

Improving Earning Power in Core Businesses

YAMASHIN-FILTER CORP.
Financial Results for the First Quarter of
the Fiscal Year Ended March 31, 2024

August 4, 2023

- Sales increased due to steady growth in the construction machinery market, mainly in North America. Despite passing on prices in an effort to achieve adequate prices, income decreased due to high raw material prices and sales mix

Construction machinery filter business (Market Environment)

The market

Japan

North America

Asia

Europe

China

Construction equipment uptime and demand for new vehicles remains strong

Slightly softened

Sluggish

Logistics costs and raw material prices

Energy cost

Sudden price jump

Sudden price jump

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

Expand business by utilizing the high competitiveness and reliability of our products

Business Results for Q1 FY2023

Consolidated sales: 4,302 million yen
YoY: **3.2% increase in sales**

Consolidated operating income: 112 million yen
YoY: **20.1% increase in profit**
***Shareholders' equity ratio: 80.4%**

Construction machinery filter

Sales increased 2.2% YoY to 3,609 million yen

Although the Chinese and European markets remain somewhat bearish, operating hours and demand for new construction equipment, especially in the North American market, remain strong

Air filter

Sales increased 8.7% YoY to 692 million yen

Increased demand for replacement filters for building HVAC

**First time to be selected as a constituent of
the ESG investment index**

**“FTSE Blossom Japan Sector
Relative Index”**

**What is
FTSE
Russell?**

The index is designed as a sector neutral benchmark*¹ that reflects the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices in Japan. The index selects companies with higher ESG Ratings within the top 50% of each sector and supports climate transition to a low carbon economy by evaluating companies' climate governance and climate change efforts via the Transition Pathway Initiative's Management Quality Score*². The Index has been adopted as a passive investment benchmark for ESG investment by the Government Pension Investment Fund (GPIF)

*1 In order to avoid industry bias, the component stocks are selected based on the industry ratio of the parent index, the FTSE Japan All Cap Index

*2 The Transition Pathway Initiative (TPI), an initiative established in 2017 to promote a low-carbon economy, assessed the quality of companies' management of their greenhouse gas emissions and the risks and opportunities associated with a low-carbon transition.

I

Business Performance Results for Q1 FY2023 and Full-Year Forecasts for FY2023 (Ending March 31, 2024)

P4

II

Market Conditions

P25

III

Future Strategies

P37

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I BUSINESS PERFORMANCE RESULTS FOR Q1 FY2023 AND FULL-YEAR FORECASTS FOR FY2023 (ENDING MARCH 31, 2024)

Business Performance Results for Q1 FY2023

(Apr to Jun 2023)

Q1 FY2023 Financial Results (Apr to Jun 2023)

| (million yen) | | Q1 FY2022 Results | Q1 FY2023 Results | Difference | |
|--|---------------------------------|-------------------|-------------------|--------------|----------|
| | | Amount | Amount | Amount | % |
| Net sales | | 4,169 | 4,302 | 132 | 3.2% |
| | Construction machinery filters* | 3,532 | 3,609 | 76 | 2.2% |
| | Air filters | 636 | 692 | 55 | 8.7% |
| Operating income (segment income) | | 94 | 112 | 18 | 20.1% |
| | Construction machinery filters | 93 | 63 | △29 | △32.1% |
| | Air filters | 0 | 49 | 48 | 5,464.3% |
| Operating income margin | | 2.3% | 2.6% | 0.4Pt | |
| | Ordinary profit | 57 | 95 | 37 | 66.1% |
| Ordinary profit margin | | 1.4% | 2.2% | 0.8Pt | |
| | Net income | 12 | 19 | 7 | 62.2% |
| Net income margin | | 0.3% | 0.5% | 0.2Pt | |
| Exchange rates (ave.) | USD | 129.6 | 137.4 | 7.8 | 6.0% |
| | EUR | 138.1 | 149.5 | 11.4 | 8.2% |

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

| (million yen) | FY2022 | Q1 FY2023 | Change (Amount) | Change (%) |
|--|--------|--------------|--------------------|---------------|
| Current assets | 12,923 | 13,533 | 609 | 4.7% |
| Cash and deposits | 4,113 | 4,851 | 737 | 17.9% |
| Notes and accounts receivable-trade | 4,446 | 4,386 | △ 60 | △ 1.4% |
| Merchandise and finished goods, Raw materials and Supplies | 4,141 | 4,044 | △ 96 | △ 2.3% |
| Other | 221 | 250 | 29 | 13.2% |
| Fixed assets | 12,658 | 12,549 | △ 108 | △ 0.9% |
| Tangible fixed assets | 11,683 | 11,572 | △ 111 | △ 1.0% |
| Intangible fixed assets | 172 | 171 | △ 1 | △ 0.6% |
| Investments and other assets | 801 | 804 | 3 | 0.4% |
| Total assets | 25,581 | 26,082 | 500 | 2.0% |

| | FY2022 | Q1 FY2023 | Change (Amount) | Change (%) |
|---|--------|--------------|--------------------|---------------|
| Current liabilities | 3,343 | 3,971 | 628 | 18.8% |
| Notes and accounts payable-trade | 1,453 | 1,601 | 148 | 10.2% |
| Corporate bonds payable within one year and short-term loans payable | 683 | 1,003 | 320 | 46.8% |
| Other | 1,206 | 1,367 | 160 | 13.3% |
| Fixed liabilities | 1,260 | 1,142 | △ 117 | △ 9.4% |
| Corporate bonds and long-term debt | 722 | 622 | △ 100 | △ 13.9% |
| Net defined benefits Liability | 257 | 259 | 2 | 0.8% |
| Other | 280 | 261 | △ 19 | △ 6.9% |
| Total net assets | 20,977 | 20,967 | △ 9 | △ 0.0% |
| Total of liabilities and net assets | 25,581 | 26,082 | 500 | 2.0% |
| *Shareholders' equity ratio | 82.0% | 80.4% | | |

Sales by Product Category (Apr to Jun 2023)

| (million yen) | Q1 FY2022 Results | Q1 FY2023 Results | Difference | |
|--|----------------------|----------------------|------------|--------|
| | Amount | Amount | Amount | % |
| Construction machinery filters | 3,136 | 3,266 | 130 | 4.2% |
| Line parts | 1,299 | 1,545 | 246 | 19.0% |
| Service parts | 1,837 | 1,721 | △115 | △6.3% |
| Industrial filters | 185 | 169 | △15 | △8.6% |
| Process filters | 211 | 173 | △37 | △17.9% |
| Subtotal (Construction machinery filters, etc.) | 3,532 | 3,609 | 76 | 2.2% |
| Air filters | 636 | 692 | 55 | 8.7% |
| Total | 4,169 | 4,302 | 132 | 3.2% |

Sales by Region (Apr to Jun 2023)

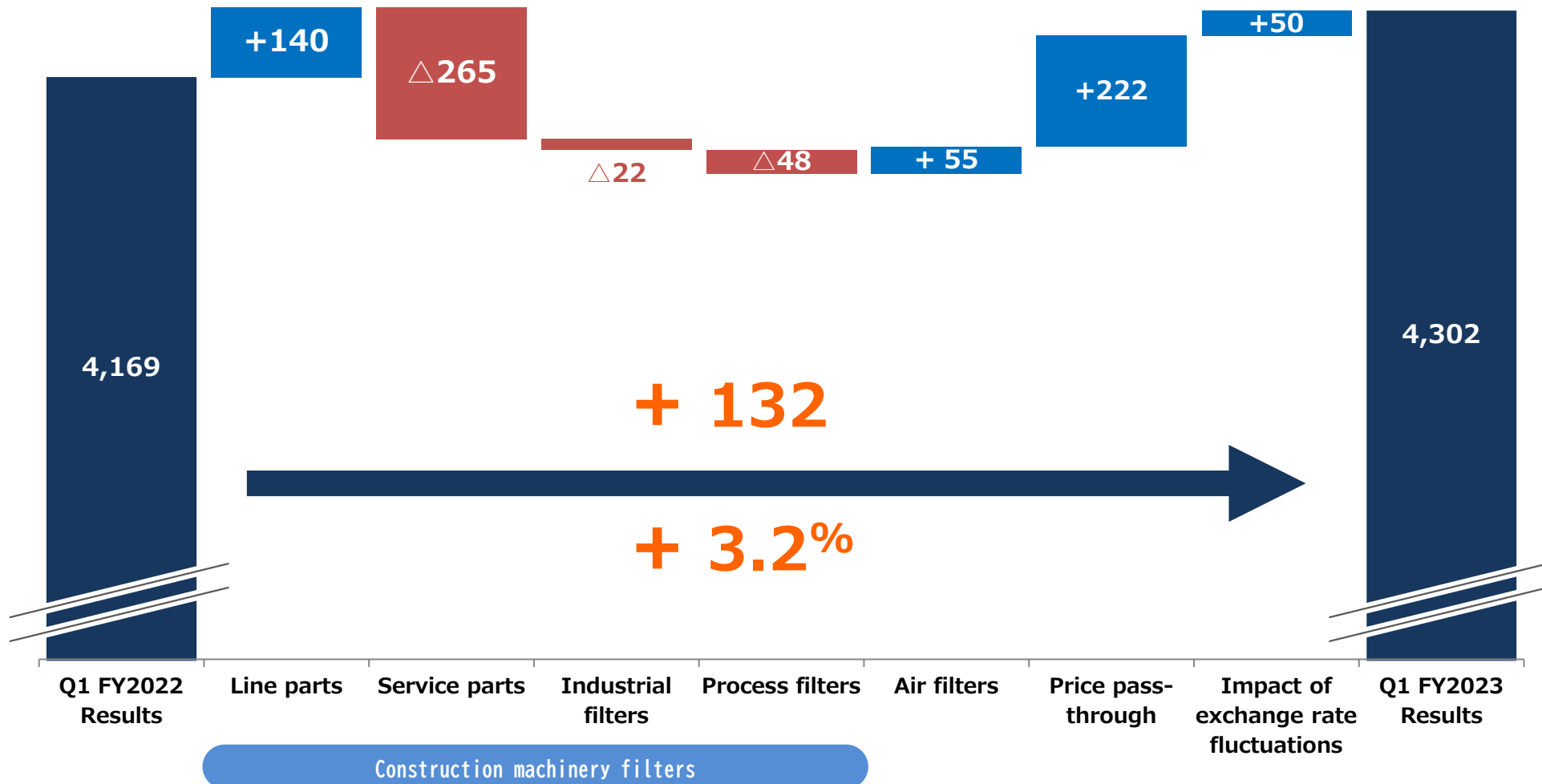
| (million yen) | Q1 FY2022 Results | | Q1 FY2023 Results | | Difference | |
|--|-------------------|-----------------------|-------------------|-----------------------|------------|--------|
| | Amount | Composition Ratio (%) | Amount | Composition Ratio (%) | Amount | % |
| Construction machinery filters* | 3,532 | 84.7% | 3,609 | 83.9% | 76 | 2.2% |
| Japan | 1,840 | 44.1% | 1,711 | 39.8% | △128 | △7.0% |
| North America | 660 | 15.8% | 585 | 13.6% | △74 | △11.3% |
| China | 268 | 6.4% | 405 | 9.4% | 136 | 50.7% |
| Other Asian countries | 334 | 8.0% | 475 | 11.1% | 140 | 42.1% |
| Europe | 426 | 10.2% | 431 | 10.0% | 4 | 1.1% |
| Others (Middle East, etc.) | 2 | 0.0% | 0 | 0.0% | △1 | △85.6% |
| Air filters (Japan) | 636 | 15.3% | 692 | 16.1% | 55 | 8.7% |
| Total sales | 4,169 | 100.0% | 4,302 | 100.0% | 132 | 3.2% |

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

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

Changes in Sales (Apr to Jun 2023)

(million yen)

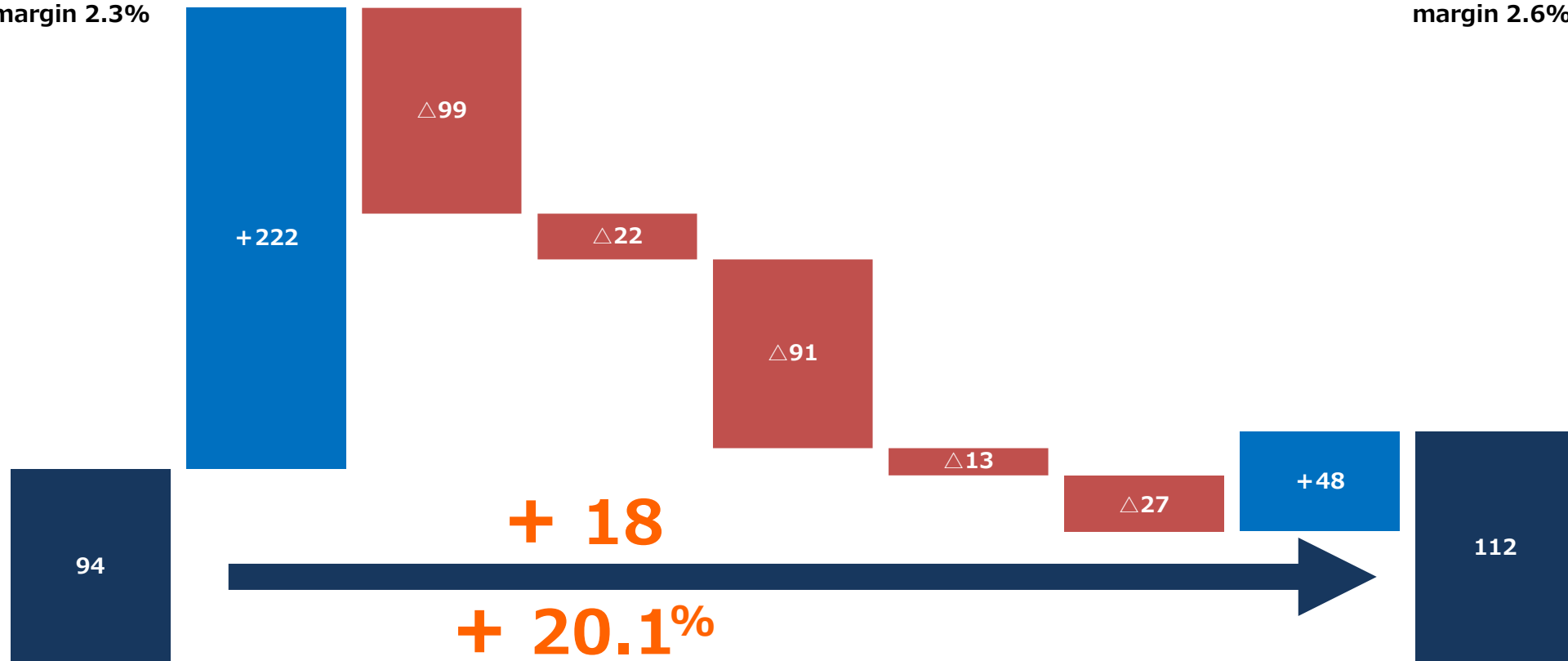


Changes in Operating Income (Apr to Jun 2023)

(million yen)

Operating income margin 2.3%

Operating income margin 2.6%



Q1 FY2022 Results

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

[Construction machinery]
Decrease in profit due to reduction in sales volume

[Construction machinery]
Decrease in profit due to soaring raw materials costs

[Construction machinery]
Decrease in profit due to increase in personnel and other SG&A expenses

[Construction machinery]
Decrease in profit due to exchange impact

[Construction machinery]
Other impact

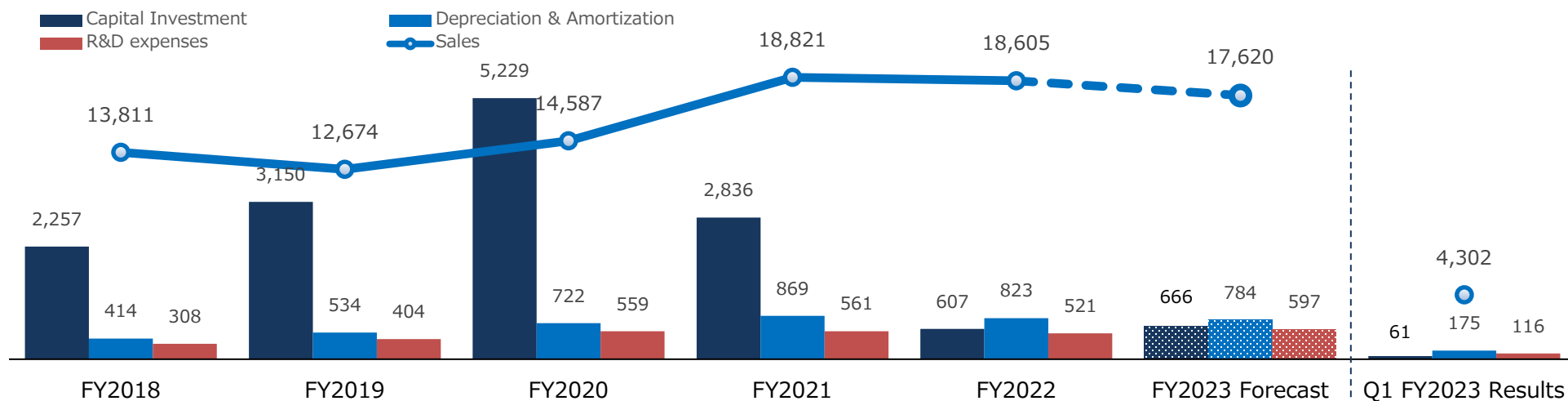
[Air filters]
Increase in profit due to price pass-through and cost improvement

Q1 FY2023 Results

Capital Investment, Depreciation & Amortization and R&D Expenses

| (million yen) | FY2018 Results | FY2019 Results | FY2020 Results | FY2021 Results | FY2022 Results | FY2023 Forecast | FY2023 Q1 Results |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|----------------------|
| Net sales | 13,811 | 12,674 | 14,587 | 18,821 | 18,605 | 17,620 | 4,302 |
| Capital investment | 2,257 | 3,150 | 5,229 | 2,836 | 607 | 666 | 61 |
| Land and building | - | 1,588 | 2,682 | 3,194 | 34 | 24 | 1 |
| Facilities and others | 816 | 669 | 468 | 2,036 | 573 | 642 | 60 |
| Expense to sales ratio | 16.3% | 24.9% | 35.9% | 15.1% | 3.3% | 3.8% | 1.4% |
| Depreciation and amortization | 414 | 534 | 722 | 869 | 823 | 784 | 175 |
| Expense to sales ratio | 3.0% | 4.2% | 5.0% | 4.6% | 4.4% | 4.5% | 4.1% |
| R&D expenses | 308 | 404 | 559 | 561 | 521 | 597 | 116 |
| Expense to sales ratio | 2.2% | 3.2% | 3.8% | 3.0% | 2.8% | 3.4% | 2.7% |

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



Up to FY2022

FY2023

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

PAC23



romptly



ctivated



ost reduction

20



Reduction Targets and Results

(million yen)

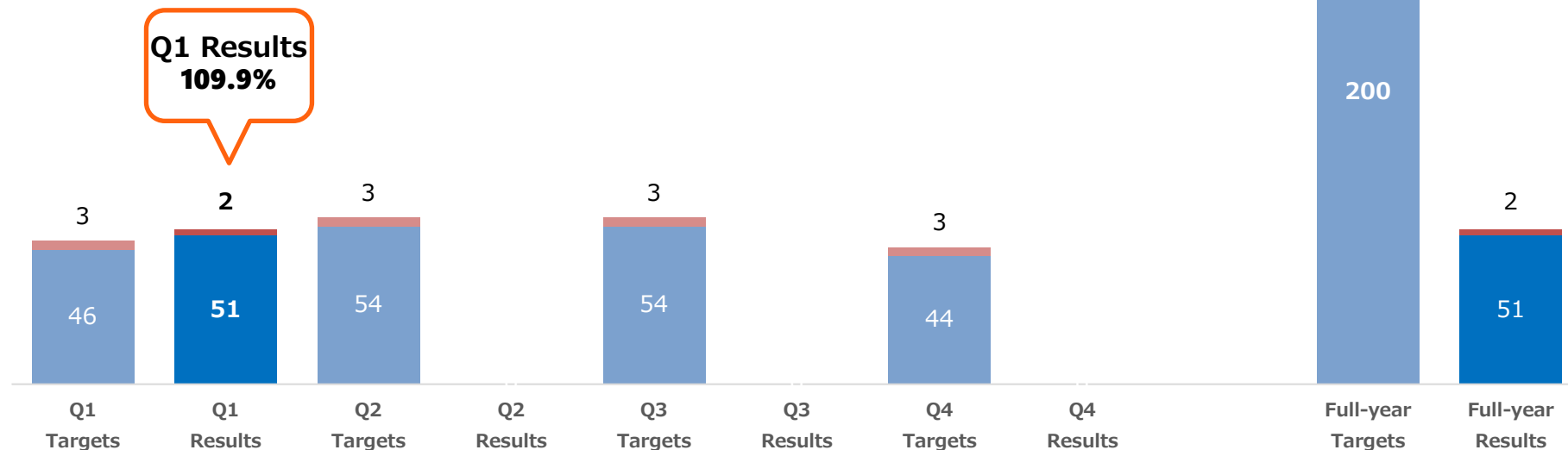
| | | Q1 Target | Q1 Results | Q2 Targets | Q2 Results | Q3 Targets | Q3 Results | Q4 Targets | Q4 Results | Full-year Targets | Full-year Results |
|-------|------------|-----------|------------|------------|------------|------------|------------|------------|------------|-------------------|-------------------|
| PAC23 | Mfg. Costs | 46 | 51 | 54 | | 54 | | 44 | | 200 | 51 |
| | SG & A | 3 | 2 | 3 | | 3 | | 3 | | 12 | 2 |
| Total | | 49 | 54 | 58 | | 57 | | 48 | | 212 | 54 |

Full-year Results
25.5%

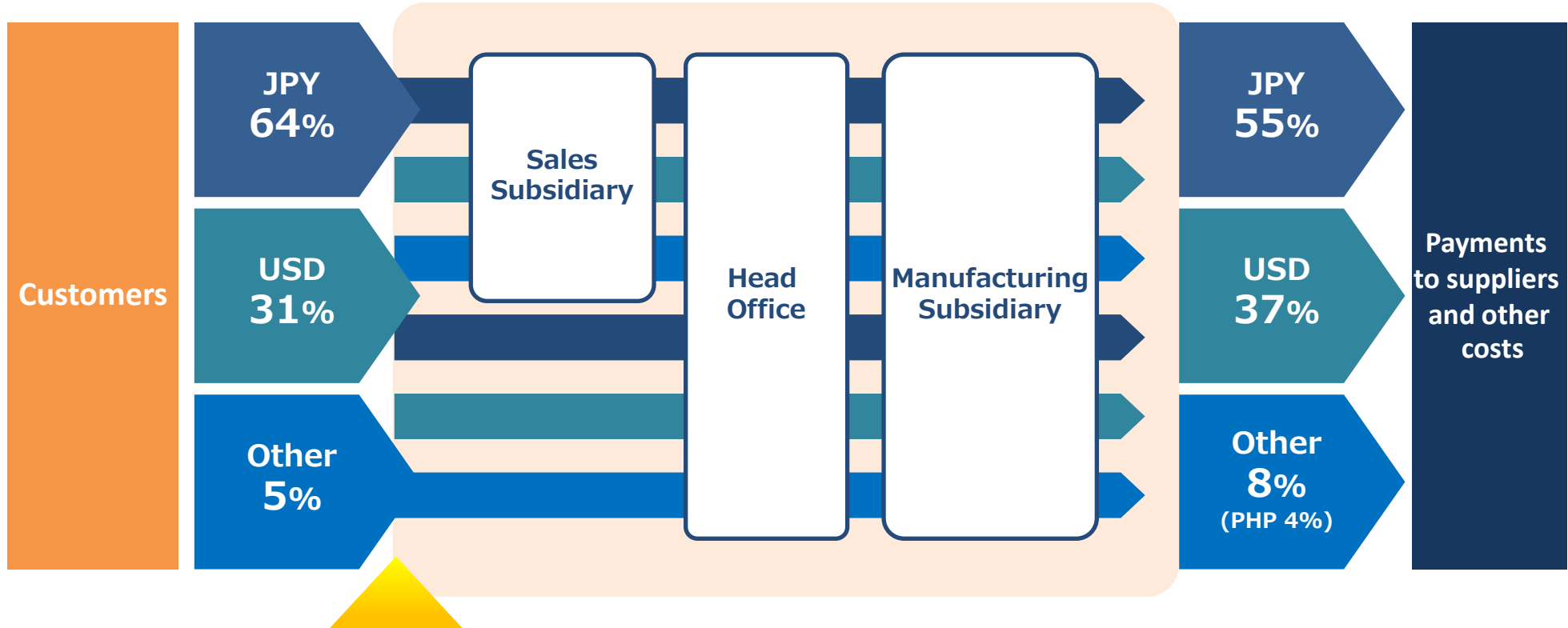
Progress

(million yen)

■ Mfg. Costs ■ SG & A



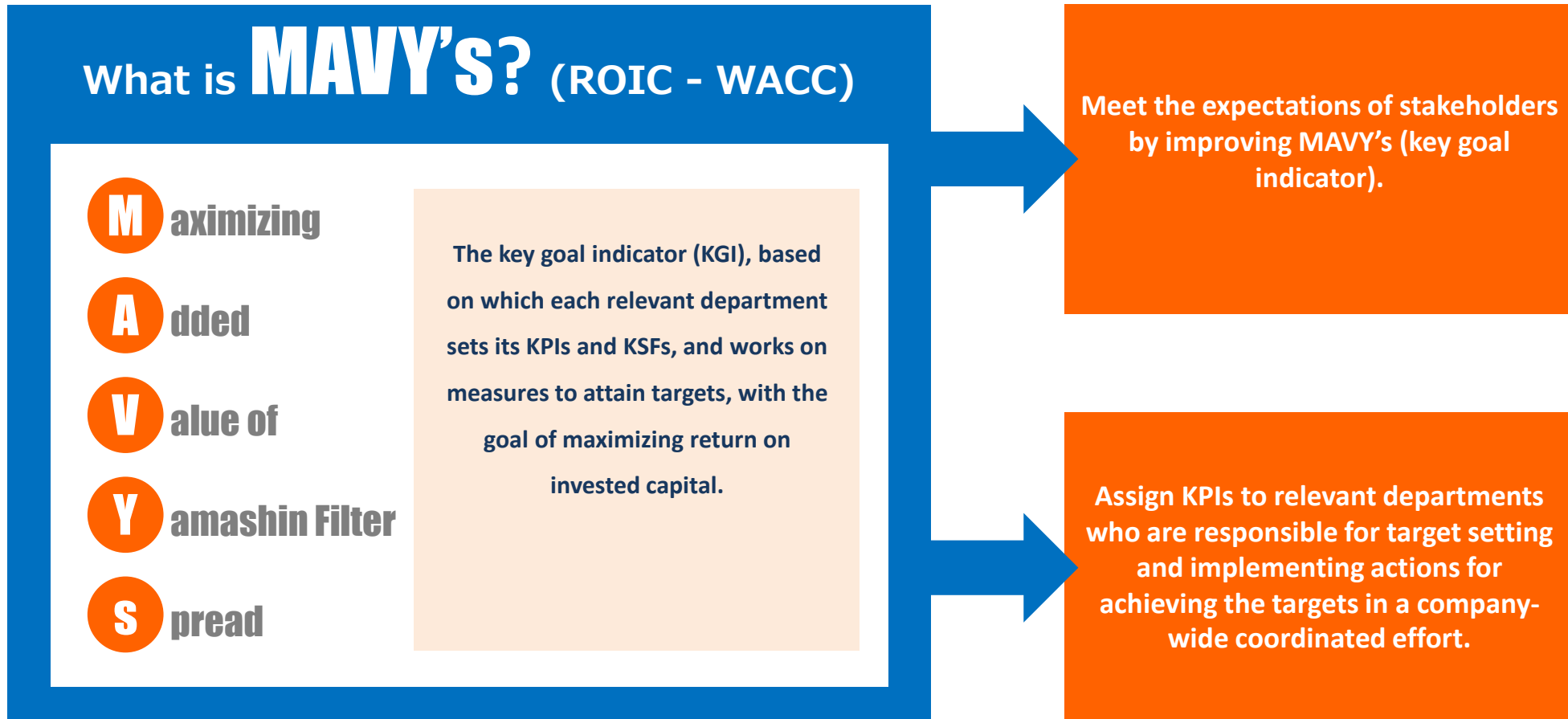
Negative impact of approx. 13 million yen on operating income due to the depreciation of the yen



70% of transaction currency is JPY.

- Operating income impact of a 1-yen depreciation of the yen would be a decrease of approximately 2 million yen (Apr to Jun 2023)
- Strengthening of operational hedge-marry and netting

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



MAVY's: The Big Picture and the Department (FY2023)

| Key Goal Indicator (KGI) | Key Performance Indicator (KPI) | Key Success Factor (KSF) | Relevant Departments | Targets for FY2023 (Action plan) | FY2023 Progress | |
|---|--|--|--|---|--|--|
| <p>*KPI figures are based on the following. Prv : Full-year results for FY2022 Cur : Full-year forecast for FY2023</p> <p>MAVY's Prv: -4.4% Cur: -5.4%</p> <p>ROIC Prv: 3.1% Cur: 2.1%</p> <p>WACC Prv: 7.5% Cur: 7.5%</p> <p>ROE Prv: 3.1% Cur: 2.2%</p> <p>ROA Prv: 2.5% Cur: 1.7%</p> | <p>Operating income Prv: 6.6% Cur: 3.4%</p> <p>Gross profit ratio Prv: 39.3% Cur: 39.9%</p> <p>SG&A ratio Prv: 32.7% Cur: 36.5%</p> <p>Operating capital turnover rate Prv: 2.7 Cur: 2.5</p> <p>Investment capital turnover rate Prv: 0.8 Cur: 0.8</p> <p>FA turnover rate Prv: 1.5 Cur: 1.4</p> | <p>Sales growth ratio Prv: -1.1% Cur: -5.3%</p> | <p>New product development Enhance market share of genuine products</p> | <p>Sales / R&D</p> | <p>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</p> | <ul style="list-style-type: none"> 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) |
| | | <p>Cost to sales ratio Prv: 60.7% Cur: 60.1%</p> | <p>Enhance buying power Improve yield ratio</p> | <p>Production</p> | <p>- PAC23 - Reform and improve purchasing power and reduce logistics costs - Improve production management</p> | <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 |
| | | <p>Depreciation cost ratio Prv: 4.4% Cur: 4.5%</p> | <p>Investment plan</p> | <p>Management Planning / Finance and accounting</p> | <p>- M&A (for revenue expansion stabilizing management) -->Research potential M&A targets -->Acquire nonwoven fabrics manufacturing entities (downstream) -->Acquire new material development entities (upstream)</p> | <ul style="list-style-type: none"> Exploring opportunities and gathering data for M&A (domestic and overseas), enhanced communication (through conference calls) with possible M&A target companies |
| | | <p>R&D cost ratio Prv: 2.8% Cur: 3.4%</p> | <p>Narrowing down themes Prioritization</p> | <p>R&D</p> | <p>- Develop new materials (Recycling, Biomass, etc.) - Actions to achieve IoT - Develop aeration and other technologies</p> | <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 collaborations |
| | | <p>Personnel cost ratio Prv: 14.7% Cur: 17.5%</p> | <p>Optimal staffing</p> | <p>HR and General Affairs</p> | <p>- Establish and implement the talent management system</p> | <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 |
| | | <p>Accounts receivable turnover rate Prv: 4.1 Cur: 3.7</p> | <p>Credit management</p> | <p>Sales / Finance and accounting</p> | <p>- Further optimize AR debt collection - Promote paperless systems</p> | <ul style="list-style-type: none"> Streamlined and optimized AR debt collection for improving working capital |
| | | <p>Inventory turnover rate Prv: 4.2 Cur: 4.4</p> | <p>Set appropriate inventory level</p> | <p>Production / Sales</p> | <p>- Reduce company-wide inventory assets</p> | <ul style="list-style-type: none"> Determined suitable inventory levels based on pareto analysis; currently implementing inventory reduction plans |
| | | <p>Accounts payable turnover rate Prv: 5.4 Cur: 6.3</p> | <p>Debt management</p> | <p>Production</p> | <p>- Improve working capital - Promote paperless systems</p> | <ul style="list-style-type: none"> Optimized AP debt turnover ratio for improving working capital |
| | | <p>Tangible fixed asset turnover rate Prv: 1.6 Cur: 1.5</p> | <p>Facilities planning (R&D, production)</p> | <p>Management Planning Administration / Production / R&D</p> | <p>- Optimize investment recovery effect (Return on Investment)</p> | <ul style="list-style-type: none"> Prioritized R&D and capital investments by analyzing the validity of investment return period |
| | | <p>Intangible fixed asset turnover rate Prv: 90.8 Cur: 90.9</p> | <p>Investment plan</p> | <p>Management Planning / Finance and Accounting</p> | <p>- Formulate IP strategies and action plans</p> | <ul style="list-style-type: none"> Established strategies, devised action plans, and enhanced training for targeted group, stakeholders Actively applied for patents in Chinese market |

Full-year Forecasts for FY2023 (Ending March 31, 2024)

Construction machinery filters

- The Chinese market will continue to be sluggish, and construction equipment market demand in each market will remain slightly below the previous year's level
- Prices will continue to rise for key raw materials, particularly aluminum and steel, and fixed costs will increase due to higher salaries as part of investments in human capital
- We will carry out cost reduction through further price pass-through, cost reduction at the design and development stage, reduction of raw material costs, improvement of manufacturing processes, and further enhancement of quality control

Air filters

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

| (million yen) | | FY2021 | FY2022 | FY2023 | Difference |
|--|---------------------------------|---------|---------|---------------------|------------|
| | | Results | Results | Full-year Forecasts | |
| Net sales | | 18,821 | 18,605 | 17,620 | △985 |
| | Construction machinery filters* | 16,244 | 15,945 | 14,820 | △1,125 |
| | Air filters | 2,577 | 2,659 | 2,800 | 140 |
| Operating income (segment income) | | 1,344 | 1,235 | 600 | △635 |
| | Construction machinery filters | 1,467 | 1,150 | 510 | △640 |
| | Air filters | △123 | 84 | 90 | 5 |
| Operating income margin | | 7.1% | 6.6% | 3.4% | △3.2Pt |
| | Ordinary profit | 1,317 | 915 | 650 | △265 |
| Ordinary profit margin | | 7.0% | 4.9% | 3.7% | △1.2Pt |
| | Net income | 47 | 645 | 450 | △195 |
| Net income margin | | 0.3% | 3.5% | 2.6% | △0.9Pt |
| Exchange rates (ave.) | USD | 112.4 | 135.5 | 130.0 | △4.0% |
| | EUR | 130.6 | 141.0 | 140.0 | △0.7% |

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

Sales Forecast by Product Category

| (million yen) | FY2021 Results | | FY2022 Results | | FY2023 Full-year Forecasts | | Difference | |
|--|----------------|-----------------------|----------------|-----------------------|----------------------------|-----------------------|------------|--------|
| | Amount | Composition Ratio (%) | Amount | Composition Ratio (%) | Amount | Composition Ratio (%) | Amount | % |
| Construction machinery filters | 14,169 | 75.3% | 14,328 | 77.0% | 13,304 | 75.5% | △1,024 | △7.2% |
| Line parts | 5,633 | 29.9% | 5,911 | 31.8% | 6,190 | 35.1% | 278 | 4.7% |
| Service parts | 8,536 | 45.4% | 8,417 | 45.2% | 7,114 | 40.4% | △1,303 | △15.5% |
| Industrial filters | 1,174 | 6.2% | 749 | 4.0% | 703 | 4.0% | △45 | △6.1% |
| Process filters | 900 | 4.8% | 867 | 4.7% | 812 | 4.6% | △55 | △6.4% |
| Subtotal (Construction machinery filters) | 16,244 | 86.3% | 15,945 | 85.7% | 14,820 | 84.1% | △1,125 | △7.1% |
| Air filters | 2,577 | 13.7% | 2,659 | 14.3% | 2,800 | 15.9% | 140 | 5.3% |
| Total | 18,821 | 100.0% | 18,605 | 100.0% | 17,620 | 100.0% | △985 | △5.3% |

Sales Forecast by Region

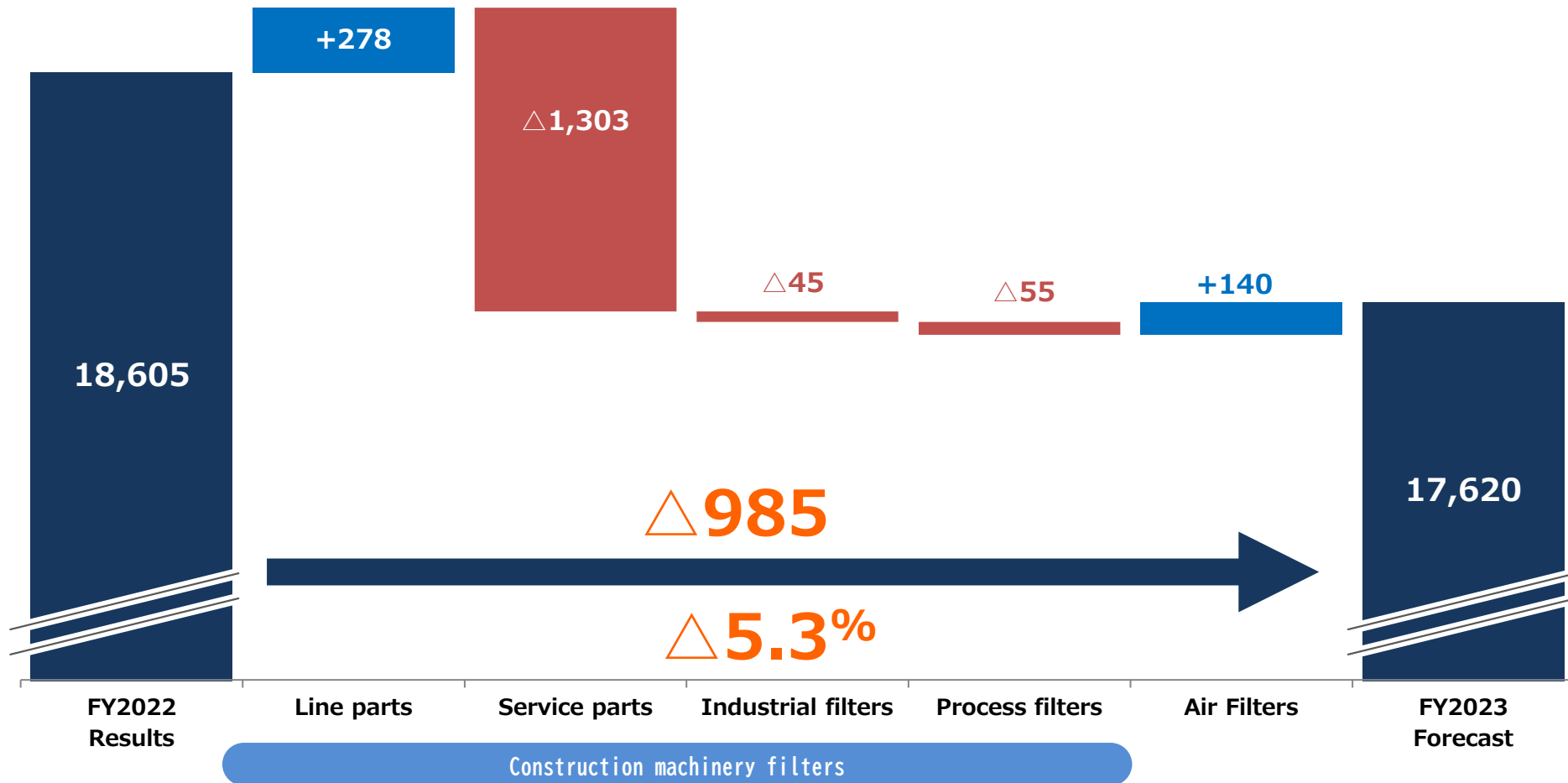
| (million yen) | FY2021 Results | | FY2022 Results | | FY2023 Full-year Forecasts | | Difference | |
|--|----------------|-----------------------|----------------|-----------------------|----------------------------|-----------------------|------------|----------|
| | Amount | Composition Ratio (%) | Amount | Composition Ratio (%) | Amount | Composition Ratio (%) | Amount | % |
| Construction machinery filters* | 16,244 | 86.3% | 15,945 | 85.7% | 14,820 | 84.1% | △1,125 | △7.1% |
| Japan | 7,946 | 42.2% | 7,980 | 42.9% | 6,932 | 39.3% | △1,047 | △13.1% |
| North America | 2,939 | 15.6% | 3,150 | 16.9% | 3,172 | 18.0% | 22 | 0.7% |
| China | 1,711 | 9.1% | 1,380 | 7.4% | 1,252 | 7.1% | △128 | △9.3% |
| Other Asian countries | 1,889 | 10.0% | 1,698 | 9.1% | 1,617 | 9.2% | △80 | △4.7% |
| Europe | 1,755 | 9.3% | 1,729 | 9.3% | 1,700 | 9.7% | △28 | △1.7% |
| Others (Middle East, etc.) | 2 | 0.0% | 6 | 0.0% | 143 | 0.8% | 137 | 2,105.1% |
| Air filters (Japan) | 2,577 | 13.7% | 2,659 | 14.3% | 2,800 | 15.9% | 140 | 5.3% |
| Total sales | 18,821 | 100.0% | 18,605 | 100.0% | 17,620 | 100.0% | △985 | △5.3% |

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

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

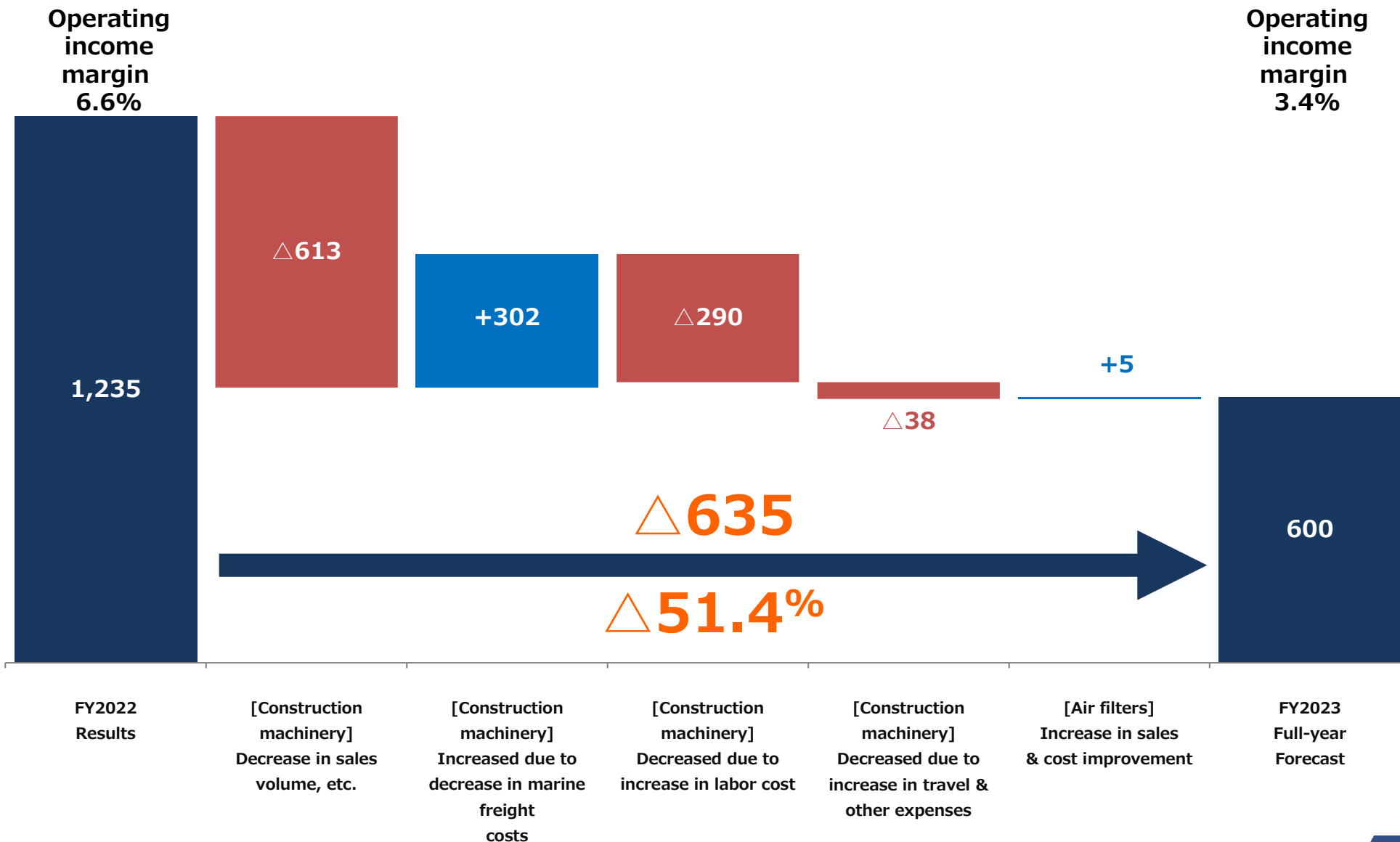
FY2023 Forecasts : Changes in Sales

(million yen)



FY2023 Forecasts : Changes in Operating Income

(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.

| | FY2020 | FY2021 | FY2022 | FY2023 Forecast |
|--|--------|--------|--------|-----------------|
| Dividend per share | ¥ 6.0 | ¥ 6.0 | ¥ 6.0 | ¥ 6.0 |
| DOE^{*1} | 2.2% | 2.1% | 2.1% | 2.1% |
| Total return ratio^{*2} | 59.3% | 960.4% | 75.6% | 108.4% |

*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 × 100



市場

II Market Conditions

Conditions in the Construction Machinery Market

Summary of External Conditions Impacting the Construction Machinery Market

- In the Southeast Asian market, demand for construction equipment is declining, but demand for mining equipment remains strong
- In the North American market, housing demand is uncertain, but demand for construction equipment remains strong due to the sustained demand in infrastructure and other sectors
- The Chinese market remains sluggish due to weak real estate demand

Q4 FY2022

Q1 FY2023

Future Outlook

Japan

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

Raw material prices continue to rise and the yen continues to weaken
Logistics costs are improving
Demand for construction equipment remains firm

Soaring energy and raw material prices and logistics costs will soften demand for construction equipment

North America

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

Energy and raw material costs soaring
The yen continues to depreciate and logistics costs are improving
Demand for construction equipment remains firm

Continued impact of price hikes in key raw materials. Construction equipment operating hours and demand for new vehicles on a downward trend

Europe

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

Continued impact of energy and raw material price hikes and logistics costs are improving
Demand is on a downward trend

Demand expected to decline due to escalation of situation in Russia and Ukraine. Continued impact of price hikes in key raw materials

Asia

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

Continued impact of energy and raw material price hikes and demand is on a downward trend

Demand will soften due to expected economic slowdown. Continued impact of price hikes in key raw materials

China

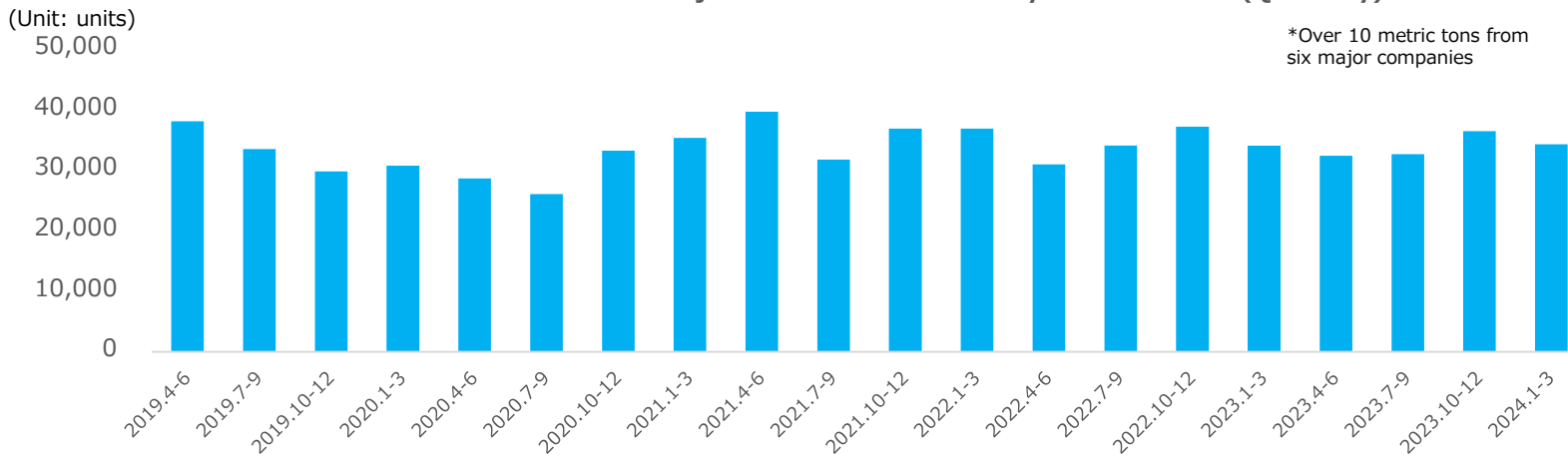
New vehicle sales are expected to fall below the previous year's level due to continued market slump

Continued weak demand due to sluggish economic activity

New vehicle sales are expected to fall below the previous year's level due to the sluggish economy

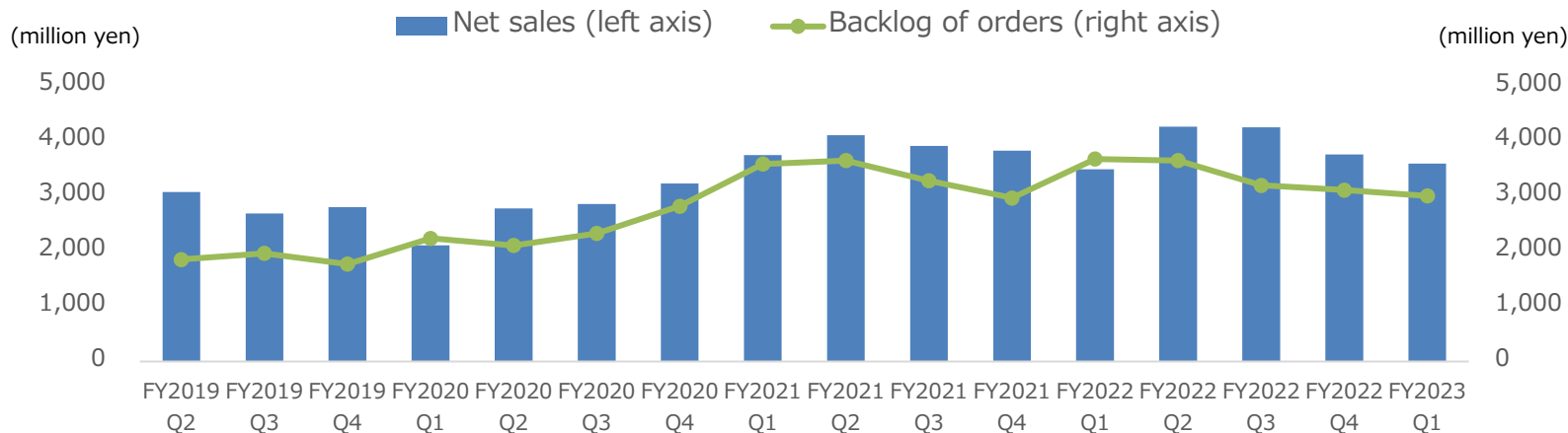
- Planned production volume and order levels are projected to continue on a gradual downward trend
- Demand for mining equipment and maintenance demand remains strong

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



Demand for new vehicles declined modestly on a physical quantity basis

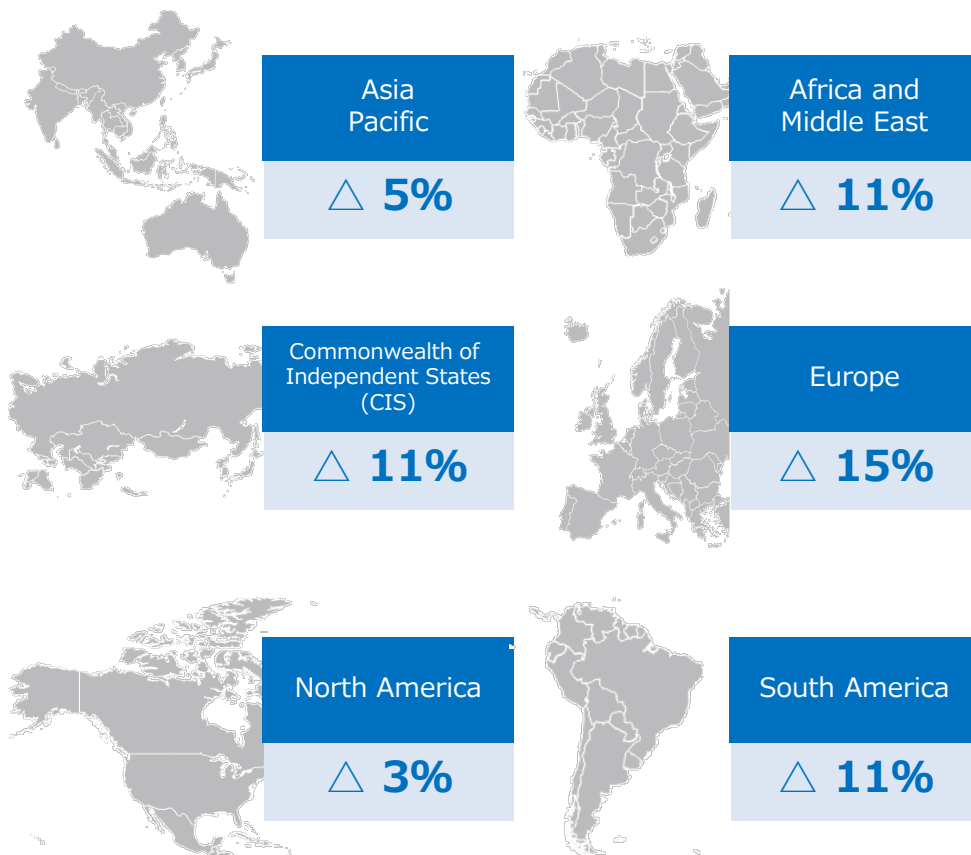
Sales and Backlog Orders: YAMASHIN Construction Machinery Filters (Quarterly)



Order backlog declining in line with improved logistics lead times

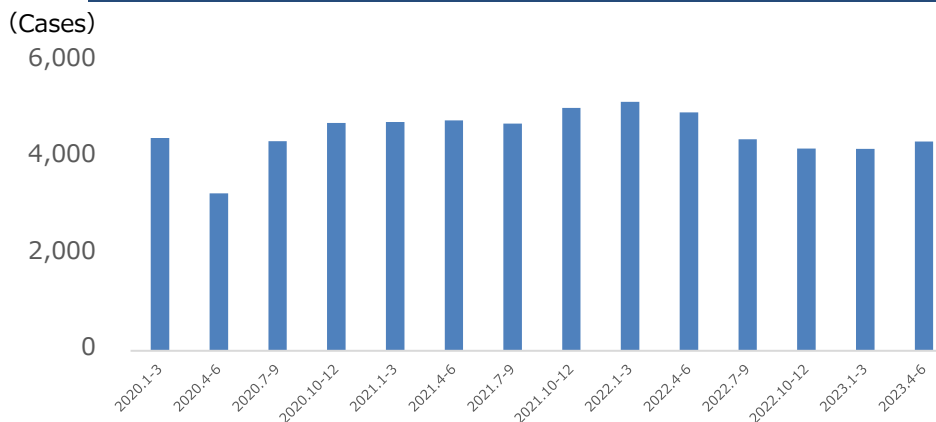
- Year-on-year negative growth in many regions, with a gradual downward trend in demand
- Housing starts (North America) remain unchanged due to policy interest rates
- Housing prices (North America) have been on an upward trend since 2023, thus the balance between supply and demand will continue to be monitored closely

Growth in demand for construction machinery by region



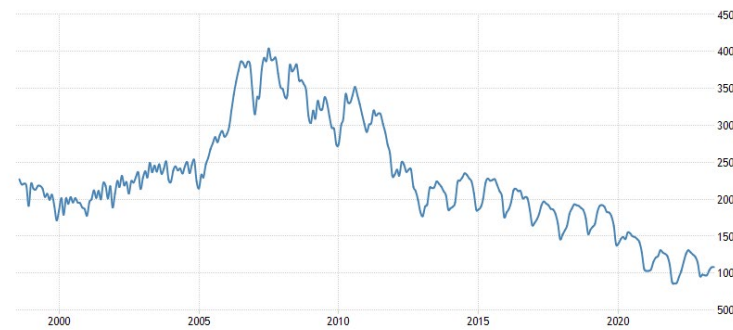
Demand trend index (2022 vs. 2023 forecast)

North American market: Trends in housing starts



(Compiled by the Company from Bureau of the Census)

North American market: Trends in gross housing inventories



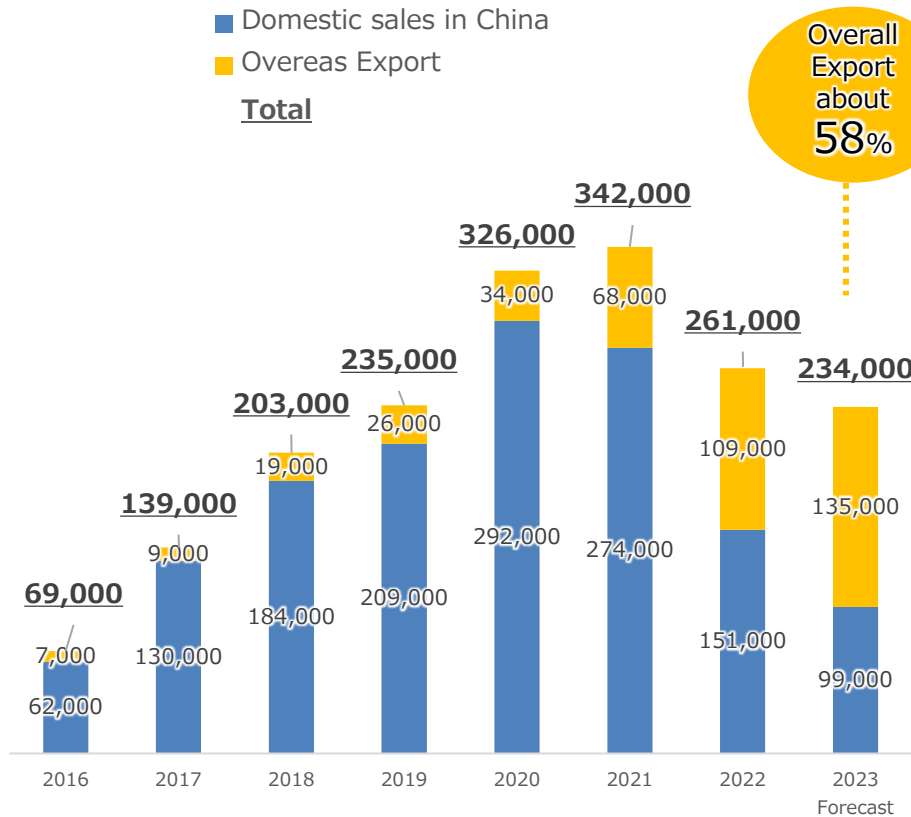
(Adapted from TRADINGECONOMICS)

TRADINGECONOMICS.COM | NATIONAL ASSOCIATION OF REALTORS

- Due to the sluggish real estate market, exports are expected to decrease by about 10% in 2023 compared to the previous year
- The export ratio is expected to reach approximately over 50% due to the delayed recovery of domestic demand

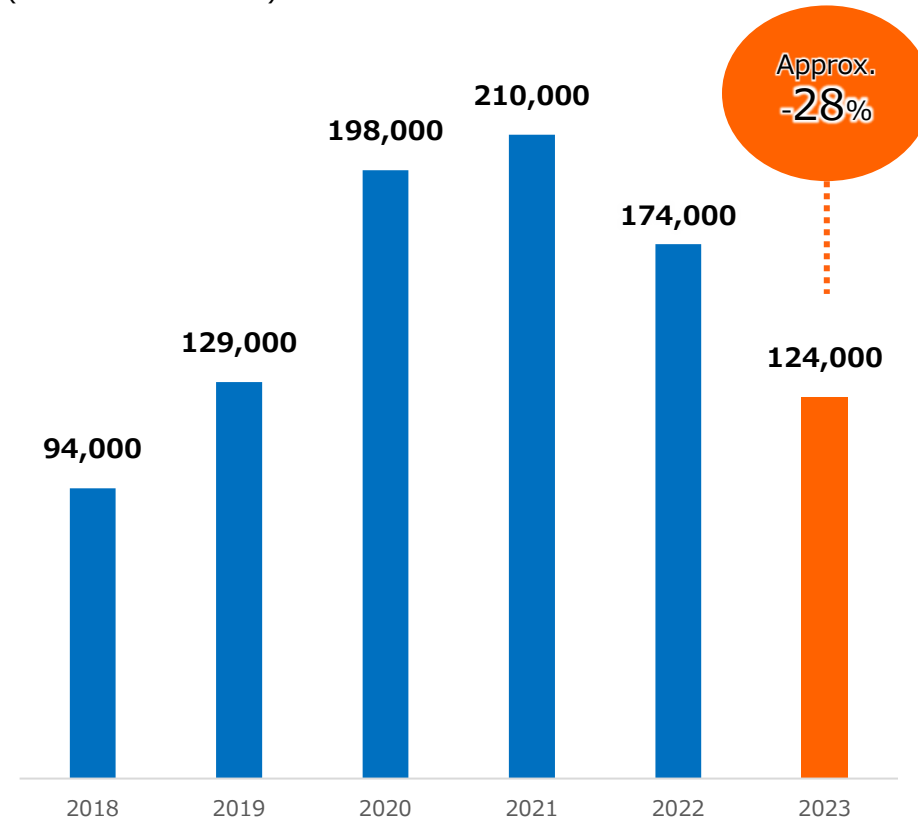
Annual sales volume in China

(Number of vehicles)



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

(Number of vehicles)



- Long-life filters are in high demand in the construction equipment industry, which is aiming for carbon neutrality
- As a pioneer in supplying products that contribute to reducing environmental impact through new materials and technologies

New models contributing to long-life

YAMASHIN NANO FILTER®



Unit sales price is approximately **2 times** that of existing products



A base of mid- to long-term earnings

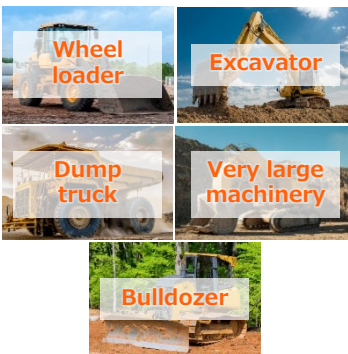
IoT sensor



Filter life and hydraulic oil contamination level are measured by sensors which contributes to longer filter life and plays an important role in the electronic control of next-generation hydraulic systems



Diverse lineup



Plans to adopt in various parts

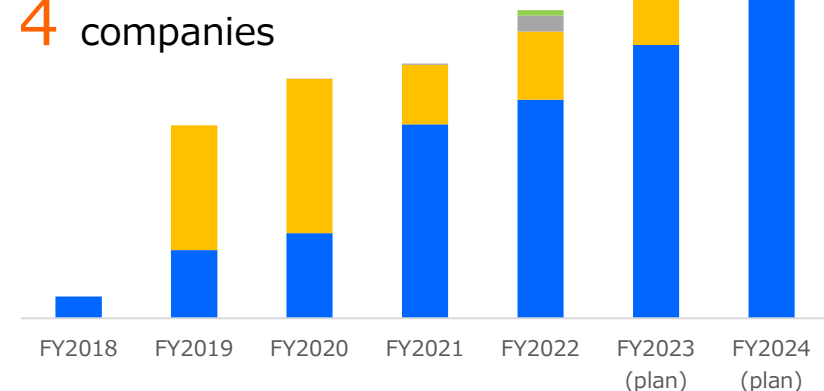


YAMASHIN NANO FILTER® shipments for construction machinery

■ Company A ■ Company B ■ Company C ■ Company D

In FY2024, it is expected to increase to approx. **2 times** that of FY2022

Number of companies that have adopted increased to **4** companies

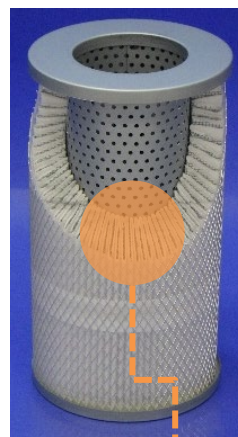


- From the viewpoint of sustainability, alternative materials to petroleum-derived PET resin are being considered
- Progress in development of filter products using biomass plastic/recycled resin
- Continued research and development to introduce biodegradable materials with low environmental impact

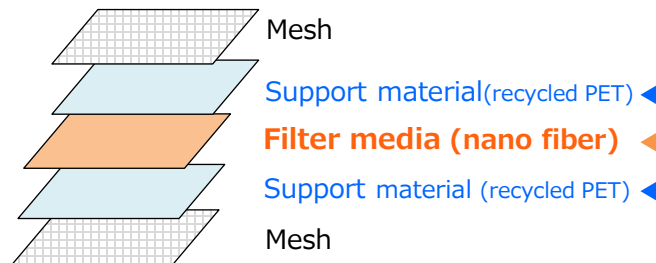
Issues to be addressed



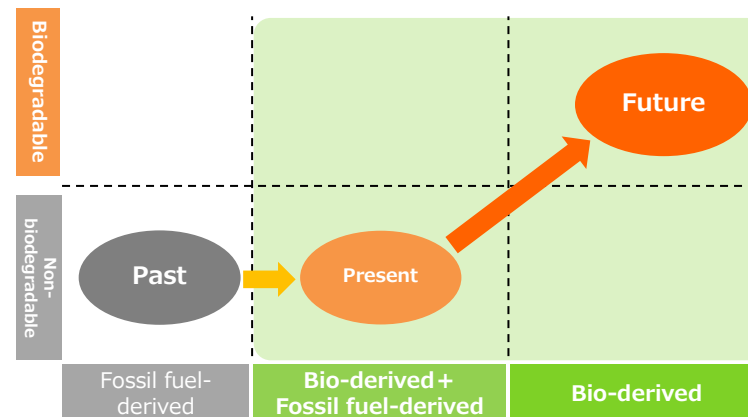
Development of environmentally friendly resin filter



Structure of filter media



Our direction for material development



Structure and features of environmentally friendly resin filters

Use of **biomass PET** as filter material and **recycled PET** as support material enables approx. **30% reduction of CO₂ emissions** per filter

Conditions in the Air Filter Market

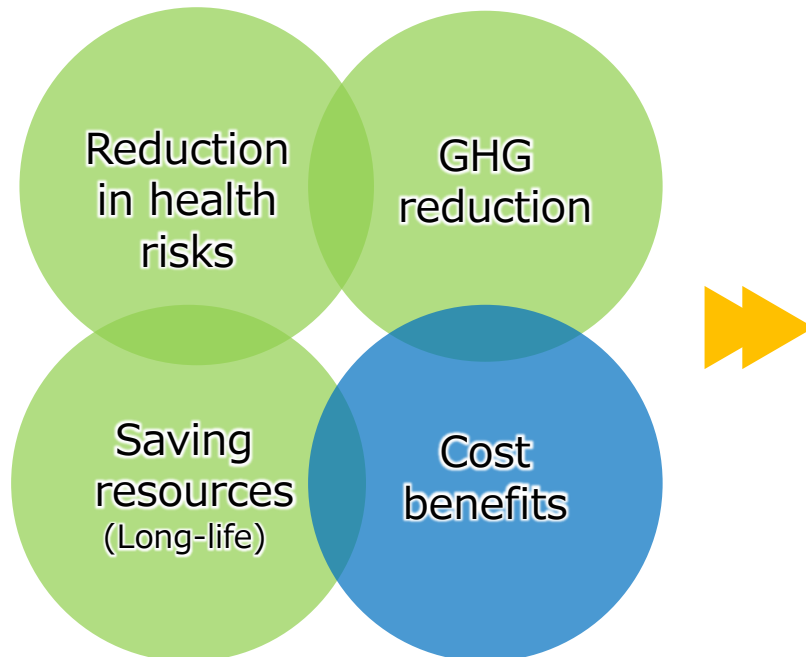
- Stable demand environment in all segments, but almost the same level as the previous year excluding the impact of price pass-through
- In building construction, recovery of repeat demand, including office, started as planned
- Maintenance demand for general factories remained firm as equipment utilization rates rose

| | | Market environment | |
|--------------------------------|--|--|--|
| Market overview | | Previous year | Forecast for the current year |
| Buildings | Air filters for outdoor air intake units, indoor air conditioning, etc. installed in offices, commercial buildings, etc. | Repeat projects in urban areas are firm. Although there is a trend of local buyers being reluctant to buy, the impact is minimal | Repeat demand is strong for large properties in Tokyo and similarly, demand for small properties is also recovering nationwide |
| General factories | Air filters for outdoor air intake units, indoor air conditioning, etc. installed in factories | There are signs of recovery in large-scale projects. Inquiries for capital investment are also on the rise | Demand is recovering, especially for large-scale properties and renovation work continues to be firm |
| Semiconductor factories | Chemical filter replacement market | Continued strong capital investment expected | Demand is expected to remain unchanged due to a lull in capital investment |
| Environmental equipment | Air filters for residential air conditioning and air purifiers used in homes | The downward trend in housing starts has subsided and is recovering | Housing starts are on a gradual recovery trend |
| Vehicles | Air filters for air conditioning of railways, etc. Air filters for construction machinery dust | The Covid outbreak has settled down and public transportation replacement demand is recovering | Replacement demand remained strong due to the recovery in the number of rail passengers |

- Growing interest in air quality and an external environment that allows us to leverage our strengths as a comprehensive filter manufacture
- Supply environmentally friendly products that contribute to user costs with differentiated, high value-added technologies

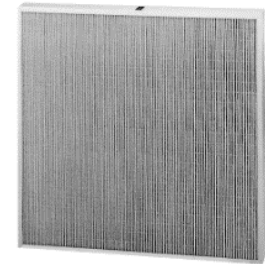
Change in user awareness

CO₂ reduction and other efforts to solve social issues, Covid has changed the interest in the "quality" of air itself



New **NanoWHELP**®

World's first nanofilter air filter



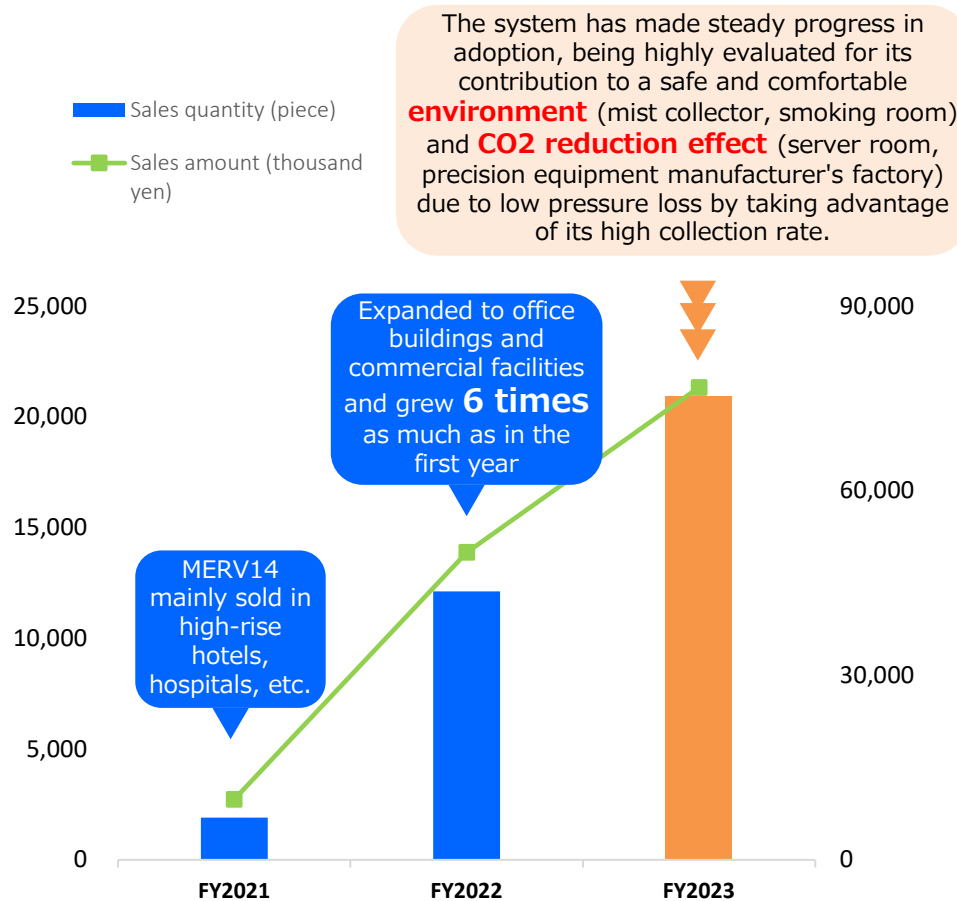
Product Features

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

- YAMASHIN 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.**

- Highly recognized for filter performance and environmental friendliness (MERV14 certified to U.S. standards)
- In the third year of the product's release, adoption of the product as an environmental product has progressed in areas other than general air-conditioning

NanoWHELP sales volume and sales performance trends



Status of Introduction

Expansion from general air conditioning to the field of environmental contribution in different industries such as data centers, mist collectors, smoking rooms, etc.

Mist collector (Oil mist)



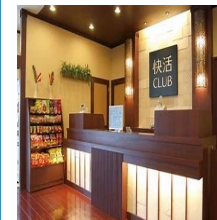
Adopted by the largest manufacturer of machine tools. The high collection performance and long life of the product were the deciding factors in its adoption.

Data center



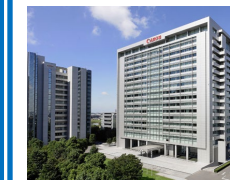
Data center of a major IT solutions provider. Determined to adopt existing manufacturer's product as an upgrade.

Internet café (Smoking room)



The largest company in the Internet café industry. Adopted by more than 500 stores nationwide. Adopted not only for smoking rooms but also for general floors.

Precision equipment plant



Adopted by a major precision equipment manufacturer in Tokyo for its core business office in the development field. The low-pressure loss compared to the current product was the deciding factor in its adoption.



III Future Strategies

Improving Earning Power in Core Businesses

Appropriate prices

Continued negotiations with key customers

- ◆ We will continue to negotiate with our key customers to pass on appropriate prices, taking into account the recent sharp rise in raw material costs and the impact of the yen's rapid depreciation.

Improving costs

Reviewing development costs

- ◆ We will review raw materials and production processes at the design and development stage and standardize parts.

Reviewing the value chain

- ◆ We will review the supply chain and reduce costs by establishing a global production and supply system.

Business restructuring

Strengthening revenue management system

- ◆ We will establish a **new Cost Planning Committee** and strengthen our product and business revenue management system.
- ◆ We will thoroughly implement a cost management system by introducing BI tools and strengthen the management system for products and business earnings.

Strengthening group governance

- ◆ We will establish a **new Governance Committee** to improve management efficiency and strengthen governance across the entire group.

What to aim for Achieving Sustainable Society

Our themes

Health



Air
Quality



Environ
ment



Demonstrating our strengths through business

The Specialist in Filtration
YAMASHIN

ESG management practices

Technical Meister to master the art of manufacturing
Ability to create innovation

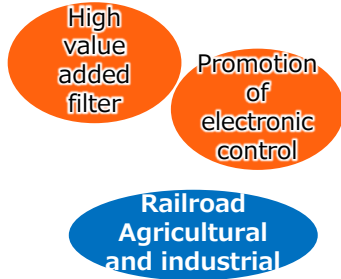
Construction
machinery

Air filters

Rokajinitsukafuru

Construction machinery filters

Deepening of existing business areas



Filter business for construction machinery
High value-added filter product development

- For hydraulic
- For transmission
- For fuel

Focusing on next-generation hydraulic systems electronic control by sensors

Development of new business areas

- For freight railway
- For agricultural and industrial machinery

Filtration media development

**Long Life/
Development of
eco-friendly
materials**

- Petroleum-derived PET resin
- Development of Biomass PET filter media
- Development of biodegradable materials recycling circulation

Filter media

New business domain

Entering the new materials field by applying YAMASHIN NANO FILTER®



Conductive material

Biomass raw materials

Sheet material

New Heat-Resistant Material

Mergers and acquisitions

Air filters

Sales strategy enhancement



Distributor business (product diversity /small lot)

- For building air conditioning (Pre-filter, medium-high performance filter)
- Direct sales (high cleanliness HAPA/ULPA)

NanoWHELP®




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. |  |  |

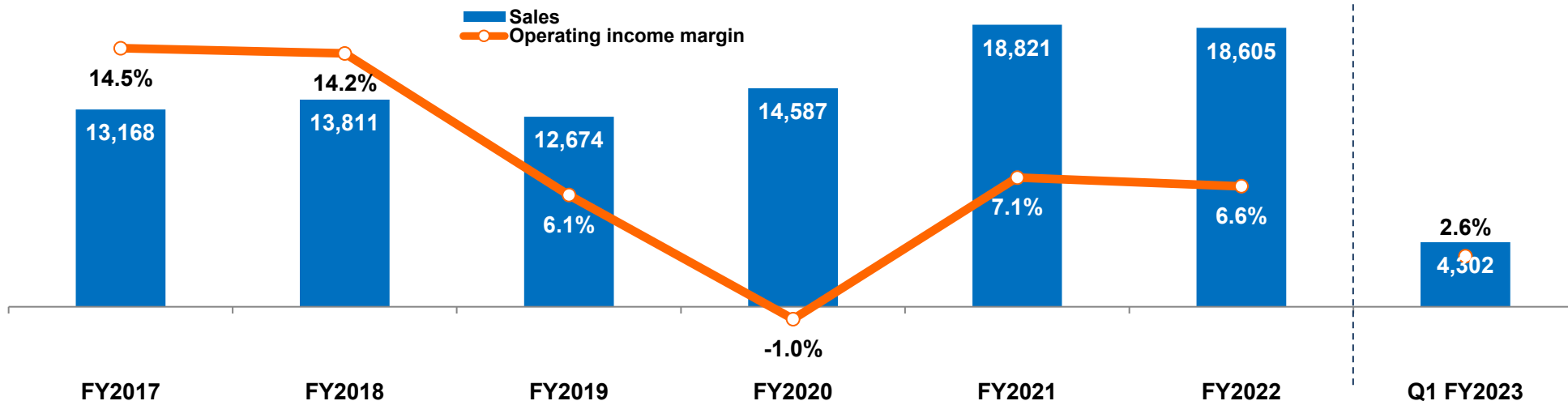
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REFERENCE MATERIALS

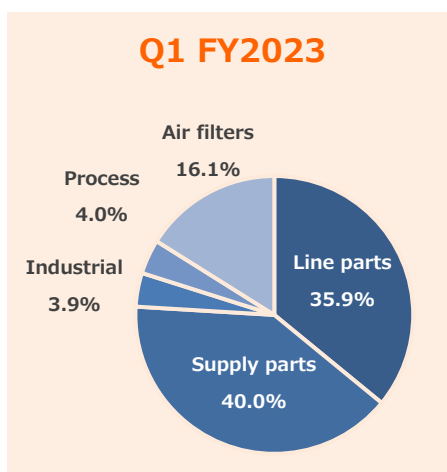
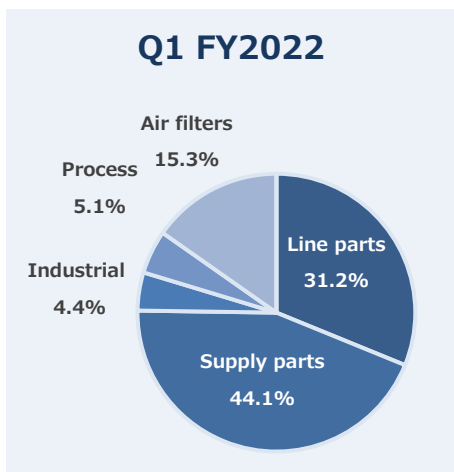
② FINANCIAL HIGHLIGHTS

Net sales, Operating income margin

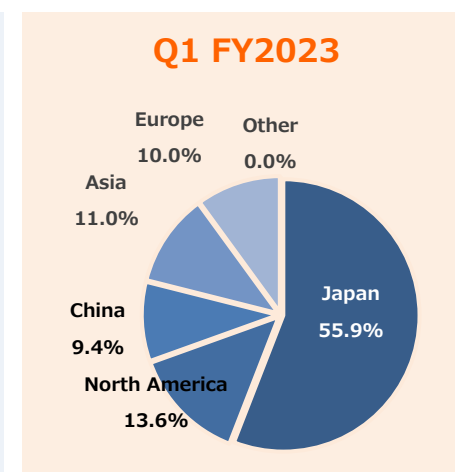
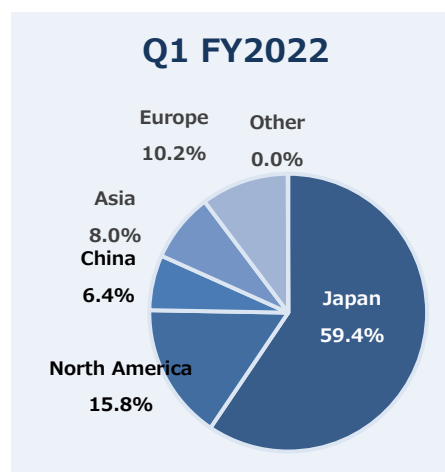
(million yen)



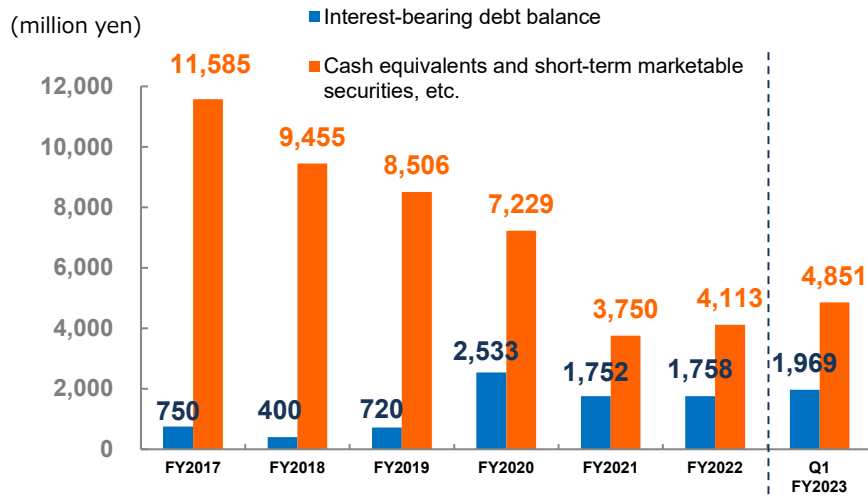
Sales breakdown by product category



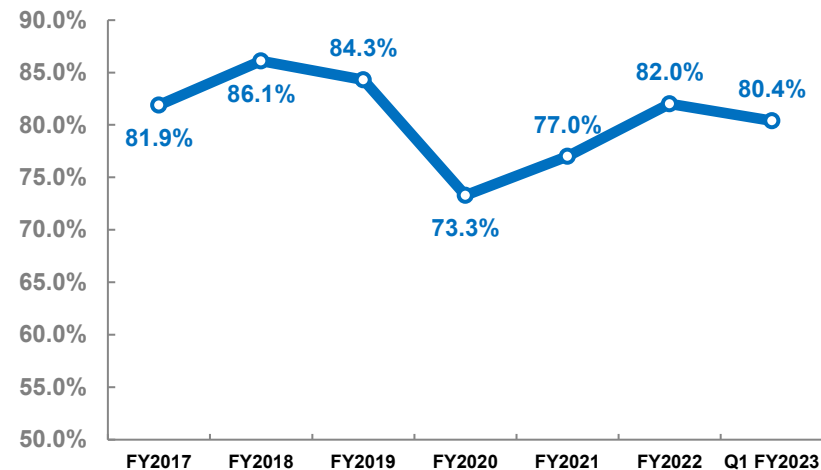
Sales breakdown by region



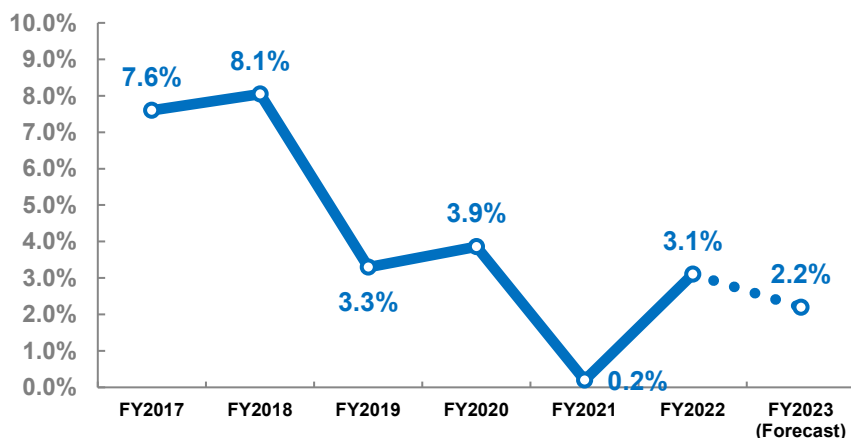
Interest-bearing debt, cash equivalents short-term investment securities, etc.



Shareholders' Equity Ratio

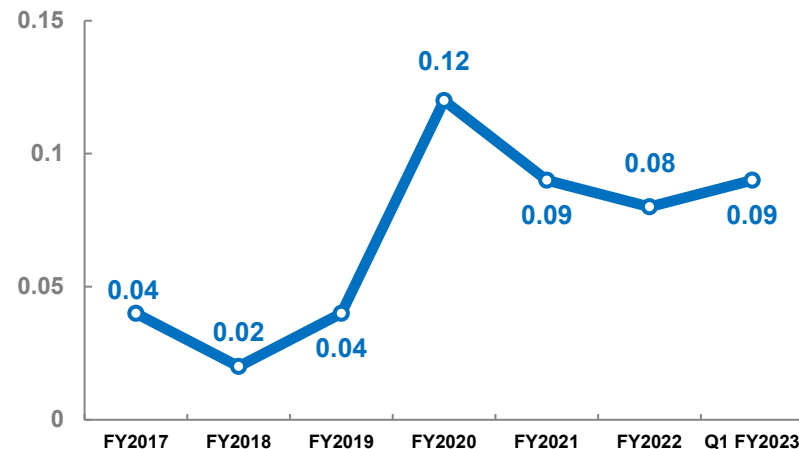


ROE



- Calculations are based on the assumption that the third-party allotment of new shares conducted in FY2017 was conducted from prior periods.

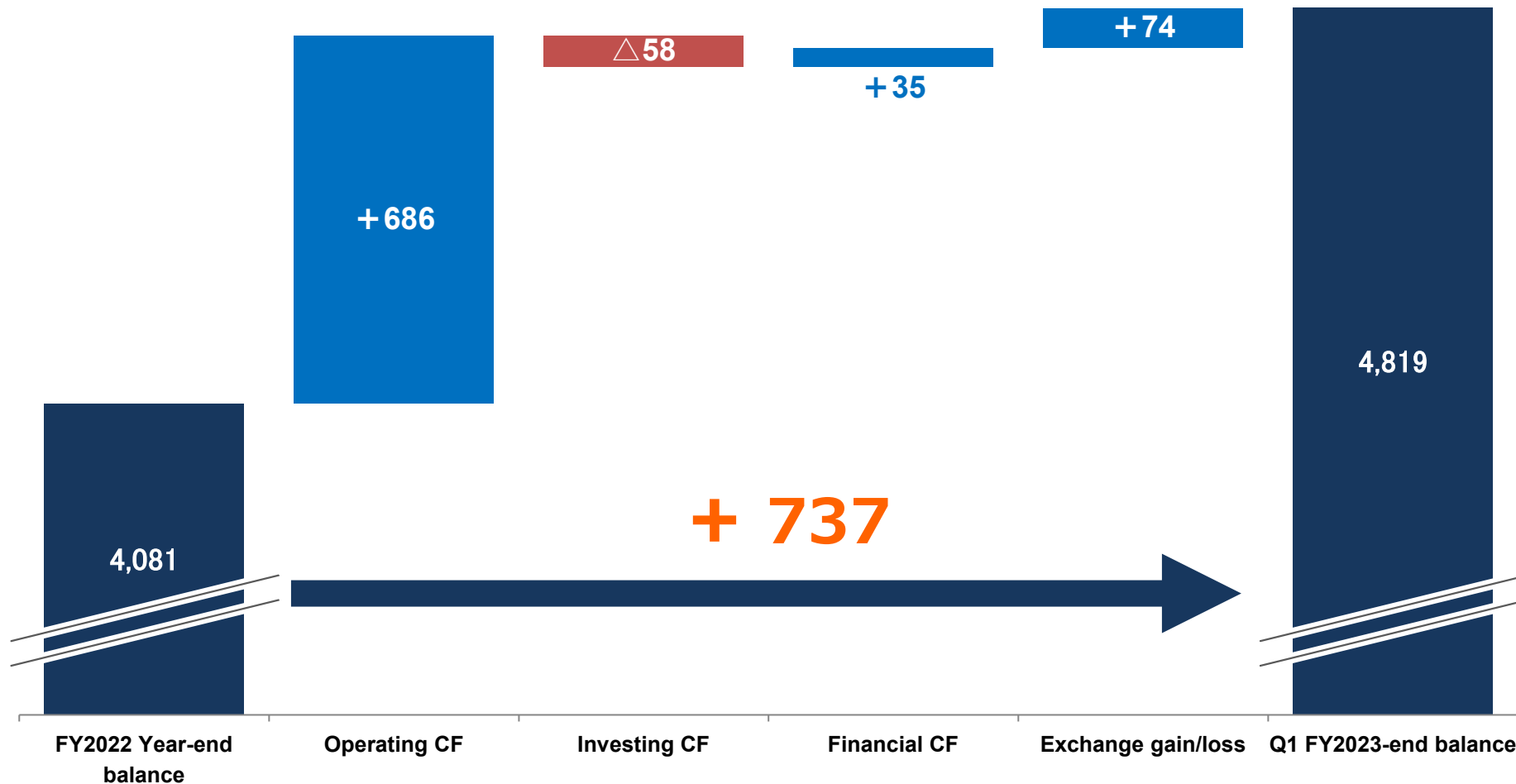
D/E Ratio



- Calculations are based on the assumption that the third-party allotment of new shares conducted in FY2017 was conducted from prior periods.

Changes in Cash Balance

(million yen)



*For long-term deposits with maturities of less than one year (¥32 million at the end of FY2022 and ¥32 million at the end of Q1 FY2023), 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 (Apr to Jun 2023)

(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 | ¥4,100 | 64% | ¥3,100 | 55% | ¥1,000 | - | - | - | - | - | - | - |
| USD | \$14.2 | 31% | \$15.4 | 37% | \$-1.2 | ¥137.4 | ¥123.63 | ¥-13.74 | ¥16.48 | ¥151.11 | ¥13.74 | ¥-16.48 |
| EUR | €1.6 | 4% | €1.2 | 3% | €0.4 | ¥149.5 | ¥134.53 | ¥-14.95 | ¥-5.98 | ¥164.43 | ¥14.95 | ¥5.98 |
| PHP | PP0.7 | 0% | PP100.4 | 4% | PP-99.7 | ¥2.5 | ¥2.22 | ¥-0.25 | ¥24.63 | ¥2.72 | ¥0.25 | ¥-24.63 |
| THB | ฿19.20 | 1% | ฿8.80 | 1% | ฿10.40 | ¥4.0 | ¥3.59 | ¥-0.40 | ¥-4.15 | ¥4.39 | ¥0.40 | ¥4.15 |
| VND | 0.00 đ | 0% | 45.10 đ | 0% | -45.10 đ | ¥0.006 | ¥0.01 | ¥-0.00 | ¥0.03 | ¥0.01 | ¥0.00 | ¥-0.03 |
| Total | - | 100% | - | 100% | - | - | - | - | ¥31.01 | - | - | ¥-31.01 |

Variation in Marginal Profit Ratio

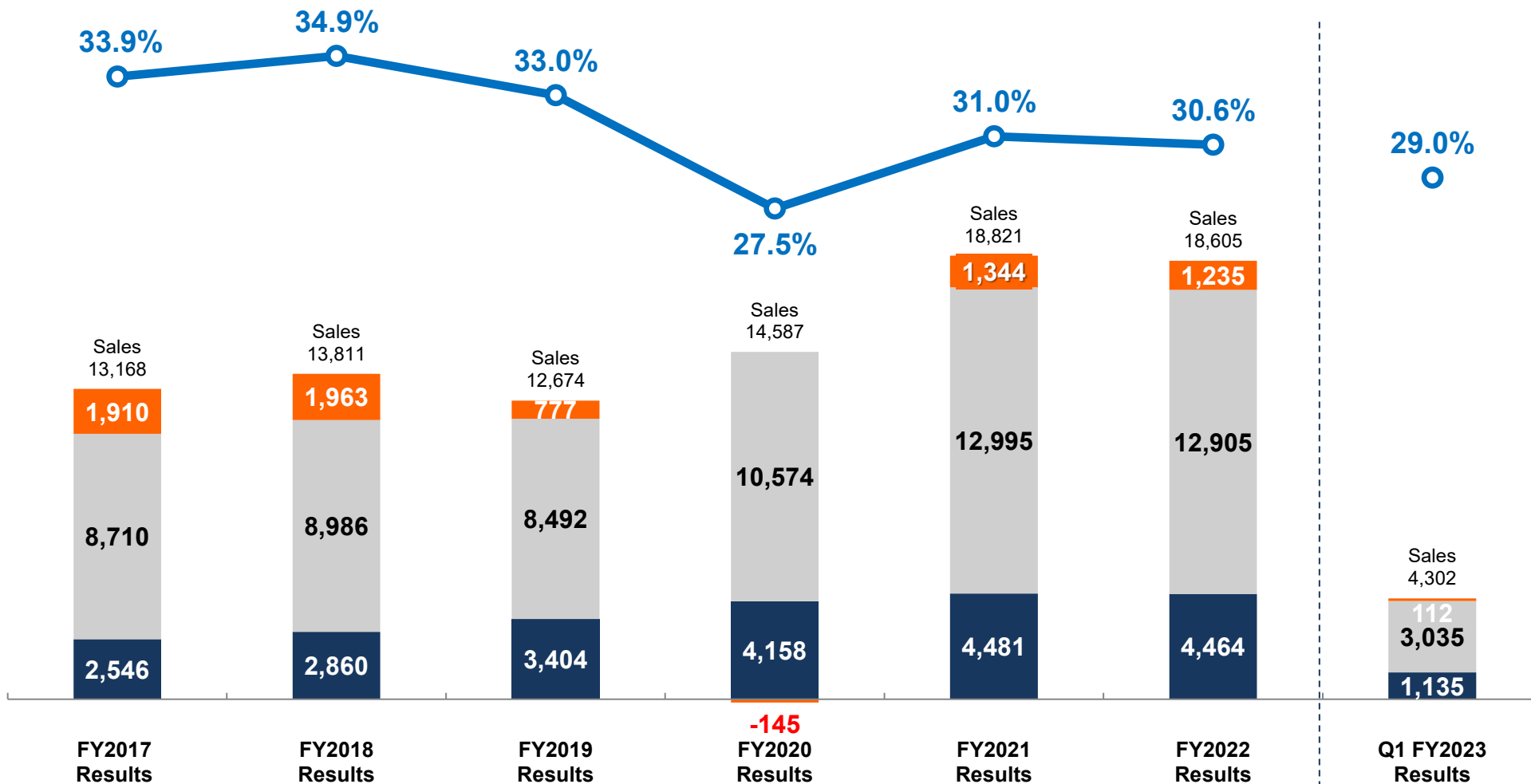
(million yen)

■ Fixed cost

■ Variable cost

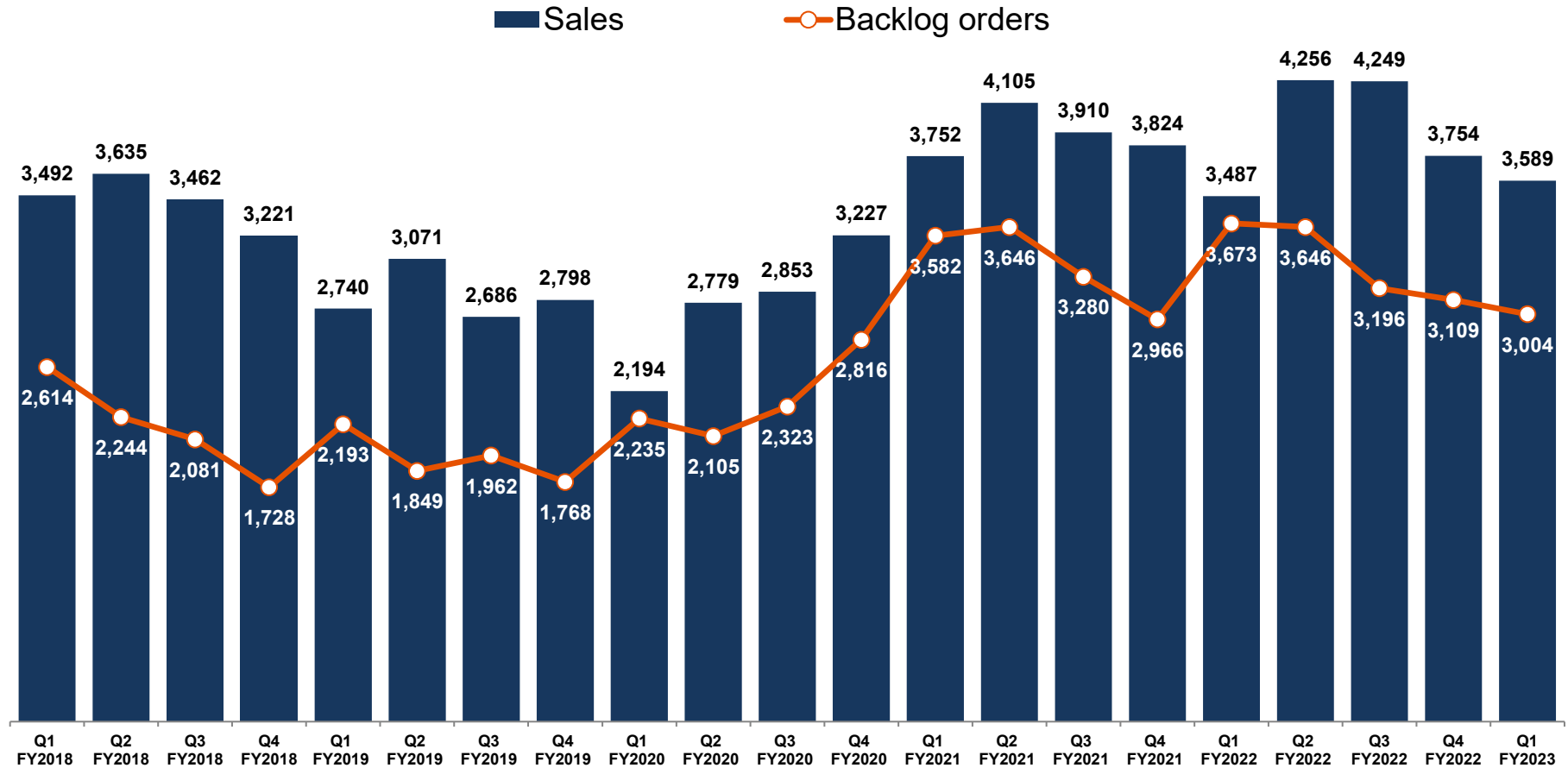
■ Operating income

○ Marginal profit ratio



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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