021 Results	Q3 FY2022 Results	Difference	
	Amount	Amount	Amount	%
Construction machinery filters	3,488	3,881	393	11.3%
Line parts	1,382	1,562	180	13.0%
Service parts	2,105	2,318	213	10.1%
Industrial filters*	239	187	△ 51	△ 21.7%
Process filters	263	229	△ 33	△ 12.6%
Subtotal (Construction machinery filters, etc.)	3,990	4,298	308	7.7%
Air filters	642	697	54	8.5%
Total	4,632	4,995	363	7.8%

* The healthcare business is included in the product lineup of the construction machinery filter business from the fiscal year ending March 31, 2022, to reflect the degree of impact on YAMASHIN's performance.

FY2022 Q3 Sales by Region (2022 Oct to Dec)

(million yen)	Q3 FY2021 Results		Q3 FY2022 Results		Difference	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters, etc. *1*2	3,990	86.1%	4,298	86.0%	308	7.7%
Japan	2,041	44.1%	2,168	43.4%	127	6.2%
North America	655	14.2%	831	16.6%	175	26.8%
China	374	8.1%	336	6.7%	△ 37	△ 10.0%
Other Asian countries	370	8.0%	532	10.7%	161	43.5%
Europe	547	11.8%	426	8.5%	△ 121	△ 22.1%
Others (Middle East, etc.)	0	0.0%	2	0.0%	2	1,007.7%
Air filters (Japan)	642	13.9%	697	14.0%	54	8.5%
Total sales	4,632	100.0%	4,995	100.0%	363	7.8%

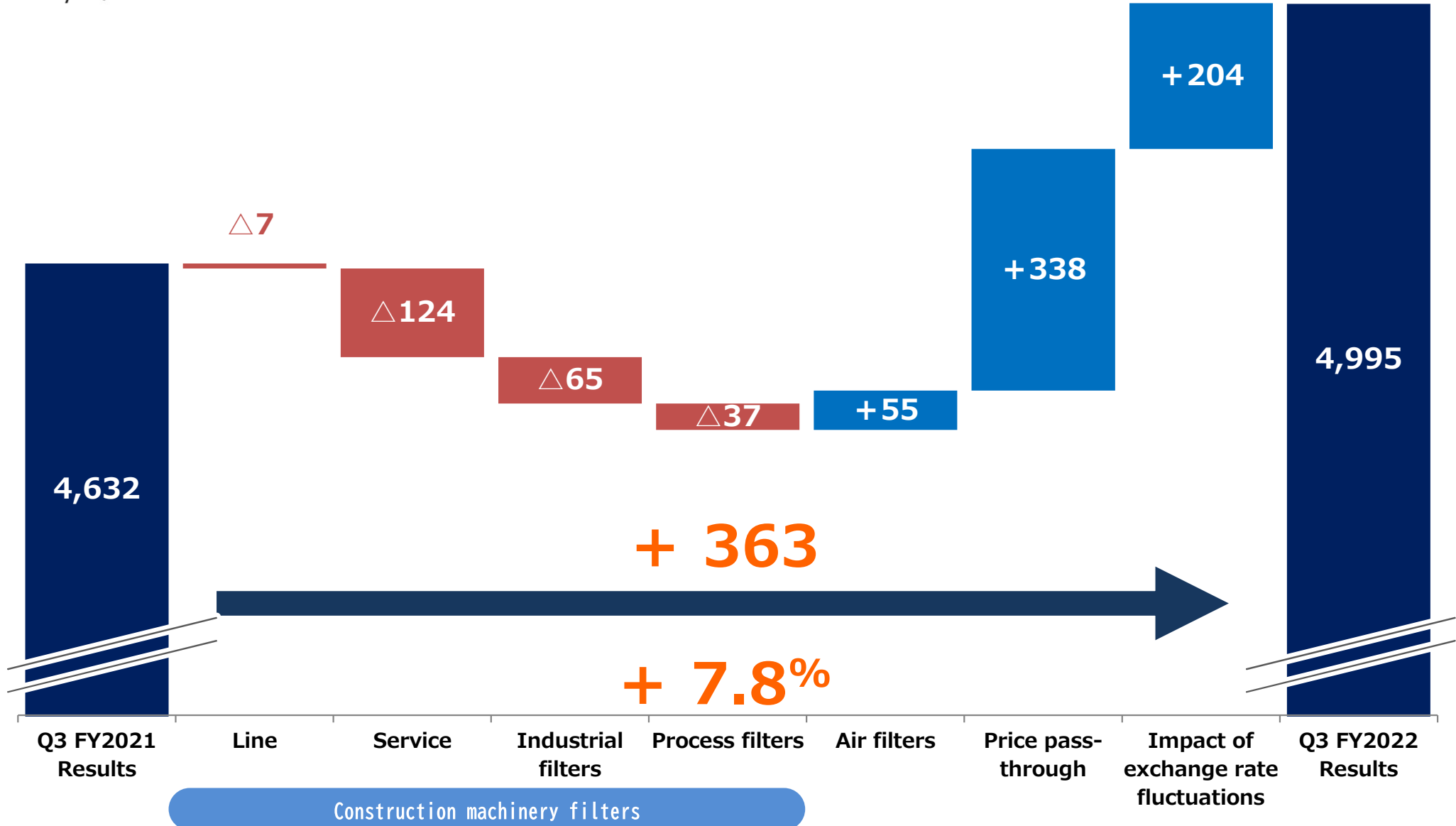
*1 "Construction machinery filters" includes filters for construction machinery, industrial use and process use.

*2 The healthcare business is included in the product lineup of the construction machinery filter business from the fiscal year ending March 31, 2022, to reflect the degree of impact on YAMASHIN's performance.

*The above figures by region are based on the billing address.

Changes in Sales (2022 Oct to Dec)

(million yen)



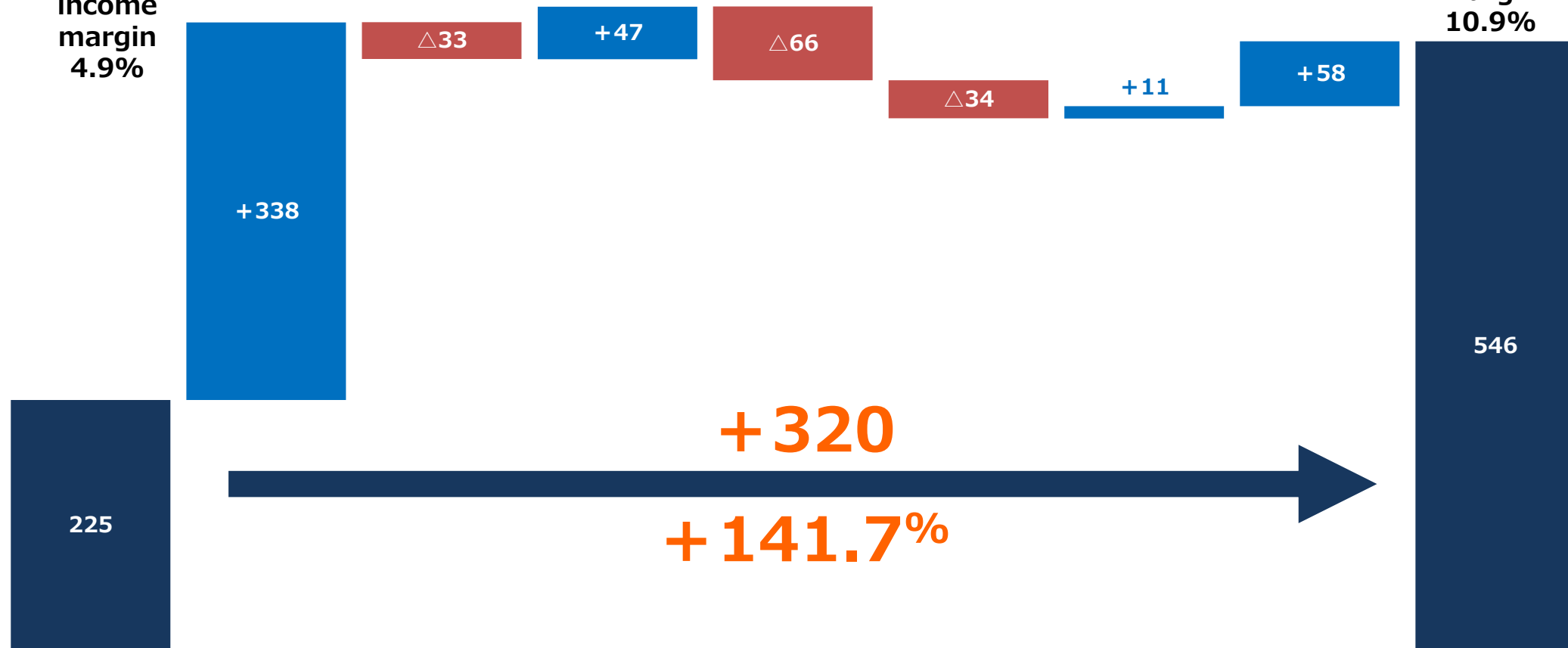
The "Industrial" segment includes the Healthcare product line.

Changes in Operating Income (2022 Oct to Dec)

(million yen)

Operating
income
margin
4.9%

Operating
income
margin
10.9%



Q3 FY2021
Results

[Construction
machinery]
Increase due to
price pass-through

[Construction
machinery]
Decrease in profit
due to increase in
marine
transportation costs

[Construction
machinery]
Increase in profit
due to decrease in
airfare

[Construction
machinery]
Decrease in profit
due to
soaring material
costs

[Construction
machinery]
Decrease in profit
due to impact of
exchange
rate fluctuations

[Construction
machinery]
Increase in profit
due to other impact

[Air filters]
Increase in profit due
to price pass-through
and cost
improvement

Q3 FY2022
Results

Business Performance Results for FY2022 YTD (Apr 2022 to Dec 2022)

FY2022 YTD Financial Results (2022 Apr to Dec)

(million yen)		FY2021 YTD Results	FY2022 YTD Results	Difference	
		Amount	Amount	Amount	%
Net sales		14,188	14,118	△ 69	△ 0.5%
	Construction machinery filters, etc.*1, 2	12,294	12,151	△ 143	△ 1.2%
	Air filters	1,894	1,967	73	3.9%
Operating income (segment income)		1,113	1,067	△ 46	△ 4.1%
	Construction machinery filters, etc.*3	1,195	1,022	△ 172	△ 14.4%
	Air filters*3	△ 81	44	126	—
Operating income margin		7.8%	7.6%	△ 0.3Pt	
	Ordinary profit	1,078	839	△ 239	△ 22.2%
Ordinary profit margin		7.6%	5.9%	△ 1.7Pt	
	Net income	△ 88	546	634	—
Net income margin		△ 0.6%	3.9%	4.5Pt	
Exchange rates (ave.)	USD	111.1	136.5	25.4	22.9%
	EUR	130.6	140.6	9.9	7.6%

*1 "Construction machinery filters" includes filters for construction machinery, industrial use and process use.

*2 The healthcare business is included in the product lineup of the construction machinery filter business from the fiscal year ending March 31, 2022, to reflect the degree of impact on YAMASHIN's performance.

*3 With respect to operating income for the fiscal year ending March 31, 2022, general and administrative expenses and other expenses of the administrative divisions of the head office and subsidiaries, which were separately presented as corporate expenses, are included in the operating income of each segment.

FY2022 YTD Sales by Product Category (2022 Apr - Dec)

(million yen)	FY2021 YTD Results	FY2022 YTD Results	Difference	
	Amount	Amount	Amount	%
Construction machinery filters	10,660	10,913	252	2.4%
Line parts	4,168	4,326	158	3.8%
Service parts	6,492	6,587	94	1.5%
Industrial filters*	940	570	△ 369	△ 39.3%
Process filters	693	667	△ 26	△ 3.8%
Subtotal (Construction machinery filters, etc.)	12,294	12,151	△ 143	△ 1.2%
Air filters	1,894	1,967	73	3.9%
Total	14,188	14,118	△ 69	△ 0.5%

* The healthcare business is included in the product lineup of the industrial filters from the fiscal year ending March 31, 2022, to reflect the degree of impact on YAMASHIN's performance.

FY2022 YTD Sales by Product Category (2022 Apr - Dec)

(million yen)	Q3 FY2021 YTD Results		Q3 FY2022 YTD Results		Difference	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters, etc. *1*2	12,294	86.7%	12,151	86.1%	△143	△1.2%
Japan	6,078	42.8%	6,132	43.4%	53	0.9%
North America	2,246	15.8%	2,472	17.5%	225	10.0%
China	1,318	9.3%	961	6.8%	△356	△27.0%
Other Asian countries	1,289	9.1%	1,275	9.0%	△13	△1.0%
Europe	1,359	9.6%	1,302	9.2%	△57	△4.2%
Others (Middle East, etc.)	1	0.0%	6	0.0%	4	360.2%
Air filters (Japan)	1,894	13.3%	1,967	13.9%	73	3.9%
Total sales	14,188	100.0%	14,118	100.0%	△69	△0.5%

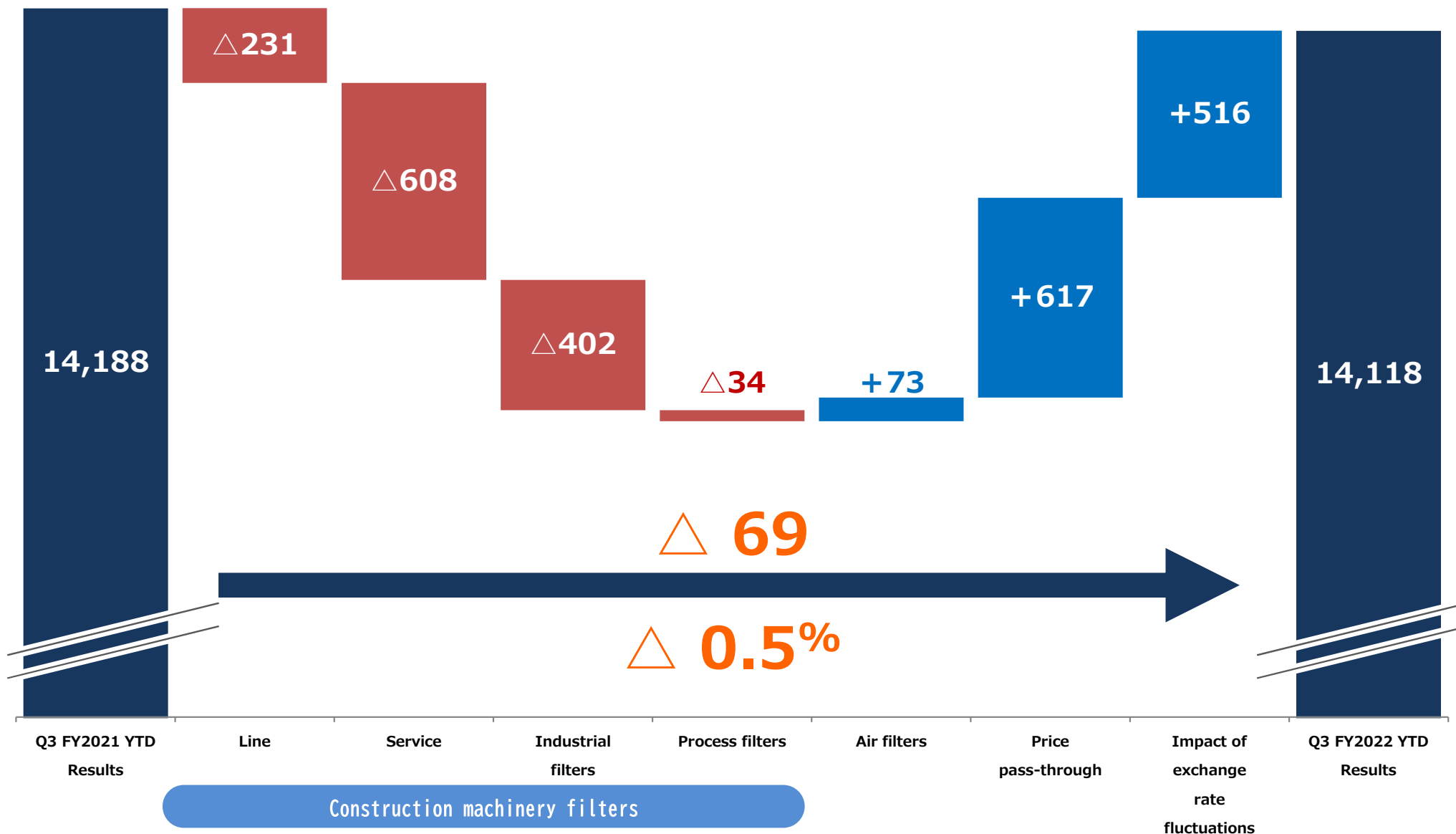
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*2 The healthcare business is included in the product lineup of the construction machinery filter business from the fiscal year ending March 31, 2022, to reflect the degree of impact on YAMASHIN's performance.

* The above figures by region are based on the billing address.

Changes in Sales (2022 Apr to Dec)

(million yen)



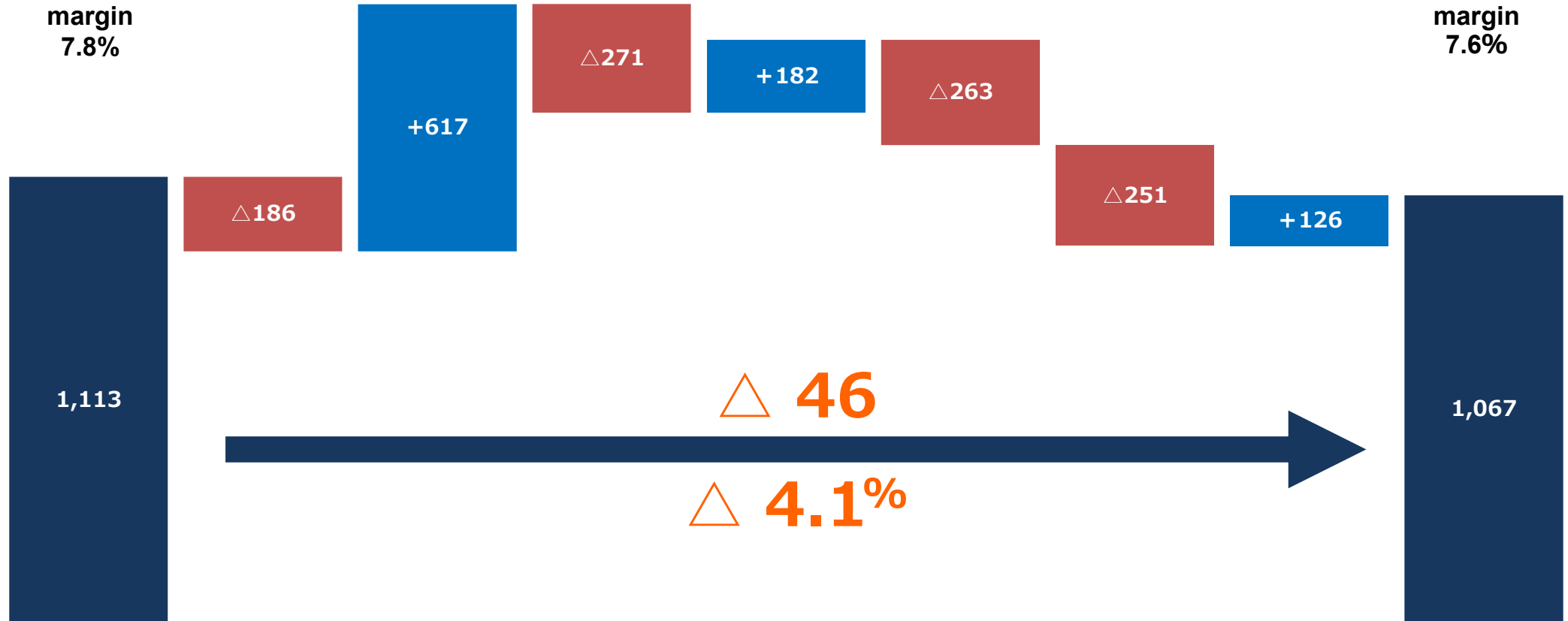
*The "Industrial" segment includes the Healthcare product line.

Changes in Operating Income (2022 Apr to Dec)

(million yen)

Operating
income
margin
7.8%

Operating
income
margin
7.6%



Q3 FY2021 YTD
Results

[Construction
machinery]
Decrease in profit
due to
decrease in sales

[Construction
machinery]
Increase in profit
due to price
pass-through

[Construction
machinery]
Decrease in profit
due to increase
in marine
transportation costs

[Construction
machinery]
Increase in profit
due to decrease
in airfare

[Construction
machinery]
Decrease in profit
due to
soaring material
costs

[Construction
machinery]
Decrease in profit
due to impact of
exchange
rate fluctuations

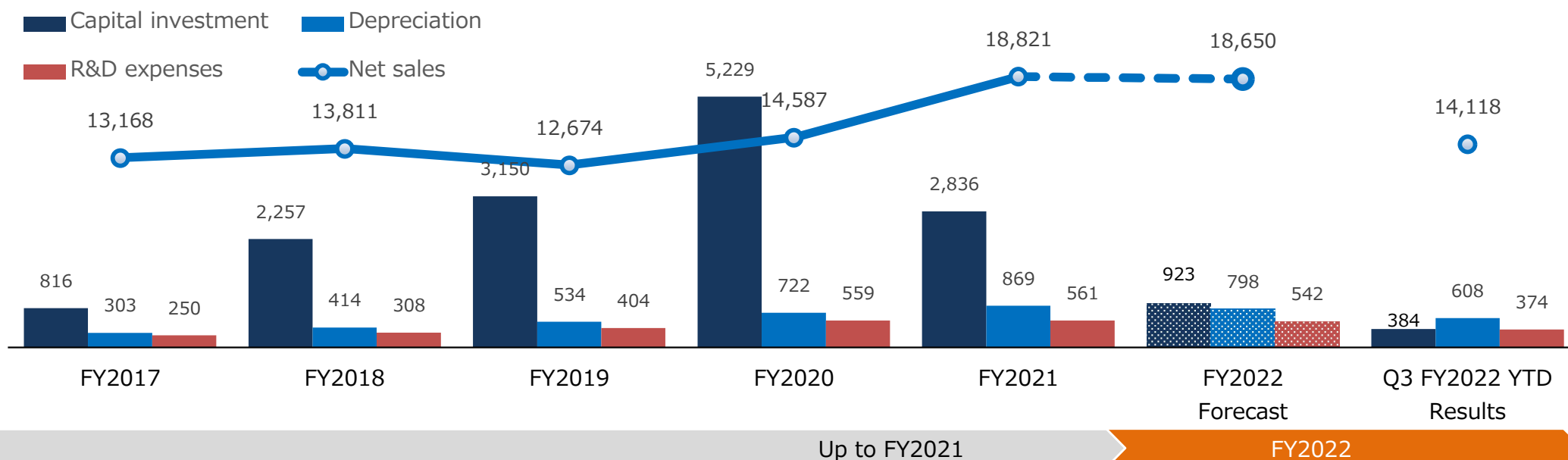
[Air filters]
Increase in profit
due to price
pass-through
and
cost improvement

Q3 FY2022 YTD
Results

Capital Expenditures, Depreciation and R&D Expenses

(million yen)	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Forecast	FY2022 Q3 YTD Results
Net sales	13,168	13,811	12,674	14,587	18,821	18,650	14,118
Capital investment	816	2,257	3,150	5,229	2,836	923	384
Land and building	—	1,588	2,682	3,194	1,488	67	33
Facilities and others	816	669	468	2,036	1,347	855	351
Expense to sales ratio	6.2%	16.3%	24.9%	35.9%	15.1%	5.0%	2.7%
Depreciation and amortization	303	414	534	722	869	798	608
Expense to sales ratio	2.3%	3.0%	4.2%	5.0%	4.6%	4.3%	4.3%
R&D expenses	250	308	404	559	561	542	374
Expense to sales ratio	1.9%	2.2%	3.2%	3.8%	3.0%	2.9%	2.7%

Change in net sales and capital investment and depreciation & amortization & R&D expenses



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

PAC22



romptly



ctivated



ost reduction

20



Reduction Targets and Results

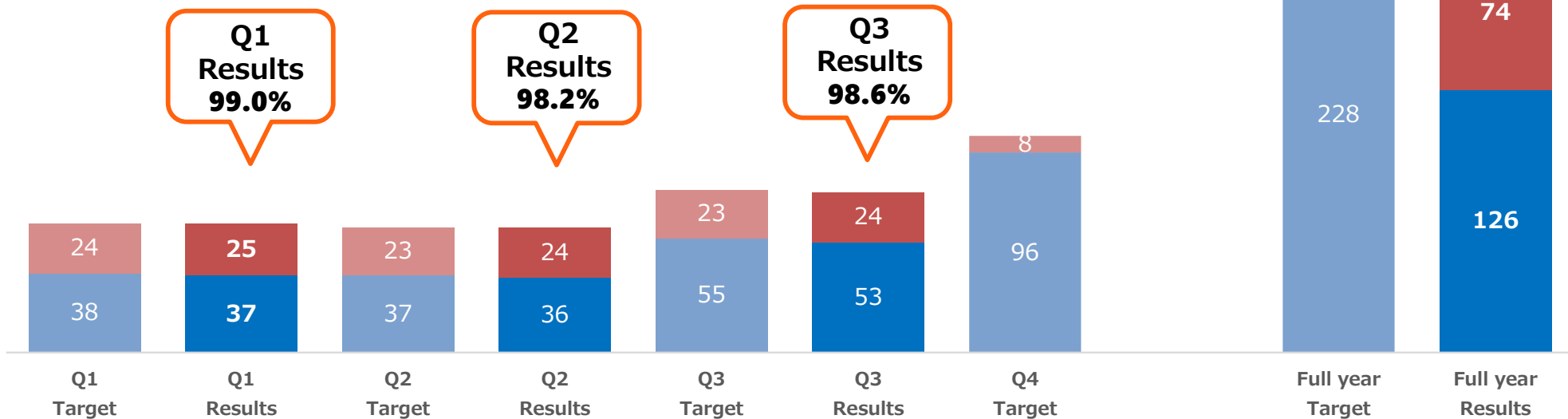
(million yen)		Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Regular (Period) Target
PAC22	Mfg. Costs	38	37	37	36	55	53	96	228
	SG & A	24	25	23	24	23	24	8	80
Total		63	62	61	60	79	78	104	308

Progress

(million yen)

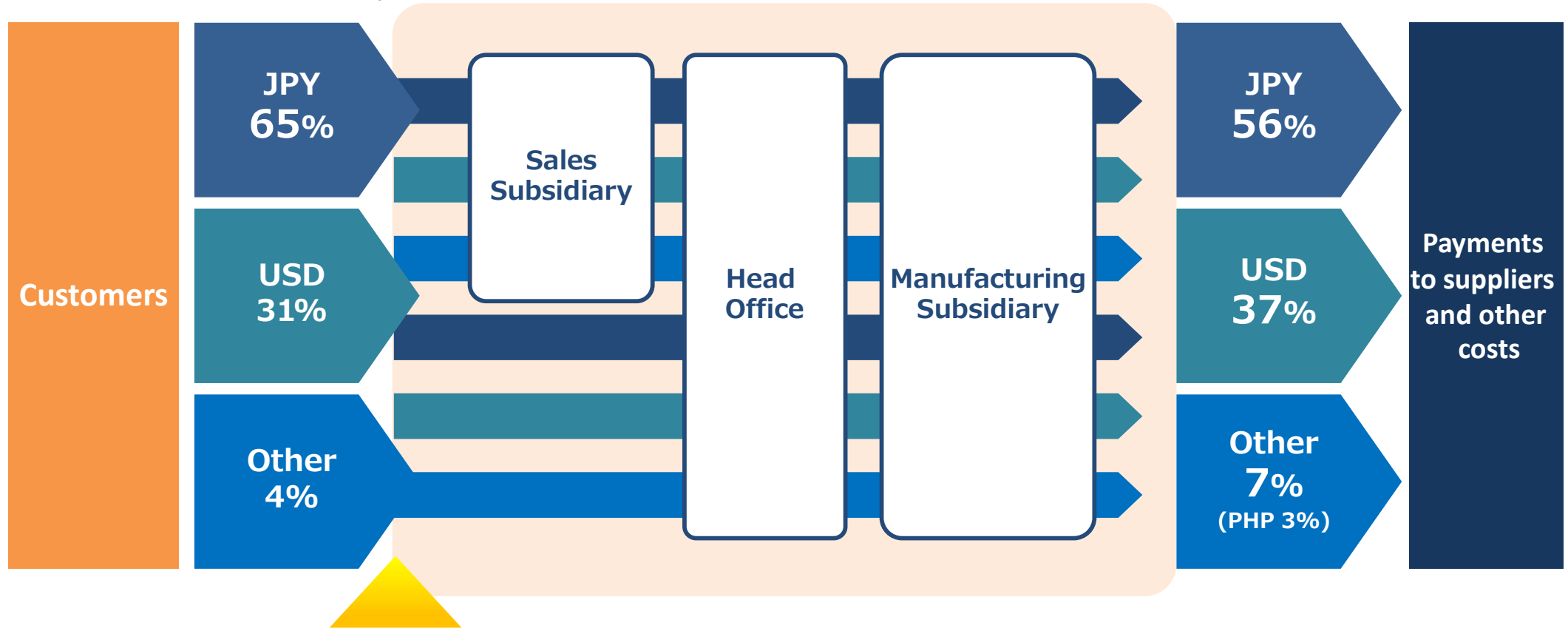
■ Mfg. Costs

■ SG & A



Full-year progress rate **65.2%**

Negative impact of approx. 251 million yen on operating income due to the depreciation of the yen



70% of transaction currency is JPY.

- Operating income impact of a 1-yen depreciation of the yen would be a decrease of approximately 9 million yen.
- Strengthening of exchange rate marie by reviewing settlement currency

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

What is **MAVY'S?** (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 (FY2022)

Key Goal Indicator (KGI)	Key Performance Indicator (KPI)	Key Success Factor (KSF)	Relevant Departments	Targets for FY2022 (Action plan)	FY2022 Progress			
MAVYS's Prv: -0.6% Cur: -1.9%	Operating income Prv: 7.1% Cur: 7.1%	Gross profit ratio Prv: 40.4% Cur: 39.9%	Sales growth ratio Prv: 29.0% Cur: -0.9%	New product development Enhance market share of genuine products	Sales / R&D	Construction machinery: - Expand share of major customers (long-life, sensors), - Expand and accelerate entry into the Chinese market - Air filters: Expand sales through new products (NanoWhelp) (direct sales, domestic and overseas) - Enter new business domains	- Made progress on proposals involving hybrid filters - Improve adoption rates of new models for Chinese construction machinery manufacturers - Continued progress in sales for new air filter products - Continued progress in supply to the apparel industry (not using down materials)	
			Cost to sales ratio Prv: 59.6% Cur: 60.1%	Enhance buying power Improve yield ratio	Production / SCM	- PAC22 - Reform and improve purchasing power and reduce logistics costs - 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, progress in manufacturing cost reduction measures	
			Depreciation cost ratio Prv: 4.6% Cur: 4.3%	Investment plan	Management planning / Finance and accounting	- M&A (for revenue expansion stabilizing management) →Research potential M&A targets →Acquire nonwoven fabrics manufacturing entities (downstream) →Acquire new material development entities (upstream)	- Exploring opportunities and gathering data for M&A (domestic and overseas) - Enhanced communication (through conference calls) with Prv: possible M&A target company	
		SG&A ratio Prv: 33.3% Cur: 32.8%	R&D cost ratio Prv: 3.0% Cur: 2.9%	Narrowing down themes Prioritization	R&D	- Develop new materials (Recycling, Biomass, etc.) - Actions to achieve IoT - Develop aeration and other technologies	- Accelerated the commercialization of nanofiber air filters - Supplied various trial sensor products to clients - Accelerated new materials development through industrial/academic collaborations	
			Personnel cost ratio Prv: 13.7% Cur: 14.7%	Optimal staffing	HR and General Affairs	- Establish and implement the talent management system	- 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	
			Accounts receivable turnover rate Prv: 4.2 Cur: 4.1	Credit management	Sales / Finance and accounting	- Further optimize AR debt collection - Promote paperless systems	- Streamlined and optimized AR debt collection for improving working capital	
		Operating capital turnover rate Prv: 3.1 Cur: 2.9	Inventory turnover rate Prv: 4.8 Cur: 4.3	Set appropriate inventory level	Production / Sales	- Reduce company-wide inventory assets	- Determined suitable inventory levels based on pareto analysis; currently implementing inventory reduction plans	
			Accounts payable turnover rate Prv: 4.8 Cur: 4.4	Debt management	SCM Production	- Improve working capital - Promote paperless systems	- Optimized AP debt turnover ratio for improving working capital	
			Tangible fixed asset turnover rate Prv: 1.7 Cur: 1.6	Facilities planning (R&D, production)	Management planning Administration / Production / R&D	- Optimize investment recovery effect (Return on Investment)	- Prioritized R&D and capital investments by analyzing the validity of investment return period	
		Investment capital turnover rate Prv: 0.9 Cur: 0.9	FA turnover rate Prv: 1.5 Cur: 1.4	Intangible fixed asset turnover rate Prv: 66.4 Cur: 82.6	Investment plan	Management planning / Finance and Accounting	- Formulate IP strategies and action plans	- Established strategies, devised action plans, and enhanced training for targeted group, stakeholders - Actively applied for patents in Chinese market
			ROIC Prv: 4.7% Cur: 3.4%	WACC Prv: 5.3% Cur: 5.3%	ROE Prv: 0.2% Cur: 3.5%	ROA Prv: 0.2% Cur: 2.7%		

*KPI figures are based on the following.
 Prv : Annual results for FY2021
 Cur : Full-year forecasts for FY2022

Full-year Forecasts for FY2022 (Ending March 31, 2023)

Construction machinery filters

- Due to partial revision of production plans by major customers, a decline in sales is expected in the fourth quarter
- The outlook for logistics costs and material price hikes remains uncertain, and in addition to continuing cost reduction activities and implementing price shifting, profitability will improve steadily
- Strive to improve profitability by establishing a stable production and supply system through a review of the supply chain and transfer of production sites, and by stabilizing foreign exchange rates and raw material procurement

Air filters

- Progress in efforts to adopt our products in office buildings, factories, railway cars, etc. through recovery in replacement demand for existing products and development of high-value-added products such as nanofiber air filters.
- Improve profitability by increasing production efficiency and reducing expenses

Healthcare:

Since the impact on consolidated earnings is extremely small,
**it is included in the product lineup of
the construction machinery filter business (industrial filters segment).**

(million yen)		FY2021	FY 2022	FY 2022	Difference
		Results	Disclosed in November 4 th , 2022	Full-year Forecasts	
Net sales		18,821	19,230	18,650	△580
	Construction machinery filters, etc.*1,2	16,244	16,530	16,000	△530
	Air filters	2,577	2,700	2,650	△50
Operating income (segment income)		1,344	1,380	1,325	△55
	Construction machinery filters*3	1,467	1,300	1,260	△40
	Air filters*3	△123	80	65	△15
Operating income margin		7.1%	7.2%	7.1%	△0.1Pt
	Ordinary profit	1,317	1,240	1,030	△210
Ordinary profit margin		7.0%	6.4%	5.5%	△0.9Pt
	Net income	47	855	712	△143
Net income margin		0.3%	4.4%	3.8%	△0.6Pt
Exchange rates (ave.)	USD	112.4	145.0	130.0	△10.3%
	EUR	130.6	144.0	140.0	△2.8%

*1 "Construction machinery filters" includes filters for construction machinery, industrial use and process use.

*2 The healthcare business is included in the product lineup of the construction machinery filter business from the fiscal year ending March 31, 2022, to reflect the degree of impact on YAMASHIN's performance.

*3 With respect to operating income for the fiscal year ending March 31, 2022, general and administrative expenses and other expenses of the administrative divisions of the head office and subsidiaries, which were separately presented as corporate expenses, are included in the operating income of each segment.

Sales Forecast by Product Category

(million yen)	FY2021 Results		FY2022 Disclosed in November 4 th , 2022		FY2022 Full-year Forecasts		Difference	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters	14,169	75.3%	14,807	77.0%	14,329	76.8%	△478	△3.2%
Line parts	5,633	29.9%	6,401	33.3%	5,963	32.0%	△438	△6.8%
Service parts	8,536	45.4%	8,405	43.7%	8,365	44.9%	△40	△0.5%
Industrial filters*	1,174	6.2%	772	4.0%	775	4.2%	2	0.4%
Process filters	900	4.8%	950	4.9%	895	4.8%	△54	△5.7%
Subtotal (Construction machinery filters, etc.*)	16,244	86.3%	16,530	86.0%	16,000	85.8%	△530	△3.2%
Air filters	2,577	13.7%	2,700	14.0%	2,650	14.2%	△50	△1.9%
Total	18,821	100.0%	19,230	100.0%	18,650	100.0%	△580	△3.0%

* The healthcare business is included in the product lineup of the construction machinery filter business from the fiscal year ending March 31, 2022, to reflect the degree of impact on YAMASHIN's performance.

Sales Forecast by Region

(million yen)	FY2021 Results		FY2022 Disclosed in November 4 th , 2022		FY2022 Full-year Forecasts		Difference	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters *1*2	16,244	86.3%	16,530	86.0%	16,000	85.8%	△530	△3.2%
Japan	7,946	42.2%	8,141	42.3%	8,064	43.2%	△76	△0.9%
North America	2,939	15.6%	3,680	19.1%	3,082	16.5%	△598	△16.3%
China	1,711	9.1%	1,470	7.6%	1,208	6.5%	△262	△17.9%
Other Asian countries	1,889	10.0%	1,707	8.9%	1,888	10.1%	180	10.6%
Europe	1,755	9.3%	1,477	7.7%	1,724	9.2%	246	16.7%
Others (Middle East, etc.)	2	0.0%	52	0.3%	32	0.2%	△19	△37.2%
Air filters (Japan)	2,577	13.7%	2,700	14.0%	2,650	14.2%	△50	△1.9%
Total sales	18,821	100.0%	19,230	100.0%	18,650	100.0%	△580	△3.0%

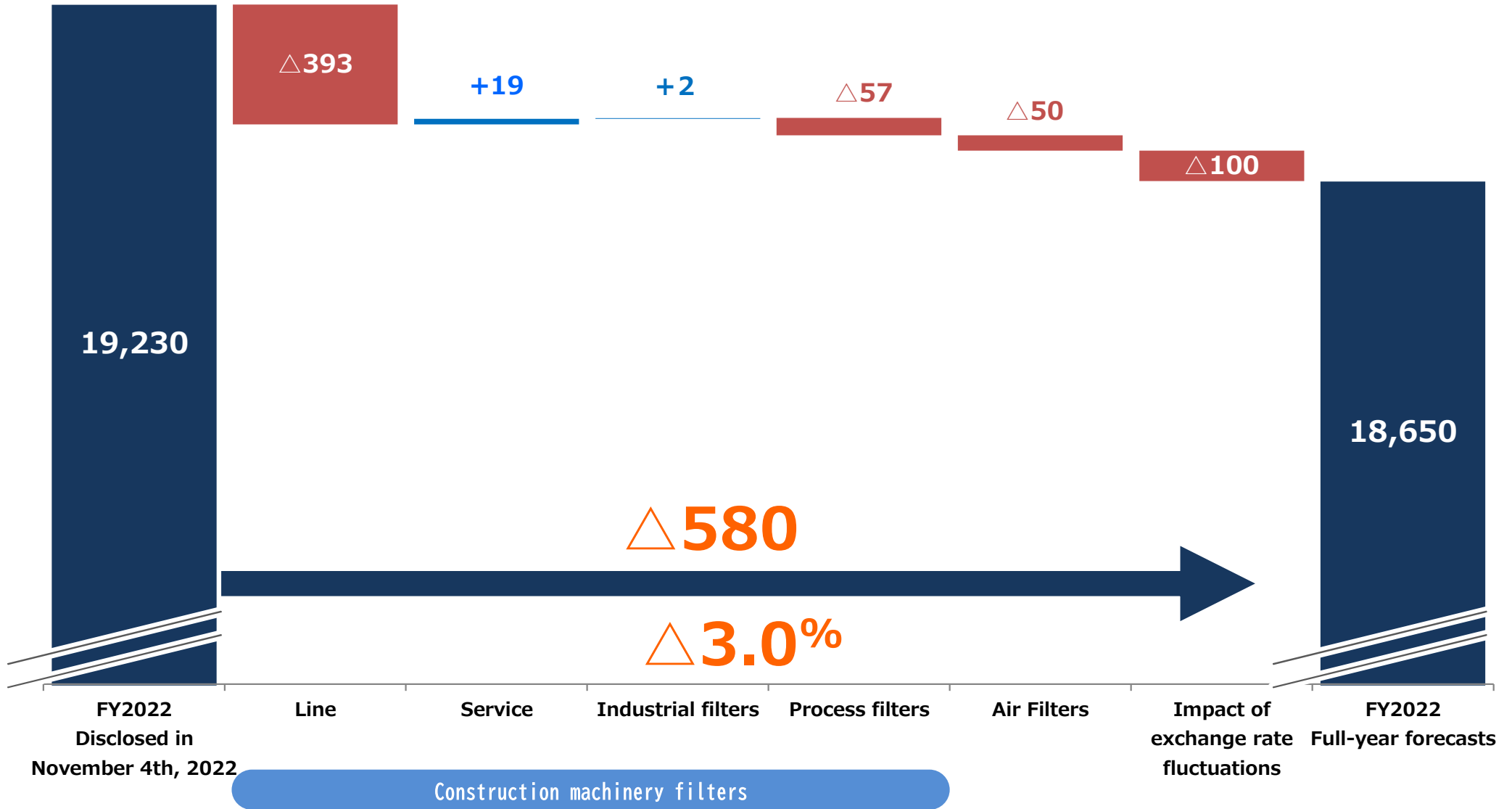
*1 "Construction machinery filters" includes filters for construction machinery, industrial use and process use.

*2 The healthcare business is included in the product lineup of the construction machinery filter business from the fiscal year ending March 31, 2022, to reflect the degree of impact on YAMASHIN's performance.

* The above figures by region are based on the billing address.

FY2022 Forecasts : Changes in Sales

(million yen)



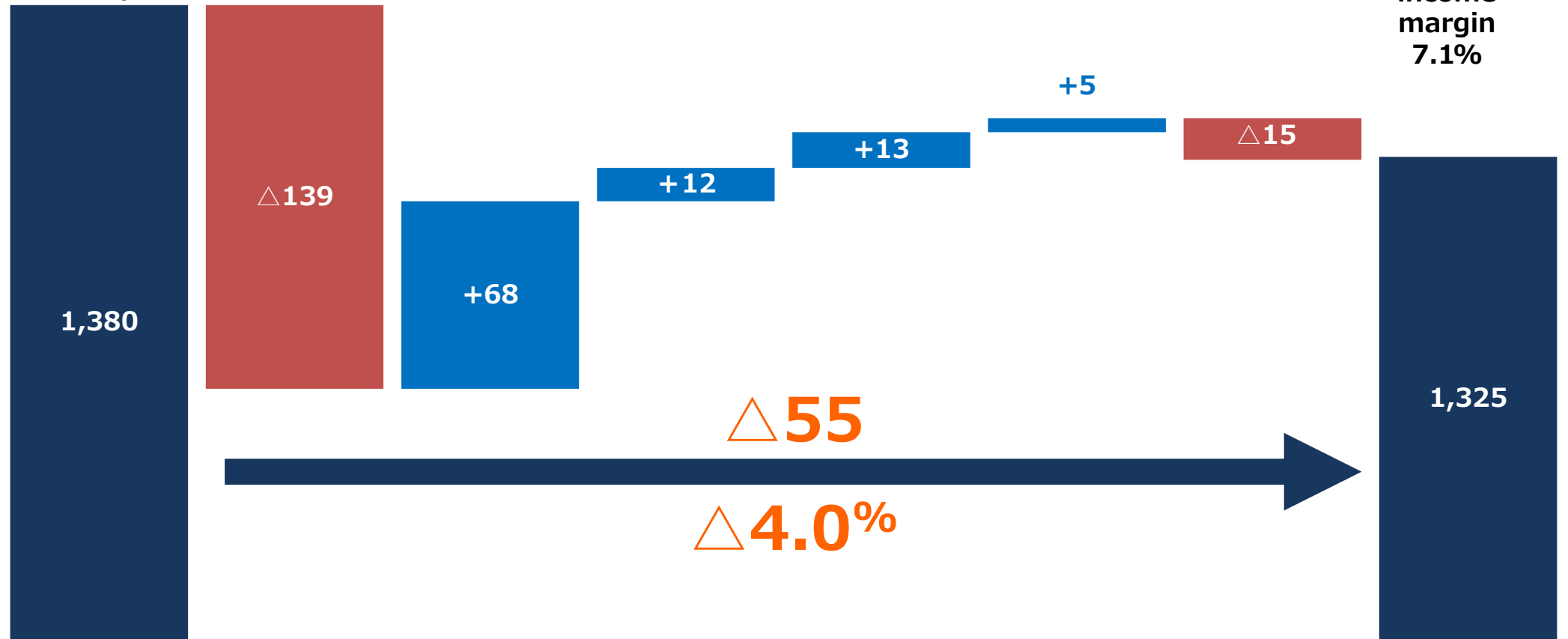
The "Industrial" segment includes the Healthcare product line.

FY2022 Forecasts : Changes in Operating Income

(million yen)

Operating
income
margin
7.2%

Operating
income
margin
7.1%



FY2022
Disclosed in
November 4th,
2022

[Construction
machinery]
Decrease in sales
volume, etc.

[Construction
machinery]
Decreased due to
increase in sea
freight cost

[Construction
machinery]
Increased due to
decrease in airfare

[Construction
machinery]
Increased due to
decrease in
material costs

[Construction
machinery]
Impact of
exchange rate
fluctuations

[Air filters]
Decrease in sales
volume, etc.

FY2022
Full-year
forecasts

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.

	FY2019	FY2020	FY2021	FY2022 Forecast
Dividend per share	¥ 6.0	¥ 6.0	¥ 6.0	¥ 6.0
DOE^{*1}	2.3%	2.2%	2.1%	2.1%
Total return ratio^{*2}	72.3%	59.3%	960.4%	68.5%

*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

Summary of External Conditions Impacting the Construction Machinery Market

- Demand for mining equipment remains strong in Southeast Asian markets and elsewhere due to high resource prices
- North American and European markets are experiencing declining demand for construction equipment due to interest rate policy and uncertainty over the situation
- The Chinese market continues to experience weak demand as well as intermittent supply chain impacts

Q2 FY2022

Q3 FY2022

Future Outlook

Japan

Demand for construction equipment remained firm. Logistics costs and raw material prices continue to rise. Sharp depreciation of the yen

The impact of rising logistic costs and raw material costs while the yen weakens. The demand of construction equipment remains firm.

Slightly softer demand for construction equipment due to higher energy and raw material prices and logistics costs

North America

Housing starts are on a downward trend. Construction equipment operating hours and demand for new vehicles have steady growth

Construction equipment operating hours and demand for new vehicles are on a downward trend but remain firm. The impact of logistic costs and soaring material costs continue

Rising ocean transportation costs and prices of key raw materials continue to affect. Construction equipment operating hours and demand for new vehicles are declining

Europe

Demand for construction machinery remained firm, and Logistics costs and Raw material prices continue to rise

While the impact of logistic costs and soaring material costs continue, the demand has steady growth with a downward trend

Uncertainty over demand outlook due to escalating situation in Russia and Ukraine. Rising marine transportation costs and prices of key raw materials continue to affect

Asia

Demand for construction equipment remained firm. Logistics costs and raw material prices continue to rise

The demand in India and Indonesia remains firm. The impact of logistic costs and soaring material costs continue

Demand is slightly soft. Rising marine transportation costs and prices of key raw materials continue to affect

China

Following the spread of COVID-19 infection, Impact of Lockdown, sluggish due to stagnant economic activity

New vehicle sales are expected to fall below the previous year's level due to continued market slump

New vehicle sales are expected to be significantly lower than the previous year due to sluggish market conditions

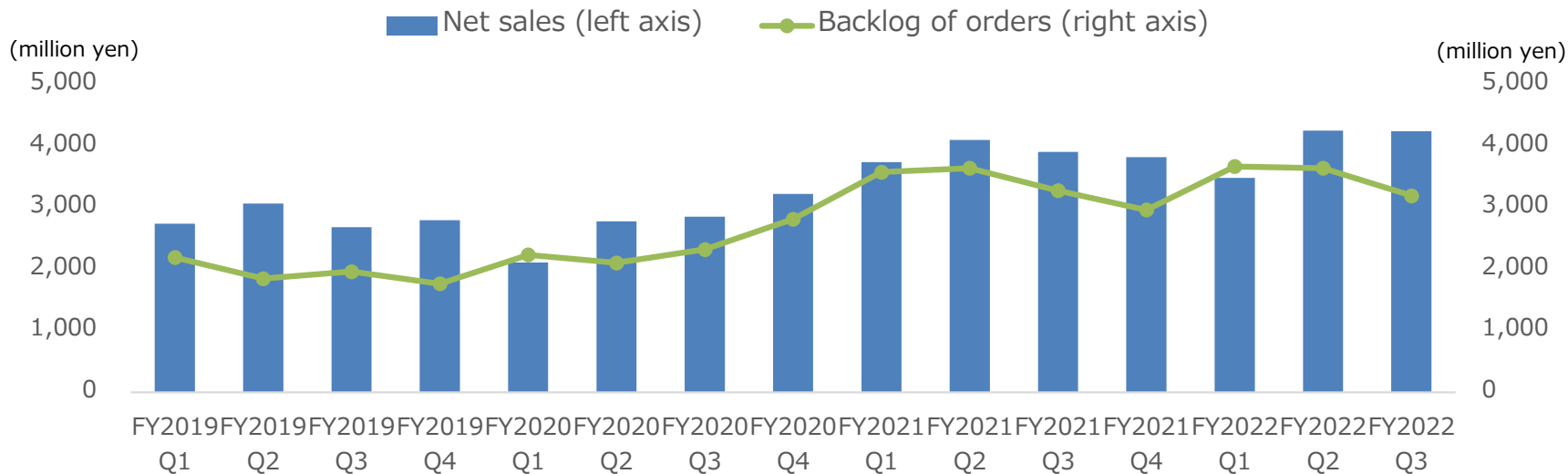
- Production plans remain firm, but there is a sense of uncertainty, so future trends will be closely monitored

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



Supply concerns exist, but demand for new vehicles is strong

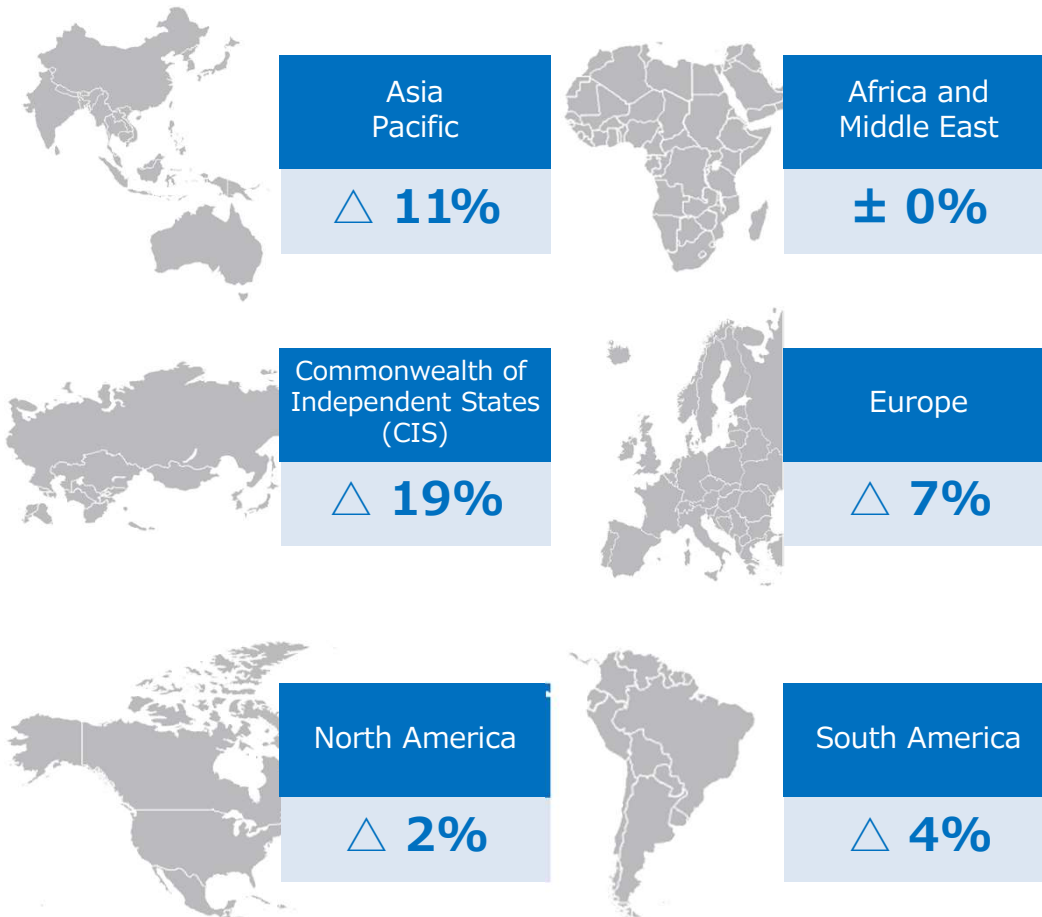
Sales and Backlog Orders: YAMASHIN Construction Machinery Filters (Quarterly)



Despite some inventory adjustments, order backlogs remain high

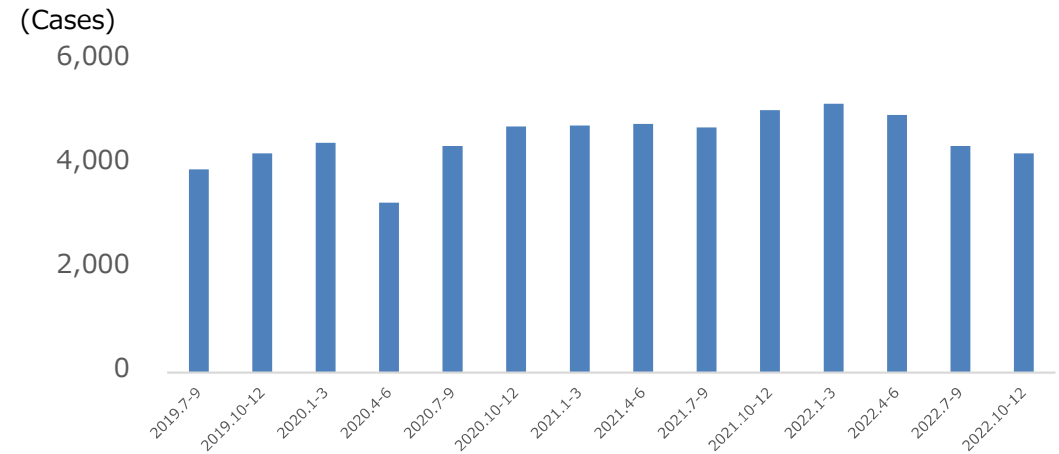
- Demand remains strong, although regions with year-on-year declines are prominent
- Intermittent supply chain instability, especially for parts procured in China
- North American housing starts trending lower, but housing inventories remain low

Growth in demand for construction machinery by region



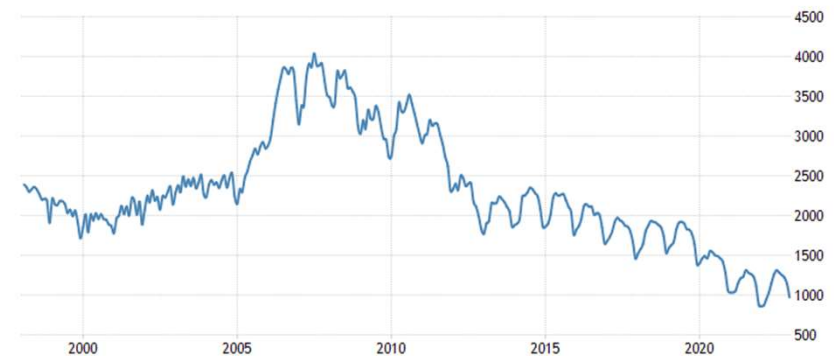
Demand trend index (21 vs. 22 forecast)

North American market: Trends in housing starts



(Compiled by the Company from Bureau of the Census)

North American market: Trends in gross housing inventories



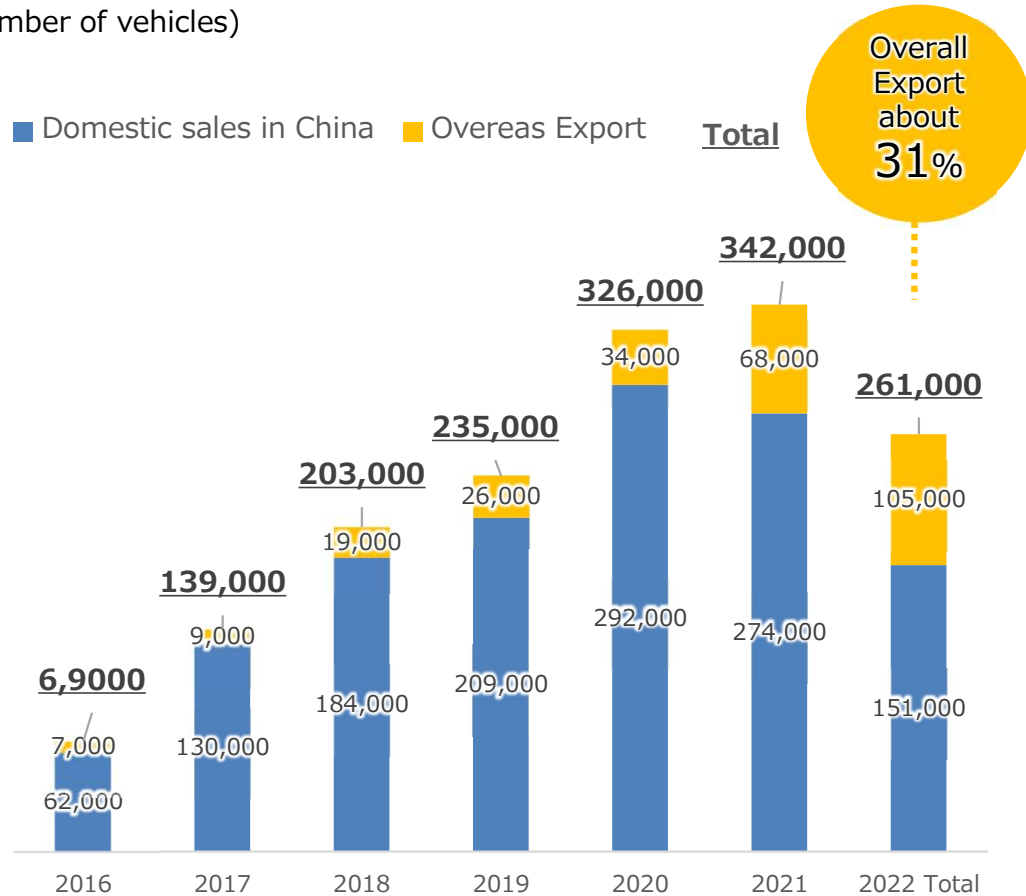
(Adapted from TRADINGECONOMICS)

TRADINGECONOMICS.COM | NATIONAL ASSOCIATION OF REALTORS

- Due to the zero-corona policy and the sluggish real estate market, the sales volume this year is about 25% of last year's level
- Following a slow recovery in the real estate market, export share is expected to increase in the future

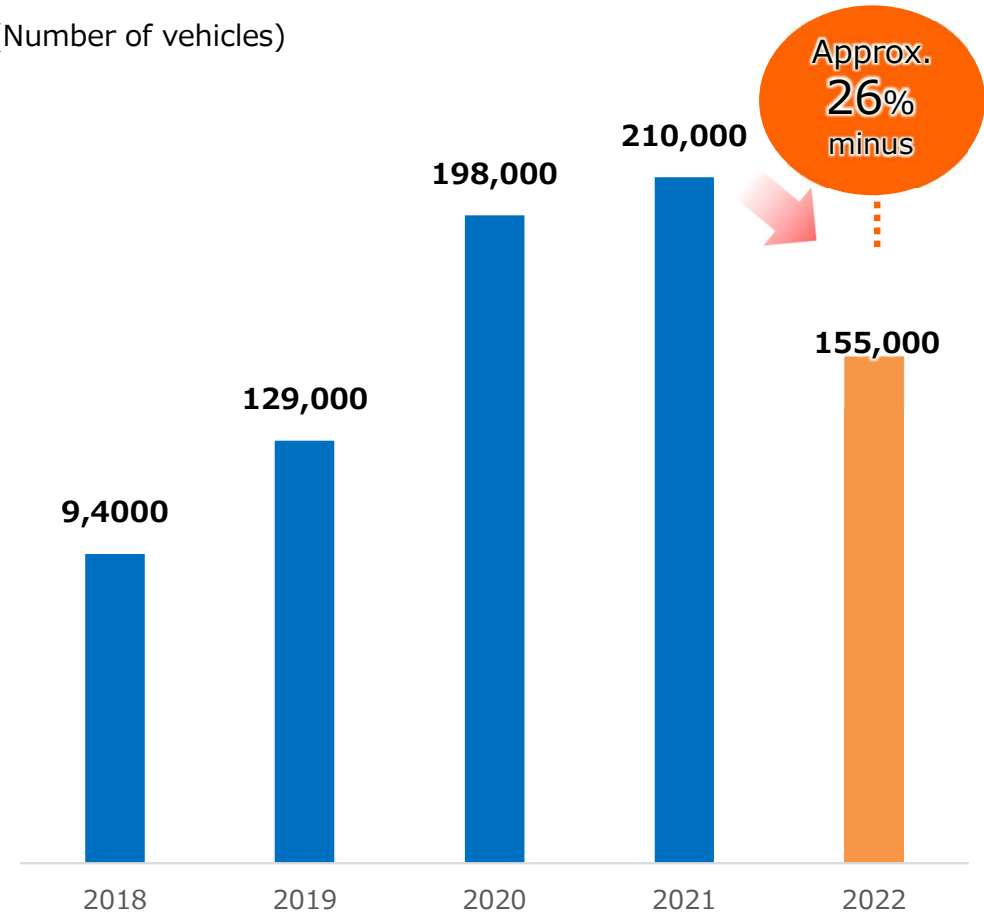
Annual sales volume in China

(Number of vehicles)



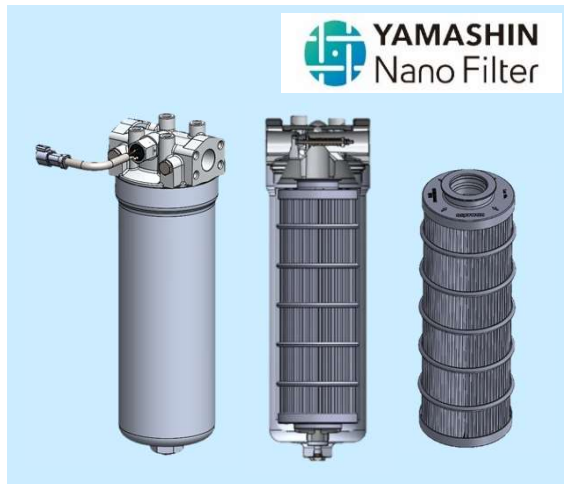
Production volume (planned) of five major Chinese construction equipment manufacturers

(Number of vehicles)



- Even the construction industry, which aims to be carbon neutral, is increasingly concerned about industrial waste
- Contributes to total cost reduction through long life and reduction of waste parts

Expansion of environmentally friendly filters



Replaces conventional cartridge type.

Proposals for environmentally friendly products using element replacement and resin materials are progressing.

Advantage 1

Resin replacement parts reduce CO₂ emissions.



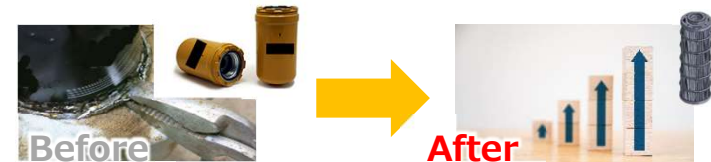
CO₂ emissions are reduced by changing the material of replacement parts to resin.

Reduced by approx. 3.7 times

Material properties	Emissions CO
Iron (Cartridge)	100%
Resin (Element)	50%

Advantage 2

Greatly improves workability when sorting waste.



Cartridges are easy to replace but require many man-hours to sort and dispose of.

After replacement, the product can be disposed of as is, without the need for sorting.

Advantage 3

Cost advantages such as reduced replacement frequency and transportation costs due to nano-filter performance.



Conditions in the Air Filter Market

- Although active investment is being held back due to market uncertainty, stable demand is expected for scheduled maintenance
- Increasing need to control maintenance costs in response to soaring costs of various types

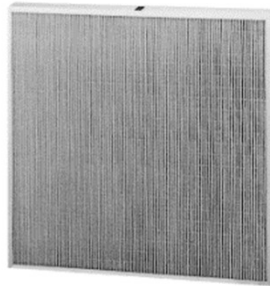
		Market environment	
Market overview		Market conditions	Forecast for the current term
Buildings	Air filters for outdoor air intake units, indoor air conditioning, etc. installed in offices, commercial buildings, etc.	➡	Repeat business in Tokyo, especially for large properties, is progressing as planned. Smaller properties and regional properties are recovering nationwide, although some properties have been postponed.
General factories	Air filters for outdoor air intake units, indoor air conditioning, etc. installed in factories	➡	Movement remained soft for large properties. Large-scale (new) capital investment is on hold, but regular equipment maintenance is being carried out steadily.
Semiconductor factories	Chemical Filter Replacement Market	➡	Semiconductor-related plants are on a steady and gradual recovery trend. Routine facility maintenance is consistently performed.
Environmental equipment	Air filters for residential air conditioning and air purifiers used in homes	➡	Recovering from the impact of the decline in housing starts. Slight decrease due to order adjustments by some customers, but offset by filter medium performance specifications and HEPA specifications.
Vehicles	Air filters for air conditioning of railways, etc. Air filters for construction machinery dust	➡	Filters for railroads were lower than the previous year due to the mass production schedule. Orders for air filters for construction machinery were firm. Recovery trend throughout the year.

Efforts to Expand Sales (Sales progress of Nano WHELP)

- In addition to sales through distributors, the company has succeeded to attract a broad customer base by strengthening its direct sales system
- The reliability of the MERV14 standard and the scarcity of acquisition by Japanese manufacturers make it highly competitive

New NanoWHELP®

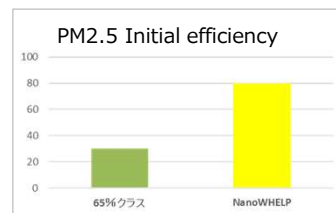
World's first nanofilter air filter



Product Features

- YANAMSHIN NANO FILTER® performance and **sustained low pressure drop**
- The only medium to high performance filter from a Japanese manufacturer
MERV14 certification, the highest level for building air conditioning
- In addition to high performance, it is also **effective in reducing CO2 emissions.**

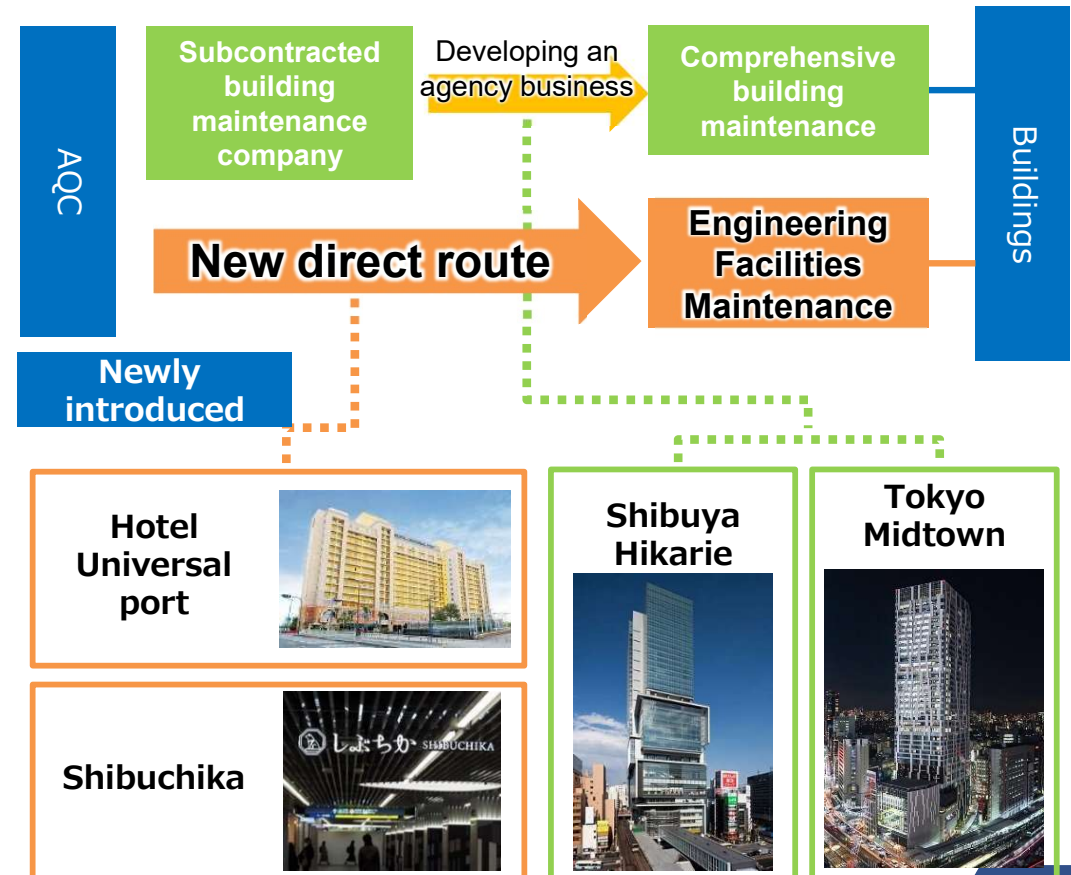
Collection efficiency of 96% for PM2.5
Initial efficiency 80% or more



Target & Strategy

Widespread market coverage through "engineering companies," which focus on equipment maintenance, and expansion of traditional distributor sales.

While continuing to market to a broad range of general building contractors, strengthen marketing to engineering companies that conduct their own facility management operations and have the advantage of purchasing filters, and establish a direct sales structure





III Our SDG Initiatives

SUSTAINABLE DEVELOPMENT GOALS

Achieving SDGs through our business activities

ESG management implementation

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Support for recommendations

Environment

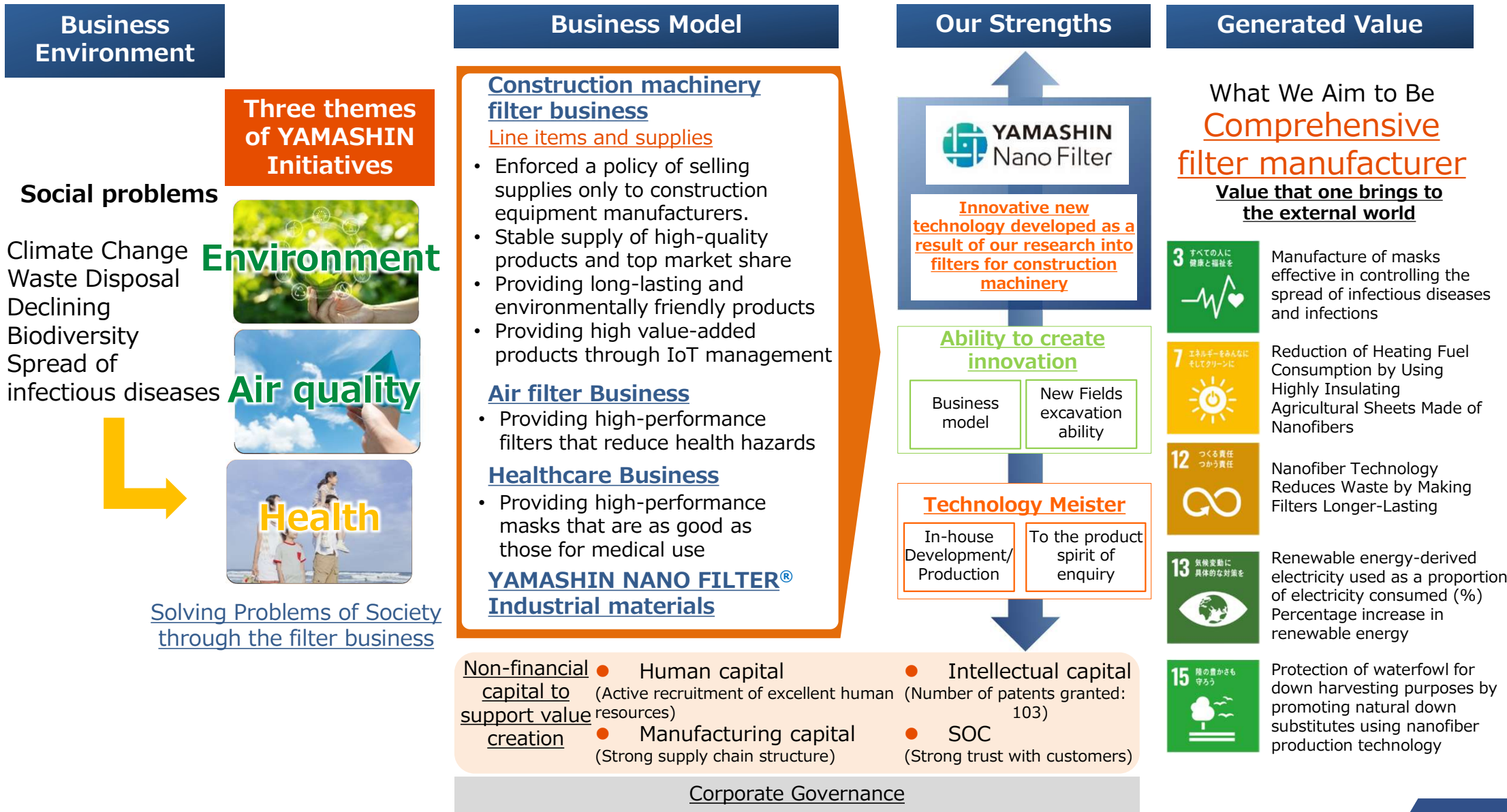
Air quality

Health

” Roka jini tsukafuru ”

Contribute to society through filtration business

- Fulfilling our social responsibility as a listed company engaged in filter manufacturing and providing sustainable value
Realization of our management philosophy: "Rokaji ni tsukafuru" (Contribute to society through filtration business)



- Each policy is promoted mainly by the YSS Committee, which meets monthly
- Continued - Strengthening sustainability initiatives groupwide




		Main initiatives	Disclosed in Sustainability Report 2022
<p>Providing value to society through YAMASHIN's business activities</p>		<ul style="list-style-type: none"> ● Disclosure in line with the recommendations ● Calculation of financial impact for risks and opportunities ● Assessment of Scope 1, 2, 3 (only Scope 1 and 2 disclosed) 	
		<ul style="list-style-type: none"> ● Expansion of data and initiatives, especially related to E (environment) and S (human resources and human rights) ● Sustainability policy and materiality were disclosed 	
		<ul style="list-style-type: none"> ● Regular YSS Committee meetings ● Discussions on climate change and respect for human rights in the value chain in small YSS committees and group-wide meetings 	

目次

REFERENCE MATERIALS

① BASIC COMPANY INFORMATION

YAMASHIN Group purchases glass fibers and non-woven fabrics, which are the main materials to manufacture filter media (the key parts of filters). Our Group also purchases metal processed products and resin processed products used in filter components to manufacture construction machinery filters, industrial filters, process filters and air filters. From May 2020, we started to sell filter masks and mask inner sheets made from our proprietary synthetic polymer nanofibers.

Field	Products	Product Image	Composition ratio (Forecast of FY2023)
Construction Machinery Filters	Filters used for filtering hydraulic oil in hydraulic circuits, diesel oil for fuel, and lubricating oil for engine drive, which are indispensable for driving construction machinery. Applications: Various types of construction equipment		
Healthcare	Highly performance masks and replacement inner sheets that utilize the characteristics of synthetic polymer-based nanofibers, such as high filtration performance, excellent sealing performance, and high air permeability. Applications: For general consumers in Japan and around the world		
Industrial Filters	Filters used for filtration of hydraulic oil and lubricating oil in hydraulic units applied in various industries. Applications: Machine tools, refrigeration compressors, agricultural machinery, ships, railway vehicles, aircraft, and helicopters		
Process line Filters	Filters required for filtration and separation in the manufacturing process of customer products Applications: Electronic components, precision components, liquid crystal displays and food industries, etc.		
Air filters	Coarse dust removal air filters, medium- to high-performance air filters Applications: Dust removal, deodorization, etc. for general buildings, hotels, various factories, etc.		

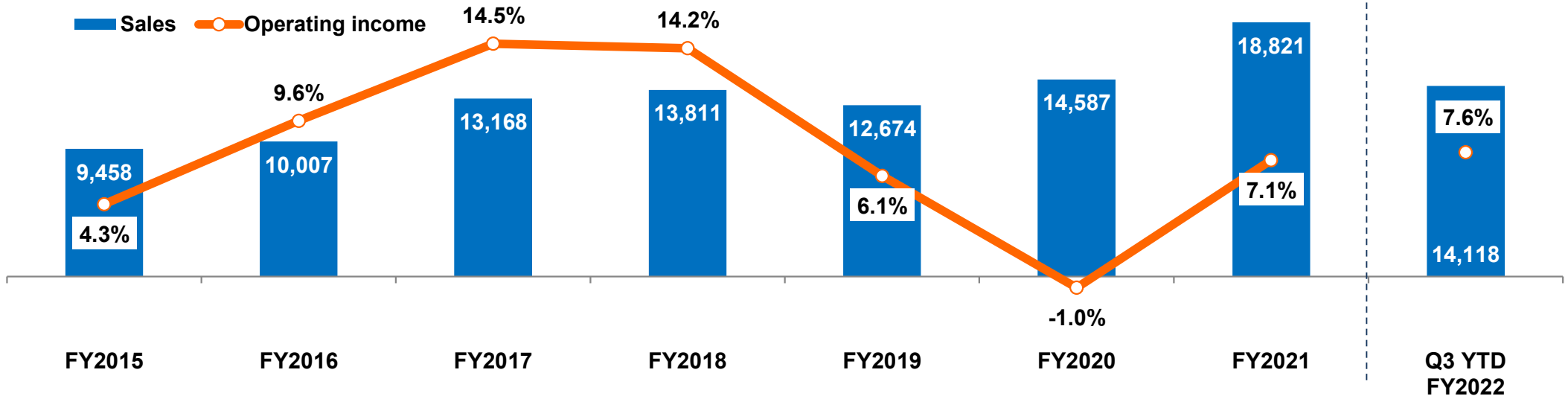
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REFERENCE MATERIALS

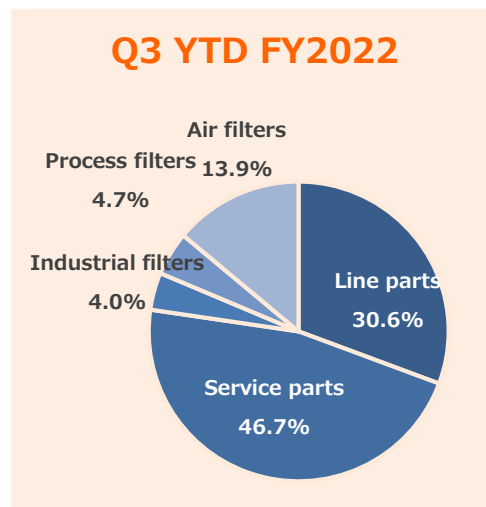
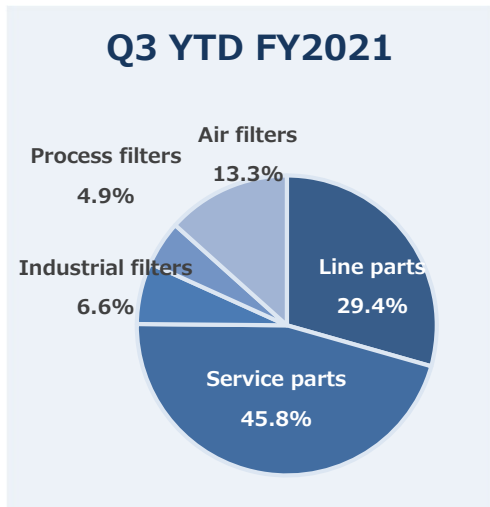
② FINANCIAL HIGHLIGHTS

Net sales, Operating income ratio

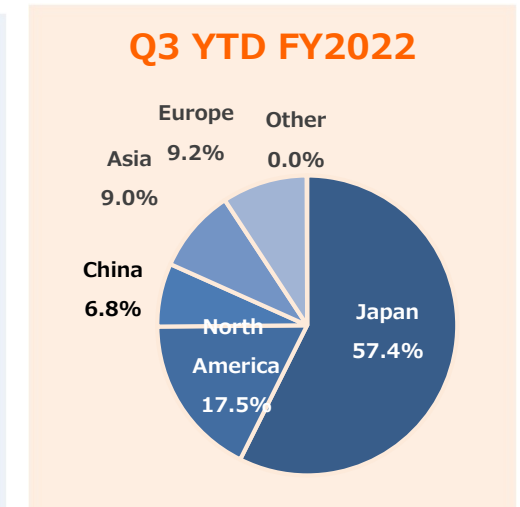
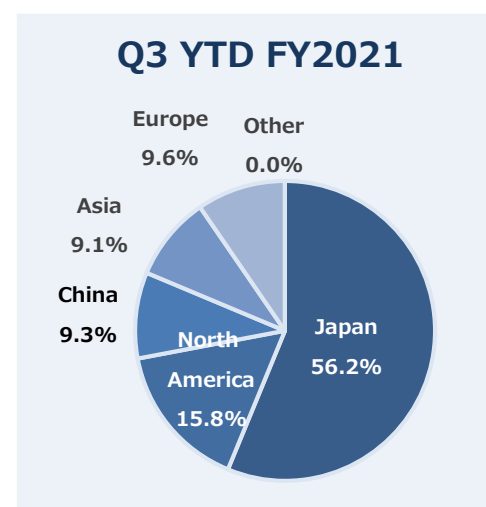
(million yen)



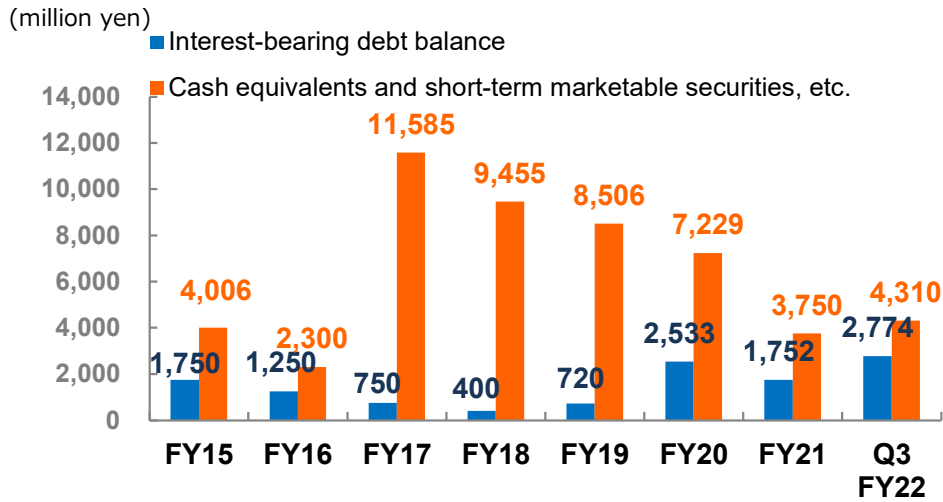
Sales breakdown by product category



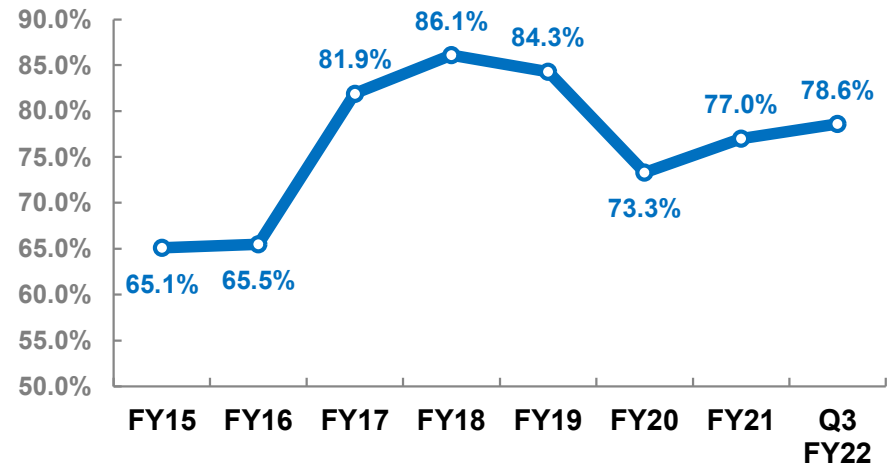
Sales breakdown by region



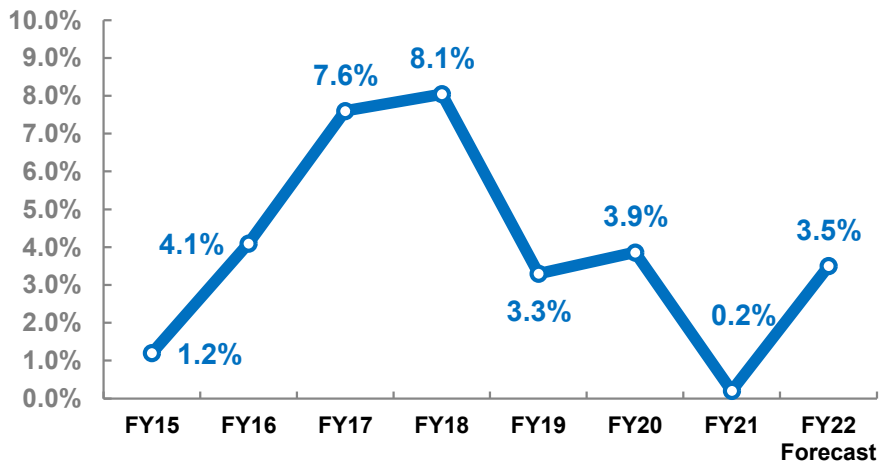
Interest-bearing debt, cash equivalents short-term investment securities, etc.



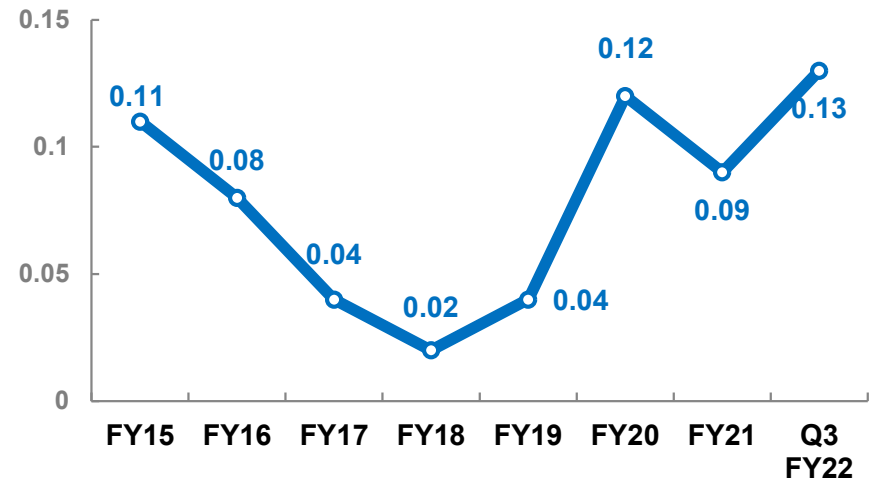
Shareholders' Equity Ratio



ROE



D/E Ratio

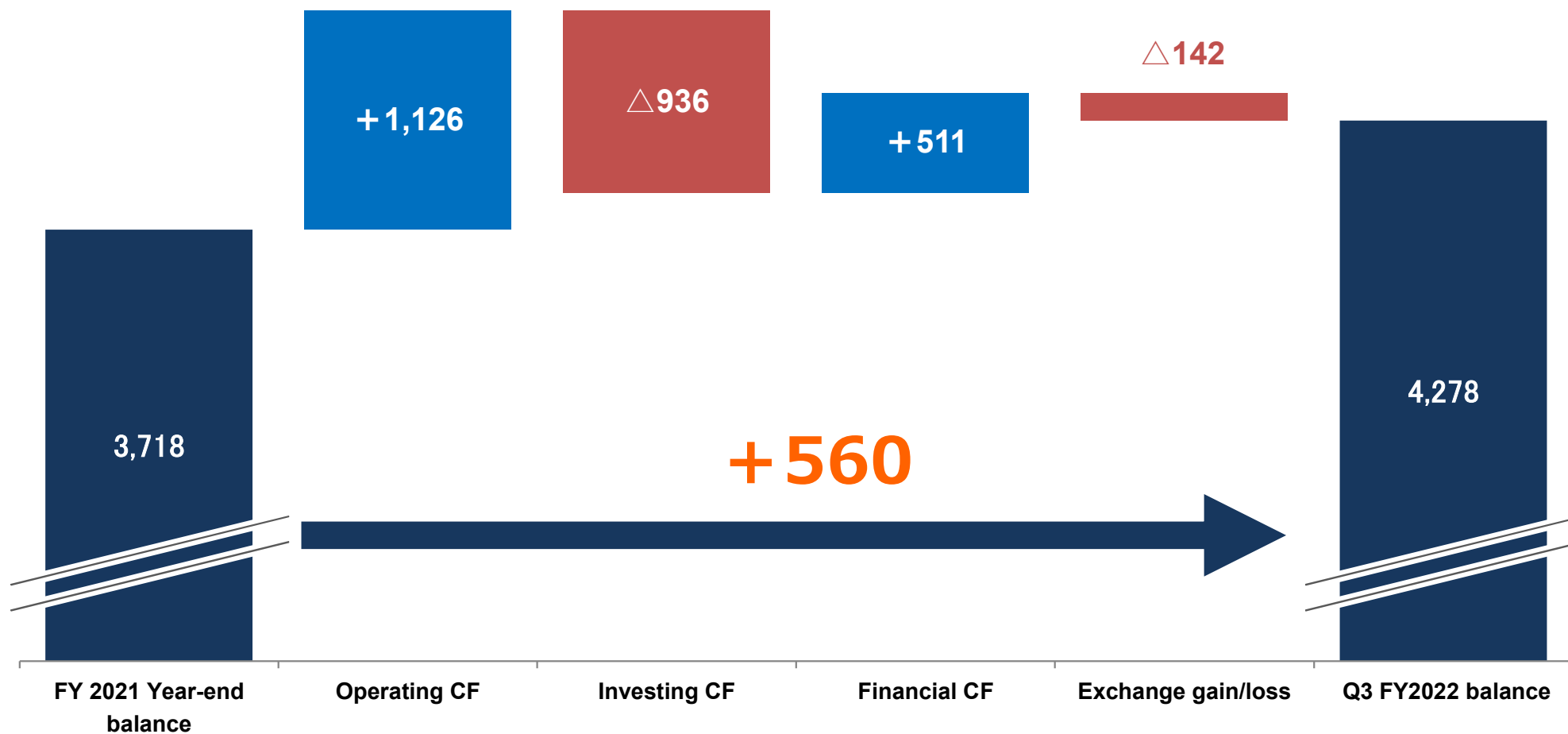


- Calculated based on the assumption that the capital increase through third-party allotment in FY2017 was implemented in FY15.

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

Changes in Cash Balance

(million yen)



*For long-term deposits with maturities of less than one year (¥32 million at the end of FY2021 and ¥32 million at the end of Q3 FY2022), cash and cash equivalents are not included in the ending balance of cash and cash equivalents.

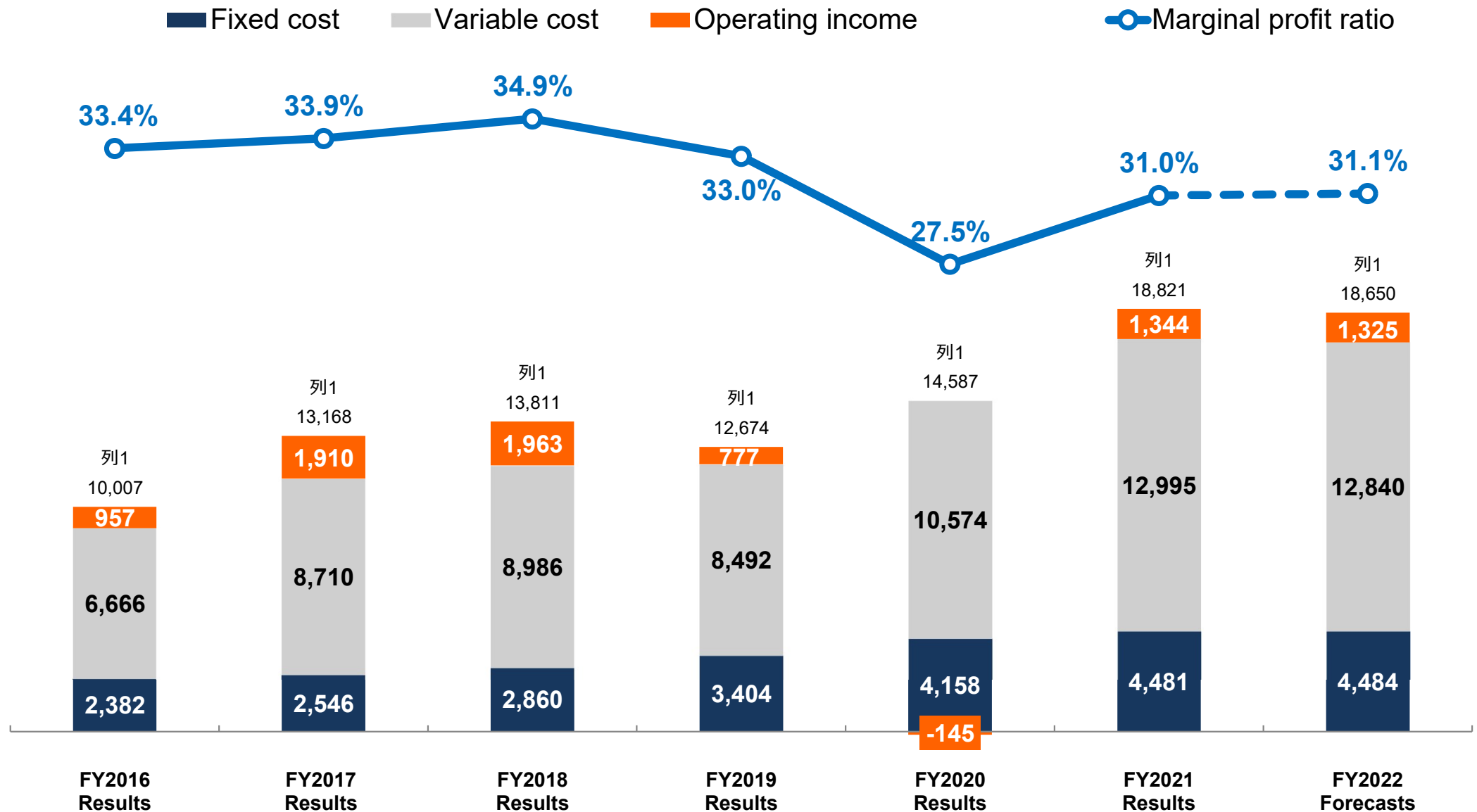
Conditions of Operational Hedge – “Marry and Netting” and Foreign Exchange Sensitivity (2022 April to December)

(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 (YTD)	If yen is depreciated +10% (JPY)	Difference	Affected amount (YTD)
JPY	¥14,900	65%	¥13,100	56%	¥1,800	-	-	-	-	-	-	-
USD	\$52.3	31%	\$63.3	37%	\$-11.0	¥136.5	¥122.89	¥-13.65	¥150.19	¥150.19	¥13.65	¥-150.19
EUR	€5.0	3%	€3.3	2%	€1.7	¥140.6	¥126.56	¥-14.1	¥-23.91	¥154.68	¥14.06	¥23.91
PHP	PP3.5	0%	PP316.9	3%	PP-313.4	¥2.5	¥2.21	¥-0.2	¥77.10	¥2.71	¥0.25	¥-77.10
THB	฿85.30	1%	฿37.20	1%	฿48.10	¥3.8	¥3.44	¥-0.4	¥-18.37	¥4.20	¥0.38	¥18.37
VND	0.00 đ	0%	232.90 đ	1%	-232.90 đ	¥0.6	¥0.52	¥-0.1	¥13.45	¥0.64	¥0.06	¥-13.45
Total	-	100%	-	100%	-	-	-	-	¥198.46	-	-	¥-198.46

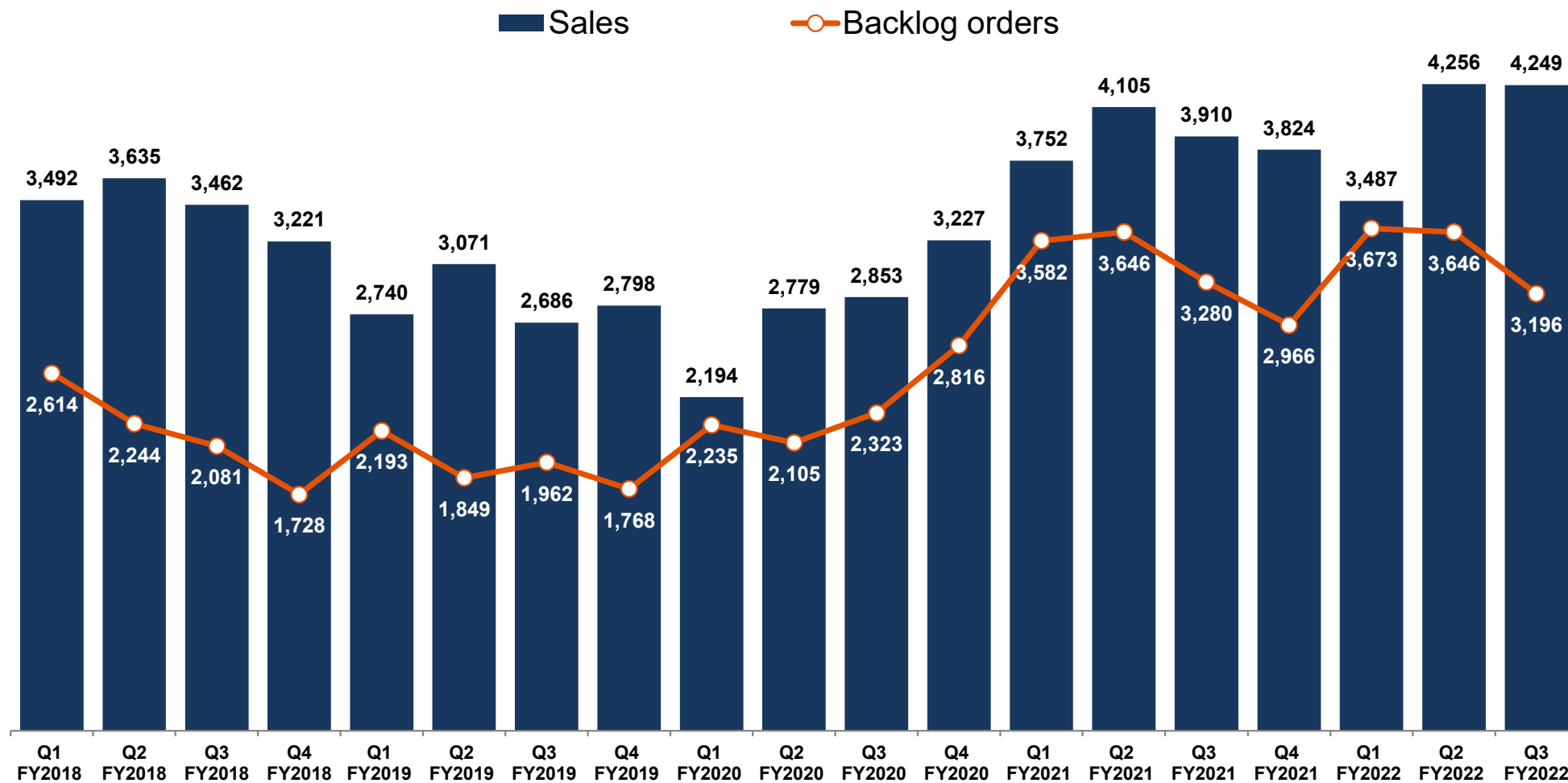
Variation in Marginal Profit Ratio

(million yen)



Construction Machinery Filters Changes in Backlog Orders (Quarterly)

(million yen)



*Sales do not include healthcare sales.



The forward-looking statements in this document, including the forecast of results of operations, are based on information currently available to YAMASHIN. Actual results may differ from these forecasts due to a variety of factors, including market trends and business conditions.

For inquiries regarding these materials, please contact our Public Relations & Investor Relations manager

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