

Financial Results for the Third Quarter of the Fiscal Year Ended March 31, 2024

YAMASHIN-FILTER CORP.

February 5, 2024

- Although the growth of the construction machinery market remained strong mainly in North America, the sales decreased due to the impact of COVID-19 recovery demand in the previous fiscal year. 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 firm



Demand continues to be sluggish

Logistics costs and raw material prices

Energy cost

Price jump

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 Performance for Q3 FY2023

Consolidated sales: 13,307 million yen
YoY: **5.7% decrease in sales**

Consolidated operating income: 938 million yen
YoY: **12.1% decrease in profit**
***Shareholders' equity ratio: 81.2%**

Construction machinery filter

Sales decreased 6.8% YoY to 11,325 million yen

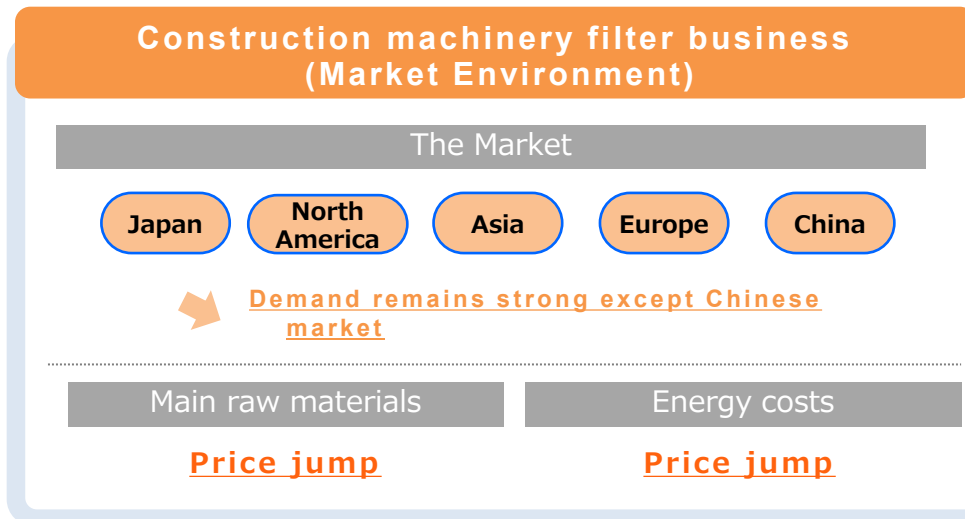
The main markets except China, operating hours and demand for new construction equipment remain strong. The sales decreased due to the impact of COVID-19 recovery demand in the previous fiscal year.

Air filter

Sales increased 0.8% YoY to 1,982 million yen

Increased demand for replacement filters for building HVAC

- Compared to the previously announced forecast, sales are expected to increase from the fourth quarter onward supported by firm demand in markets other than the Chinese market. Profit is expected to increase due to price pass-through and cost reduction activities, and an upward revision has been made



Business Performance for FY2023

Consolidated sales: 17,410 million yen
Change from previous announcement: 0.1% increase in sales

Consolidated operating income: 1,090 million yen
Change from previous announcement: 32.9% increase in profit
 Note: EPS 10.7 (+3.4), ROE 3.6% (+1.1 Pt)

Construction machinery filter	Change from previous announcement: Sales decreased by 0.1%, 14,730 million yen	Uncertainty in external environment including Russia and the Middle East; demand for construction equipment on a downward trend. Sales are expected to increase due to price pass-through and cost improvement
Air filter	Change from previous announcement: 2,680 million yen	Unchanged since previous announcement

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Business Performance Results for Q3 FY2023 and Full-Year Forecasts for FY2023 (Ending March 31, 2024)

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Market Conditions

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I BUSINESS PERFORMANCE RESULTS FOR Q3 FY2023 AND FULL-YEAR FORECASTS FOR FY2023 (ENDING MARCH 31, 2024)

Business Performance Results for Q3 FY2023 (October to December 2023)

Q3 FY2023 Financial Results (Oct to Dec 2023)

(million yen)		Q3 FY2022 Results	Q3 FY2023 Results	Difference	
		Amount	Amount	Amount	%
Net sales		4,995	4,598	△397	△7.9%
	Construction machinery filters*	4,298	3,914	△383	△8.9%
	Air filters	697	683	△13	△1.9%
Operating income (segment income)		546	517	△28	△5.2%
	Construction machinery filters	506	485	△21	△4.2%
	Air filters	40	32	△7	△17.9%
Operating income margin		10.9%	11.3%	0.3Pt	
Ordinary profit		380	523	142	37.6%
Ordinary profit margin		7.6%	11.4%	3.8Pt	
Net income		275	411	136	49.6%
Net income margin		5.5%	9.0%	3.4Pt	
Exchange rates (Yen) (ave.)	USD	136.5	143.3	6.8	5.0%
	EUR	140.6	155.3	14.7	10.4%

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

(million yen)	FY2022	Q3 FY2023	Change (Amount)	Change (%)
Current assets	12,923	13,397	473	3.7%
Cash and deposits	4,113	5,039	925	22.5%
Notes and accounts receivable-trade	4,446	4,549	102	2.3%
Merchandise and finished goods, Raw materials and Supplies	4,141	3,582	△ 558	-13.5%
Other	221	225	4	2.0%
Fixed assets	12,658	12,500	△ 157	-1.2%
Tangible fixed assets	11,683	11,439	△ 243	-2.1%
Intangible fixed assets	172	205	32	18.9%
Investments and other assets	801	855	53	6.7%
Total assets	25,581	25,897	316	1.2%

	FY2022	Q3 FY2023	Change (Amount)	Change (%)
Current liabilities	3,343	3,911	568	17.0%
Notes and accounts payable-trade	1,453	1,612	159	10.9%
Corporate bonds payable within one year and short-term loans payable	683	1,203	520	76.1%
Other	1,206	1,096	△ 110	-9.1%
Fixed liabilities	1,260	962	△ 298	-23.7%
Corporate bonds and long-term debt	722	420	△ 302	-41.8%
Net defined benefits Liability	257	281	23	9.3%
Other	280	260	△ 19	-7.0%
Total net assets	20,977	21,023	45	0.2%
Total of liabilities and net assets	25,581	25,897	316	1.2%
*Shareholders' equity ratio	82.0%	81.2%		

Sales by Product Category (Oct to Dec 2023)

(million yen)	Q3 FY2022 Results	Q3 FY2023 Results	Difference	
	Amount	Amount	Amount	%
Construction machinery filters	3,881	3,561	△320	△8.2%
Line parts	1,562	1,386	△176	△11.3%
Service parts	2,318	2,174	△144	△6.2%
Industrial filters	187	164	△22	△11.9%
Process filters	229	188	△41	△18.0%
Subtotal (Construction machinery filters, etc.)	4,298	3,914	△383	△8.9%
Air filters	697	683	△13	△1.9%
Total	4,995	4,598	△397	△7.9%

Sales by Region (Oct to Dec 2023)

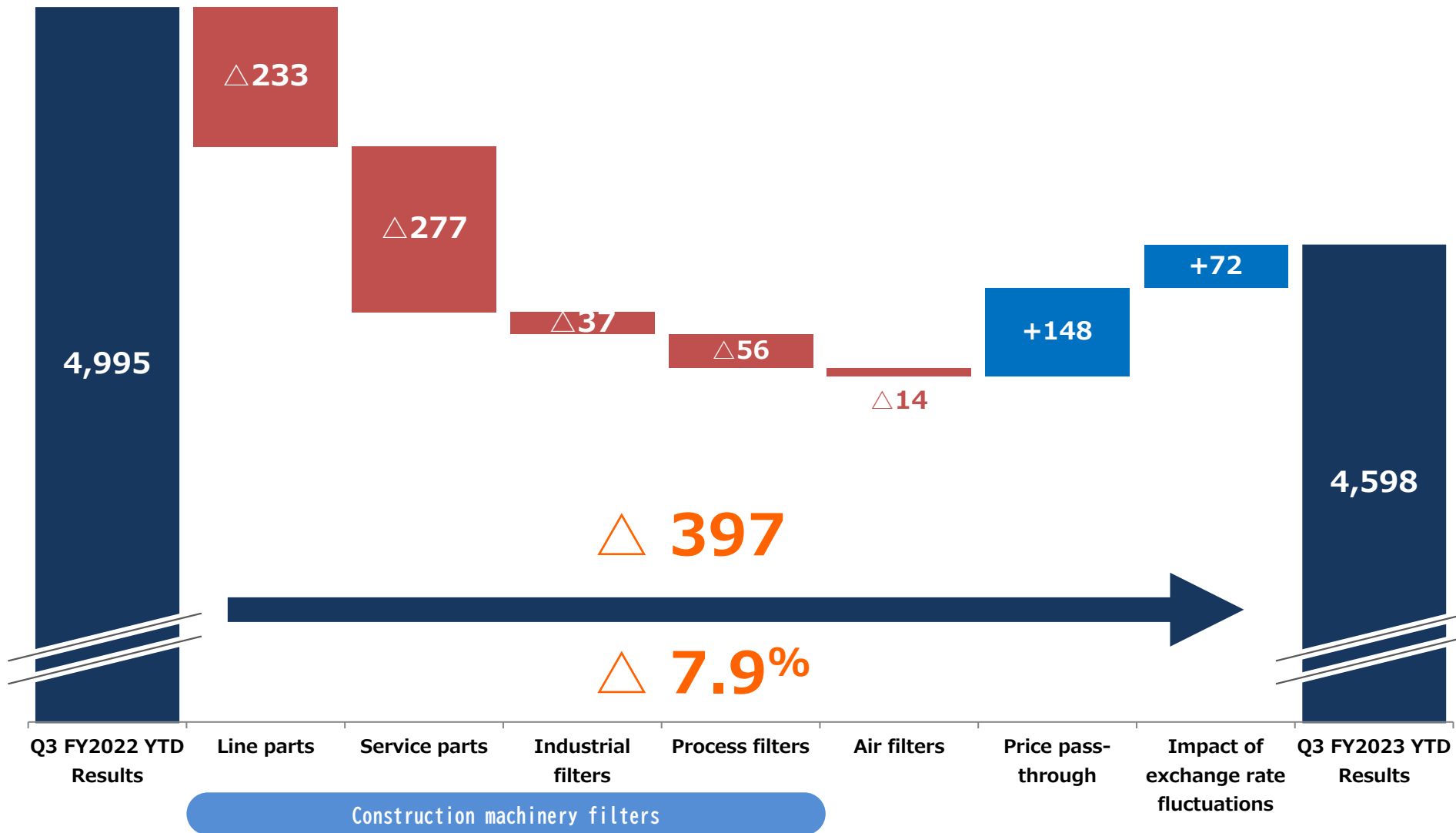
(million yen)	Q3 FY2022 Results		Q3 FY2023 Results		Difference	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters*	4,298	86.0%	3,914	85.1%	△383	△8.9%
Japan	2,168	43.4%	1,845	40.1%	△322	△14.9%
North America	831	16.6%	922	20.1%	90	10.9%
China	336	6.7%	246	5.4%	△90	△26.9%
Other Asian countries	532	10.7%	419	9.1%	△113	△21.2%
Europe	426	8.5%	480	10.5%	54	12.7%
Others (Middle East, etc.)	2	0.0%	0	0.0%	△1	△81.5%
Air filters (Japan)	697	14.0%	683	14.9%	△13	△1.9%
Total sales	4,995	100.0%	4,598	100.0%	△397	△7.9%

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

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

Changes in Sales (Oct to Dec 2023)

(million yen)



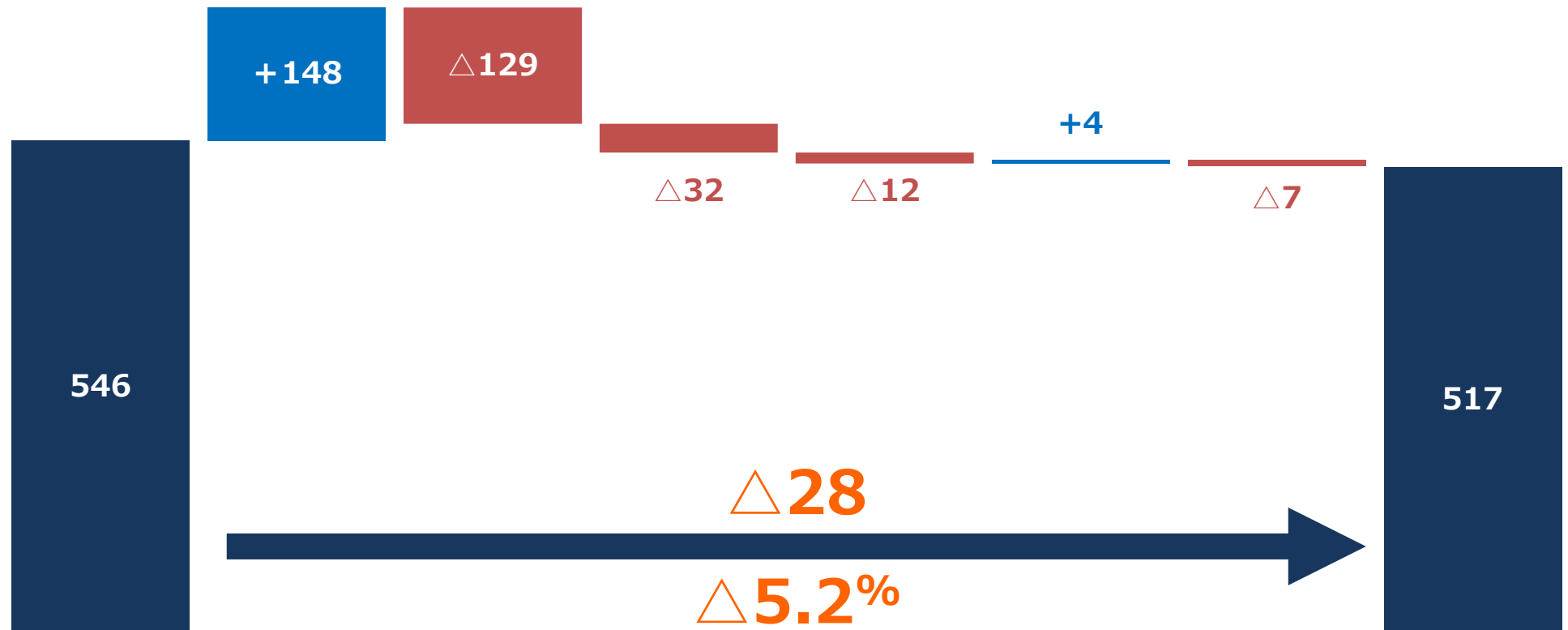
*The "Industrial" segment includes the Healthcare product line.

Changes in Operating Income (Oct to Dec 2023)

(million yen)

Operating income margin
10.9%

Operating income margin
11.3%



Q3 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 increase in personnel cost

[Construction machinery]
Decrease in profit due to increase in expenses

[Construction machinery]
Increase in profit due to exchange impact

[Air filters]
Decrease in profit due to reduction in sales

Q3 FY2023 Results

Business Performance Results for FY2023 YTD (April to December 2023)

FY2023 YTD Financial Results (Apr to Dec)

		Q3 FY2022 YTD Results	Q3 FY2023 YTD Results	Difference	
		Amount	Amount	Amount	%
Net sales		14,118	13,307	△810	△5.7%
	Construction machinery filters*	12,151	11,325	△826	△6.8%
	Air filters	1,967	1,982	15	0.8%
Operating income (segment income)		1,067	938	△128	△12.1%
	Construction machinery filters	1,022	866	△156	△15.3%
	Air filters	44	72	27	61.5%
Operating income margin		7.6%	7.1%	△0.5Pt	
	Ordinary profit	839	941	102	12.2%
Ordinary profit margin		5.9%	7.1%	1.1Pt	
	Net income	546	637	91	16.7%
Net income margin		3.9%	4.8%	0.9Pt	
Exchange rates (Yen) (ave.)	USD	136.5	143.3	6.8	5.0%
	EUR	140.6	155.3	14.7	10.4%

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

FY2023 YTD Sales by Product Category (Apr to Dec)

	Q3 FY2022 YTD Results	Q3 FY2023 YTD Results	Difference	
	Amount	Amount	Amount	%
Construction machinery filters	10,913	10,300	△613	△5.6%
Line parts	4,326	4,356	30	0.7%
Service parts	6,587	5,943	△643	△9.8%
Industrial filters	570	477	△93	△16.3%
Process filters	667	546	△120	△18.0%
Subtotal (Construction machinery filters, etc.*)	12,151	11,325	△826	△6.8%
Air filters	1,967	1,982	15	0.8%
Total	14,118	13,307	△810	△5.7%

FY2023 YTD Sales by Region (Apr to Dec)

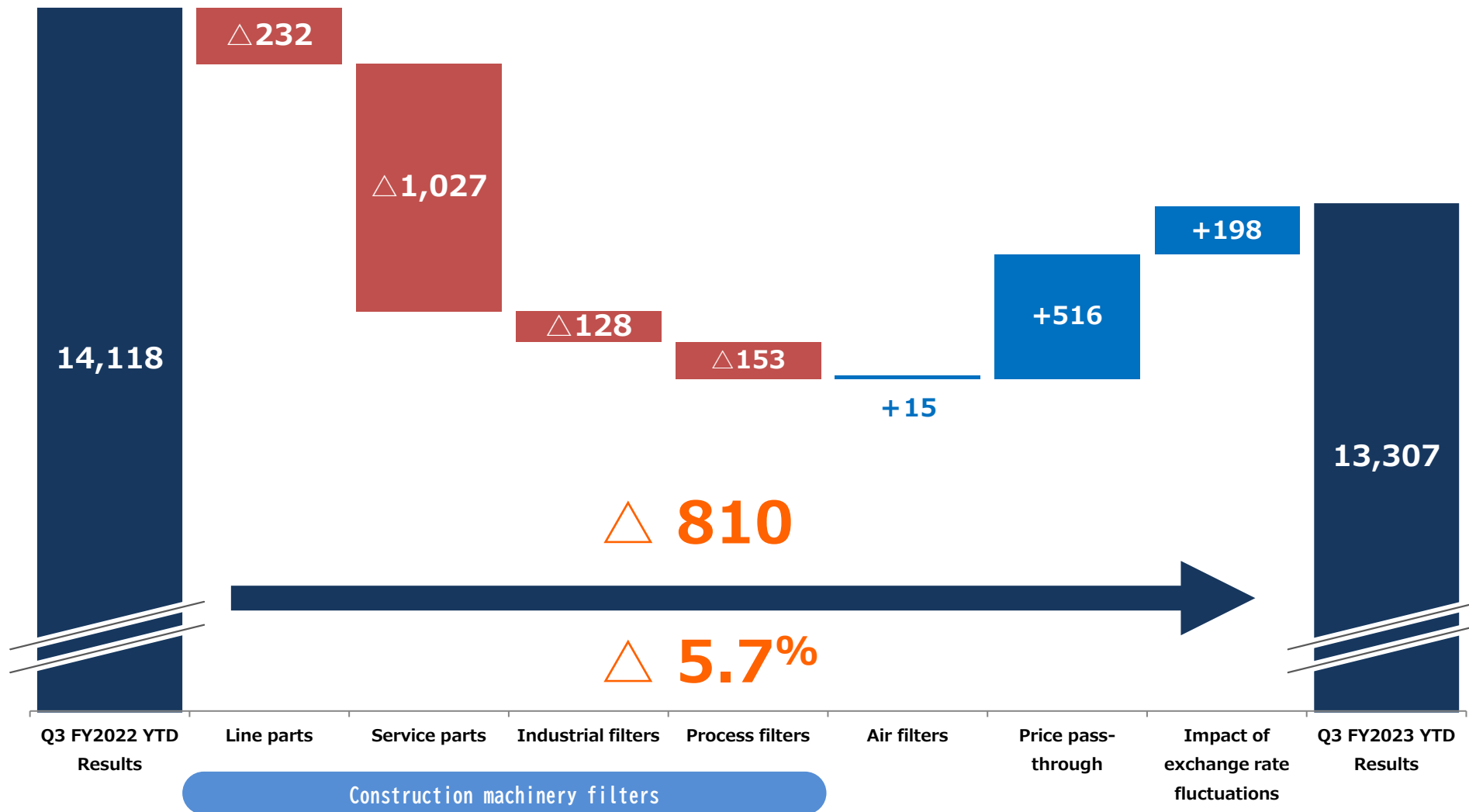
	Q3 FY2022 YTD Results		Q3 FY2023 YTD Results		Difference	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters*	12,151	86.1%	11,325	85.1%	△826	△6.8%
Japan	6,132	43.4%	5,248	39.4%	△883	△14.4%
North America	2,472	17.5%	2,212	16.6%	△259	△10.5%
China	961	6.8%	921	6.9%	△40	△4.2%
Other Asian countries	1,275	9.0%	1,530	11.5%	254	19.9%
Europe	1,302	9.2%	1,410	10.6%	108	8.3%
Others (Middle East, etc.)	6	0.0%	1	0.0%	△5	△80.5%
Air filters (Japan)	1,967	13.9%	1,982	14.9%	15	0.8%
Total sales	14,118	100.0%	13,307	100.0%	△810	△5.7%

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

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

Changes in Sales (Apr to Dec 2023)

(million yen)



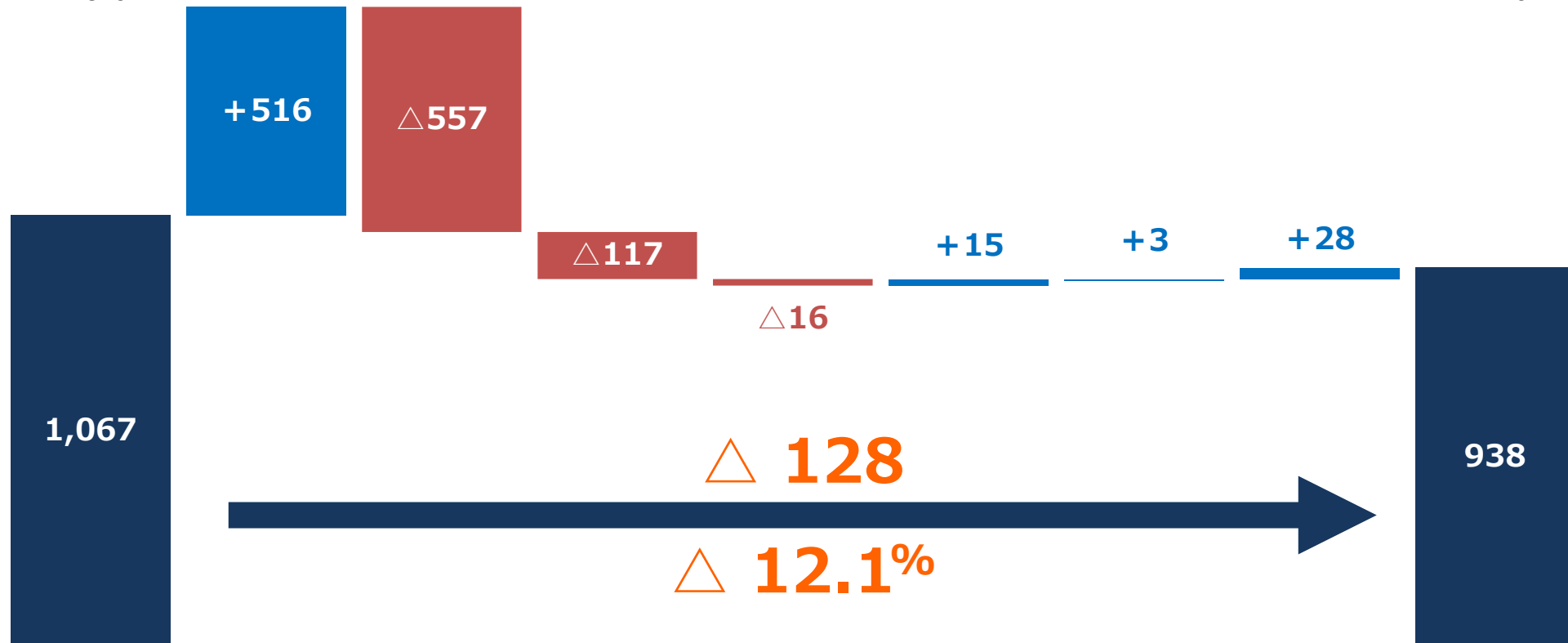
*The "Industrial" segment includes the Healthcare product line.

Changes in Operating Income (Apr to Dec 2023)

(million yen)

Operating income margin
7.6%

Operating income margin
7.1%



Q3 FY2022 YTD 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 increase in personnel cost

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

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

[Construction machinery]
Increase in profit due to exchange impact

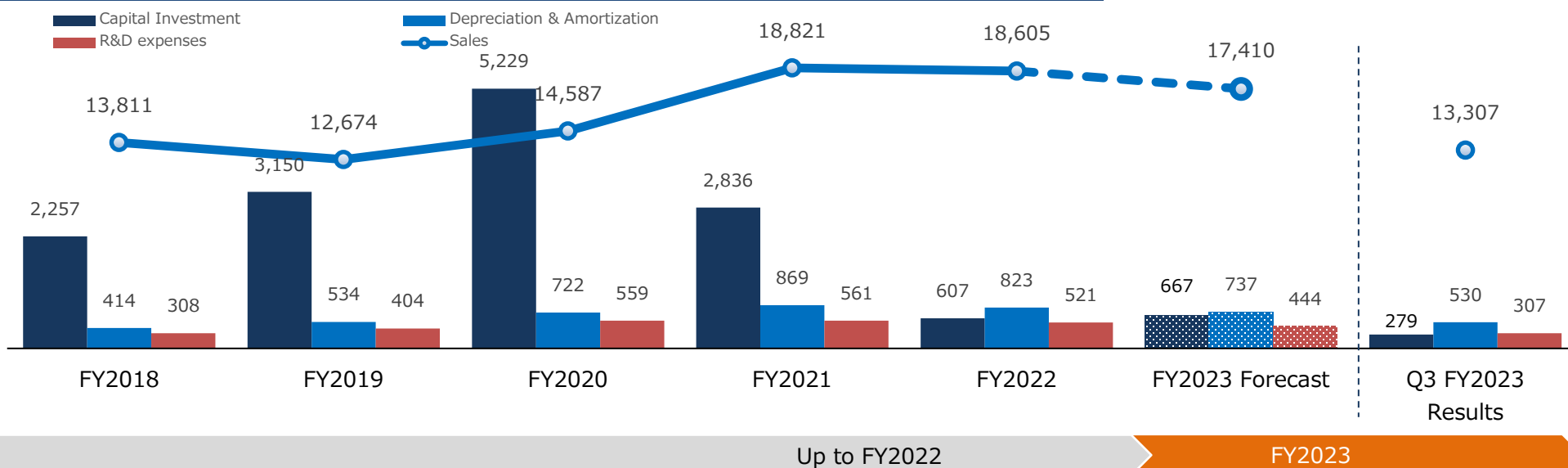
[Air filters]
Increase in profit due to profitability improvement

Q3 FY2023 YTD Results

Capital Investment, Depreciation & Amortization and R&D Expenses

(million yen)	FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Forecast	FY2023 Q3 Results
Net sales	13,811	12,674	14,587	18,821	18,605	17,410	13,307
Capital investment	2,257	3,150	5,229	2,836	607	667	279
Land and building	1,587	2,682	3,193	1,488	34	23	13
Facilities and others	669	467	2,036	1,347	573	644	265
Expense to sales ratio	16.3%	24.9%	35.9%	15.1%	3.3%	3.8%	2.1%
Depreciation and amortization	414	534	722	869	823	737	530
Expense to sales ratio	3.0%	4.2%	5.0%	4.6%	4.4%	4.2%	4.0%
R&D expenses	308	404	559	561	521	444	307
Expense to sales ratio	2.2%	3.2%	3.8%	3.0%	2.8%	2.6%	2.3%

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

PAC23



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ctivated



ost reduction

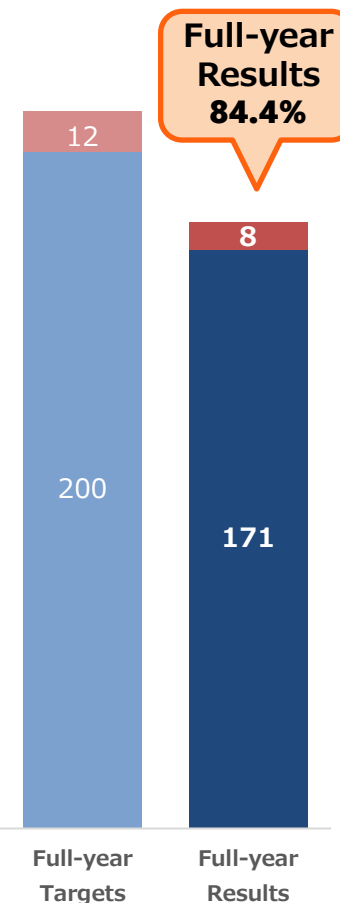
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Reduction Targets and Results

(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	55	54	64	44		200	171
	SG & A	3	2	3	2	3	2	3		12	8
Total		49	54	57	58	57		48		212	179

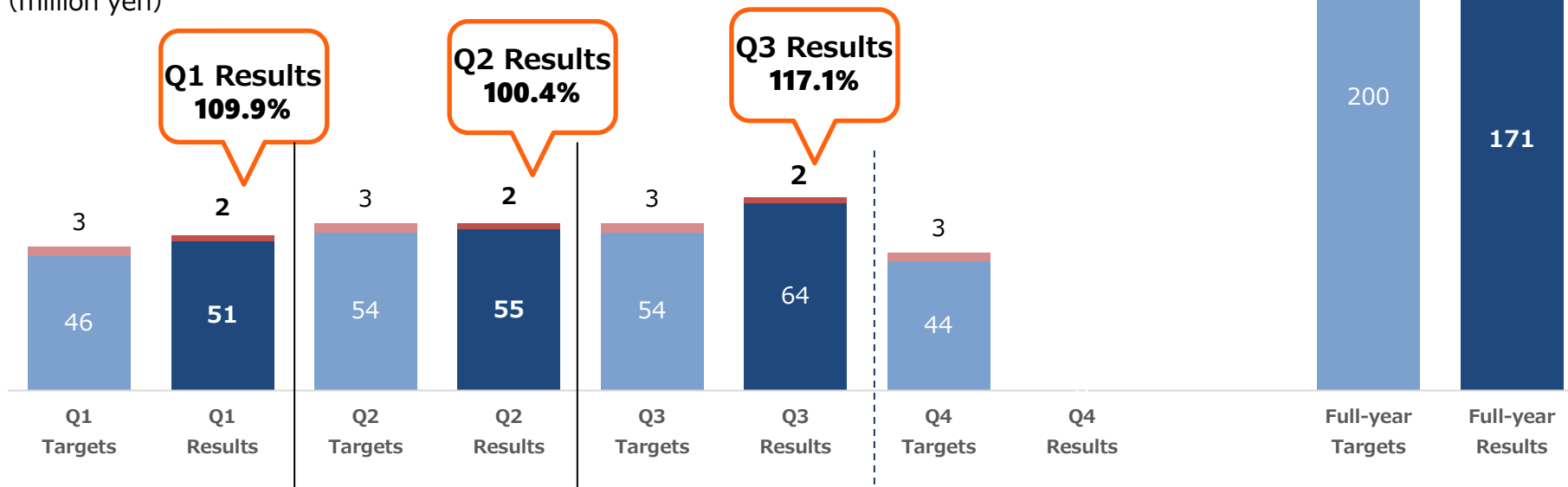


Progress

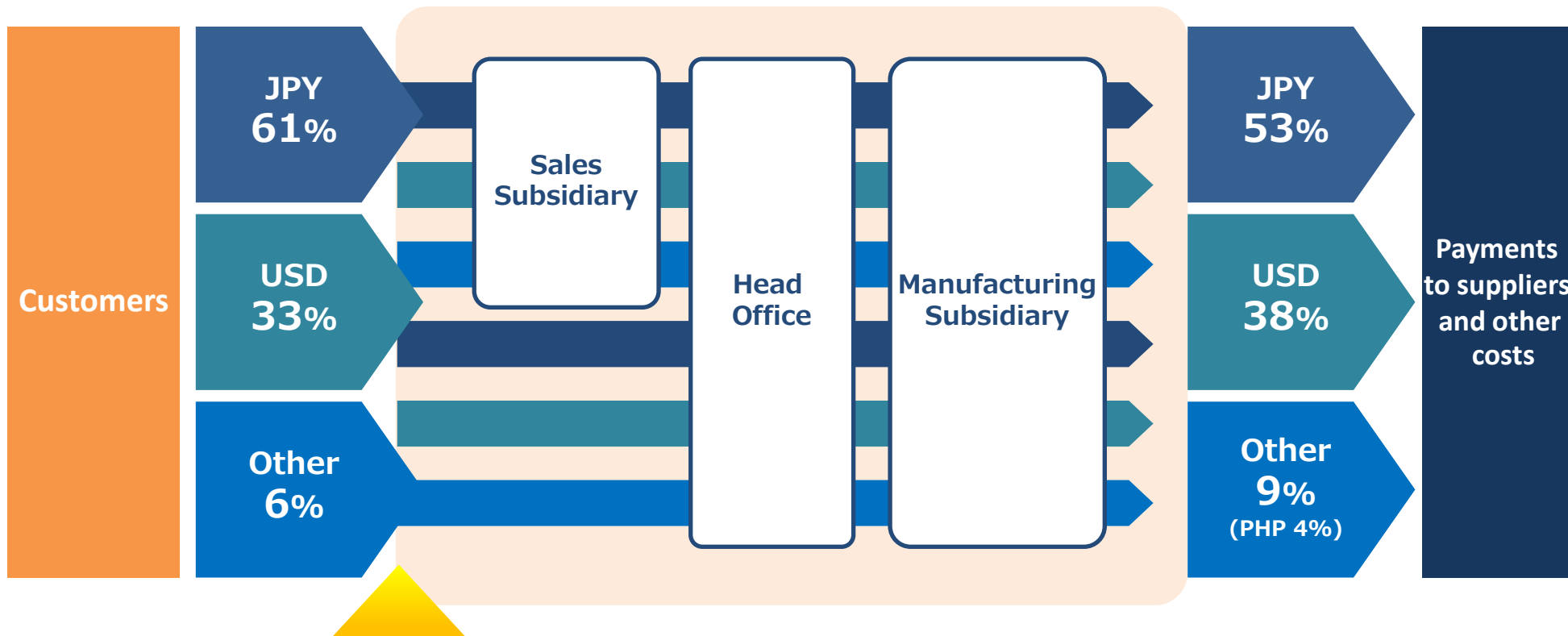
(million yen)

■ Mfg. Costs

■ SG & A



Positive impact on operating income of approx. 3 million yen due to the ongoing depreciation of the EUR/JPY and increase in USD-denominated sales in Southeast Asia region



60% of transaction currency is JPY.

- If the exchange rate were to depreciate by 1-yen, the impact on operating income would be minor (April to December 2023)
- Strengthening of operational hedge-marry and netting

- MAVY's" is the most important management indicator for determining the sustainable growth of our corporate value
- Set "MAVY's Spread" target and strive for long-term sustainable growth by optimizing cost of capital (WACC) and maximizing earning power (ROIC)

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 MAVY's Spread

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

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

- Steady improvement in MAVY'S spread due to ROIC improvement (profitability); aiming PBR improvement by disclosing of mid-term growth strategy

Key Goal Indicator (KGI)	Key Performance Indicator (KPI)	Key Success Factor (CFS)	Relevant Departments	Targets for FY2023 (Action plan)	FY2023 Progress																																																		
MAVY's Prv: -4.4% Cur: -3.7%	Operating income Prv: 6.6% Cur: 6.3%	Gross profit ratio Prv: 39.3% Cur: 41.5%	Sales growth ratio Prv: -1.1% Cur: -6.4%	New product development Enhance market share of genuine products	Sales / R&D	<ul style="list-style-type: none"> Promoting price pass-through 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 	<ul style="list-style-type: none"> Continued price pass-through negotiations with customers 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) 																																																
								SG&A ratio Prv: 32.7% Cur: 35.2%	Cost to sales ratio Prv: 60.7% Cur: 58.5%	Enhance buying power Improve yield ratio	Production	<ul style="list-style-type: none"> PAC23 Reform and improve purchasing power and reduce logistics costs Improve production management 	<ul style="list-style-type: none"> Revised supplier evaluation standards and completed the consolidation process Reduced procurement costs through joint procurement with AQC Improved yields through planned service and maintenance, progress in manufacturing cost reduction measures 																																										
														Personnel cost ratio Prv: 14.7% Cur: 17.7%	Depreciation cost ratio Prv: 4.4% Cur: 4.2%	Investment plan	Management Planning / Finance and Accounting	<ul style="list-style-type: none"> M&A (for revenue expansion stabilizing management) Research potential M&A targets Acquire nonwoven fabrics manufacturing entities (downstream) Acquire new material development entities (upstream) 	<ul style="list-style-type: none"> Exploring opportunities and gathering data for M&A (domestic and overseas), enhanced communication (through conference calls) with possible M&A target companies 																																				
																				Accounts receivable turnover rate Prv: 4.1 Cur: 3.9	R&D cost ratio Prv: 2.8% Cur: 2.6%	Narrowing down themes Prioritization	R&D	<ul style="list-style-type: none"> Develop new materials (Recycling, Biomass, etc.) Actions to achieve IoT Develop aeration and other technologies Cost reduction from the development stage 	<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 Implementation of VA/VE activities by Cost Planning Committee 																														
																										Inventory turnover rate Prv: 4.2 Cur: 4.5	Operating capital turnover rate Prv: 2.7 Cur: 2.6	Optimal staffing	HR and General Affairs	<ul style="list-style-type: none"> Establish and implement the talent management system 	<ul style="list-style-type: none"> Efforts to identify the next generation of management talent Increased R&D staff for product development Hired specialist staff members to assist in company reorganization and growth 																								
																																Accounts payable turnover rate Prv: 5.4 Cur: 6.6	Accounts receivable turnover rate Prv: 4.1 Cur: 3.9	Credit management	Sales / Finance and Accounting	<ul style="list-style-type: none"> Further optimize AR debt collection Promote paperless systems 	<ul style="list-style-type: none"> Streamlined and optimized AR debt collection for improving working capital 																		
																																						Intangible fixed asset turnover rate Prv: 90.8 Cur: 92.0	Inventory turnover rate Prv: 4.2 Cur: 4.5	Set appropriate inventory level	Production / Sales	<ul style="list-style-type: none"> Reduce company-wide inventory assets 	<ul style="list-style-type: none"> Determined suitable inventory levels based on pareto analysis; currently implementing inventory reduction plans 												
																																												FA turnover rate Prv: 1.5 Cur: 1.4	Investment capital turnover rate Prv: 0.8 Cur: 0.8	Debt management	Production	<ul style="list-style-type: none"> Improve working capital Promote paperless systems 	<ul style="list-style-type: none"> Optimized AP debt turnover ratio for improving working capital 						
																																																		ROIC Prv: 3.1% Cur: 3.8%	Operating capital turnover rate Prv: 2.7 Cur: 2.6	Inventory turnover rate Prv: 4.2 Cur: 4.5	Set appropriate inventory level	<ul style="list-style-type: none"> Reduce company-wide inventory assets 	<ul style="list-style-type: none"> Determined suitable inventory levels based on pareto analysis; currently implementing inventory reduction plans
ROE Prv: 3.1% Cur: 3.6%	Intangible fixed asset turnover rate Prv: 90.8 Cur: 92.0	Investment plan	Management Planning / Finance and Accounting	<ul style="list-style-type: none"> Formulate IP strategies and action plans 	<ul style="list-style-type: none"> Established strategies, devised action plans, and enhanced training for targeted group, stakeholders Actively applied for patents in Chinese market 																																																		
						PBR Prv: 1.16 Cur: 1.27	Tangible fixed asset turnover rate Prv: 1.6 Cur: 1.5	Facilities planning (R&D, production)	Management Planning Administration / Production / R&D	<ul style="list-style-type: none"> Optimize investment recovery effect (Return on Investment) 	<ul style="list-style-type: none"> Prioritized R&D and capital investments by analyzing the validity of investment return period 																																												

*KPI figures are based on the following.
 Prv : Full-year results for FY2022
 Cur : Revised budgets for FY2023 (disclosed on 2024/2/5)

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

Construction machinery filters

- Uncertainty continues in foreign affairs, including the situation in Russia and the Middle East, and demand for construction equipment is expected to decline in the fourth quarter onward
- Prices will continue to rise for key raw materials, particularly aluminum and steel
- 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

- Demand for replacement of existing products remains steady
- Progress in efforts to adopt our products in office buildings, commercial facilities, factories, etc. through development of high-value-added products such as nanofiber air filters
- Expect to improve profitability by increasing production efficiency and further price pass-through

(million yen)		FY2021	FY2022	FY2023	Difference from 2023/11/6
		Results	Revised Budget on 2023/11/6	Revised Budget on 2024/2/5	
Net sales		18,605	17,390	17,410	20
	Construction machinery filters*	15,945	14,710	14,730	20
	Air filters	2,659	2,680	2,680	—
Operating income (segment income)		1,235	820	1,090	270
	Construction machinery filters	1,150	730	1,000	270
	Air filters	84	90	90	—
Operating income margin		6.6%	4.7%	6.3%	1.5Pt
	Ordinary profit	915	860	1,130	270
Ordinary profit margin		4.9%	4.9%	6.5%	1.5Pt
	Net income	645	520	760	240
Net income margin		3.5%	3.0%	4.4%	1.4Pt
Exchange rates (Yen) (ave.)	USD	135.5	145.0	145.0	—
	EUR	141.0	155.0	155.0	—

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

Sales Forecast by Product Category

(million yen)	FY2021 Results		FY2023 Revised Budget on 2023/11/6		FY2023 Revised Budget on 2024/2/5		Difference from 2023/11/6	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters	14,328	77.0%	13,390	77.0%	13,431	77.1%	41	0.3%
Line parts	5,911	31.8%	5,865	33.7%	5,806	33.4%	△58	△1.0%
Service parts	8,417	45.2%	7,525	43.3%	7,624	43.8%	99	1.3%
Industrial filters*	749	4.0%	640	3.7%	633	3.6%	△7	△1.2%
Process filters	867	4.7%	678	3.9%	665	3.8%	△13	△2.0%
Subtotal (Construction machinery filters)	15,945	85.7%	14,710	84.6%	14,730	84.6%	20	0.1%
Air filters	2,659	14.3%	2,680	15.4%	2,680	15.4%	–	–
Total	18,605	100.0%	17,390	100.0%	17,410	100.0%	20	0.1%

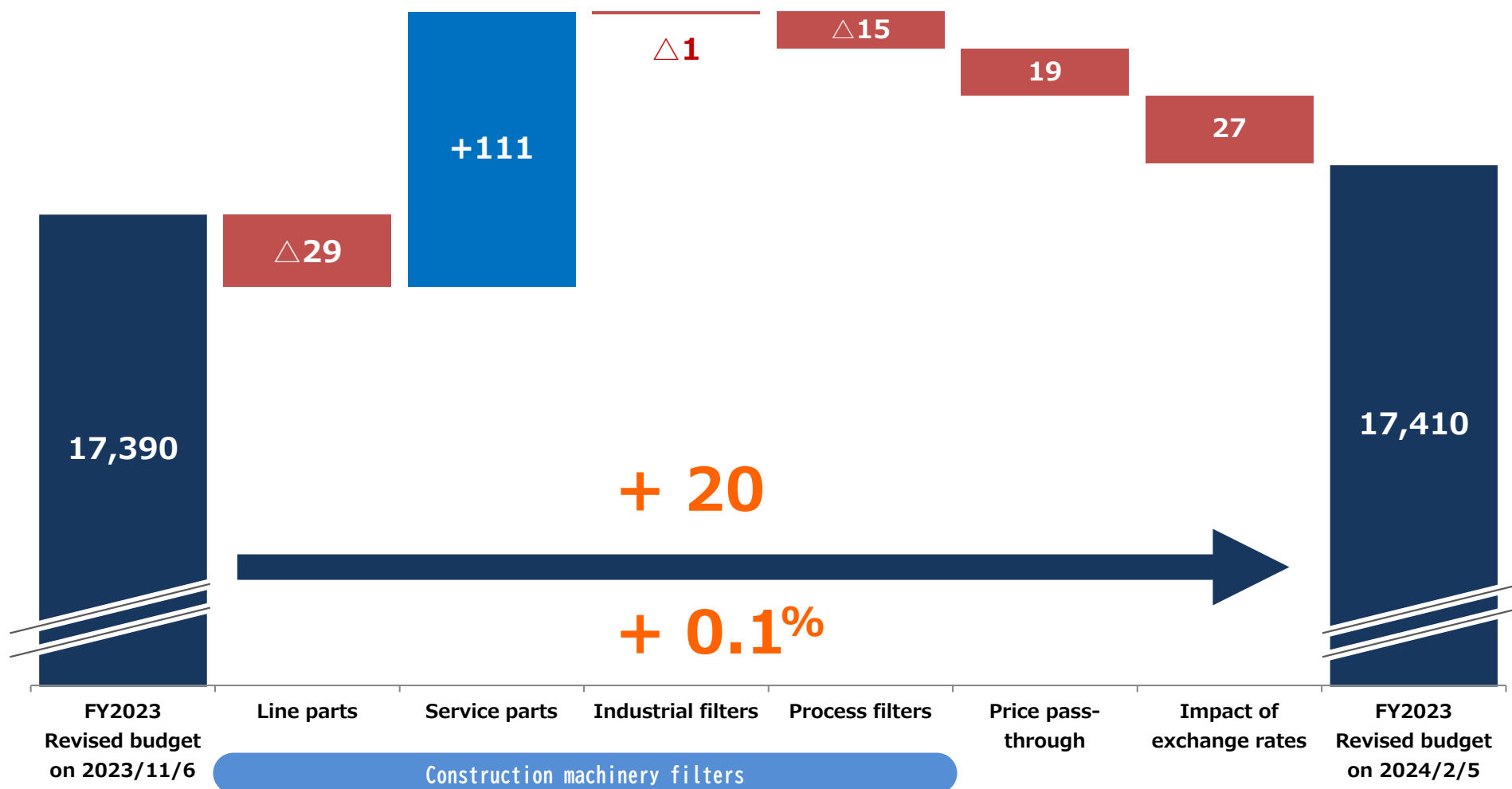
(million yen)	FY2022 Results		FY2023 Revised Budget on 2023/11/6		FY2023 Revised Budget on 2024/2/5		Difference from 2023/11/6	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	%
Construction machinery filters*	15,945	85.7%	14,710	84.6%	14,730	84.6%	20	0.1%
Japan	7,980	42.9%	6,887	39.6%	6,801	39.1%	△86	△1.2%
North America	3,150	16.9%	2,844	16.4%	2,966	17.0%	121	4.3%
China	1,380	7.4%	1,258	7.2%	1,240	7.1%	△18	△1.4%
Other Asian countries	1,698	9.1%	1,899	10.9%	1,905	10.9%	6	0.3%
Europe	1,729	9.3%	1,817	10.5%	1,813	10.4%	△3	△0.2%
Others (Middle East, etc.)	6	0.0%	2	0.0%	2	0.0%	0	△3.5%
Air filters (Japan)	2,659	14.3%	2,680	15.4%	2,680	15.4%	—	—
Total sales	18,605	100.0%	17,390	100.0%	17,410	100.0%	20	0.1%

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

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

FY2023 Forecasts: Changes in Sales (Compared to revised budget on 2023/11/6)

(million yen)



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

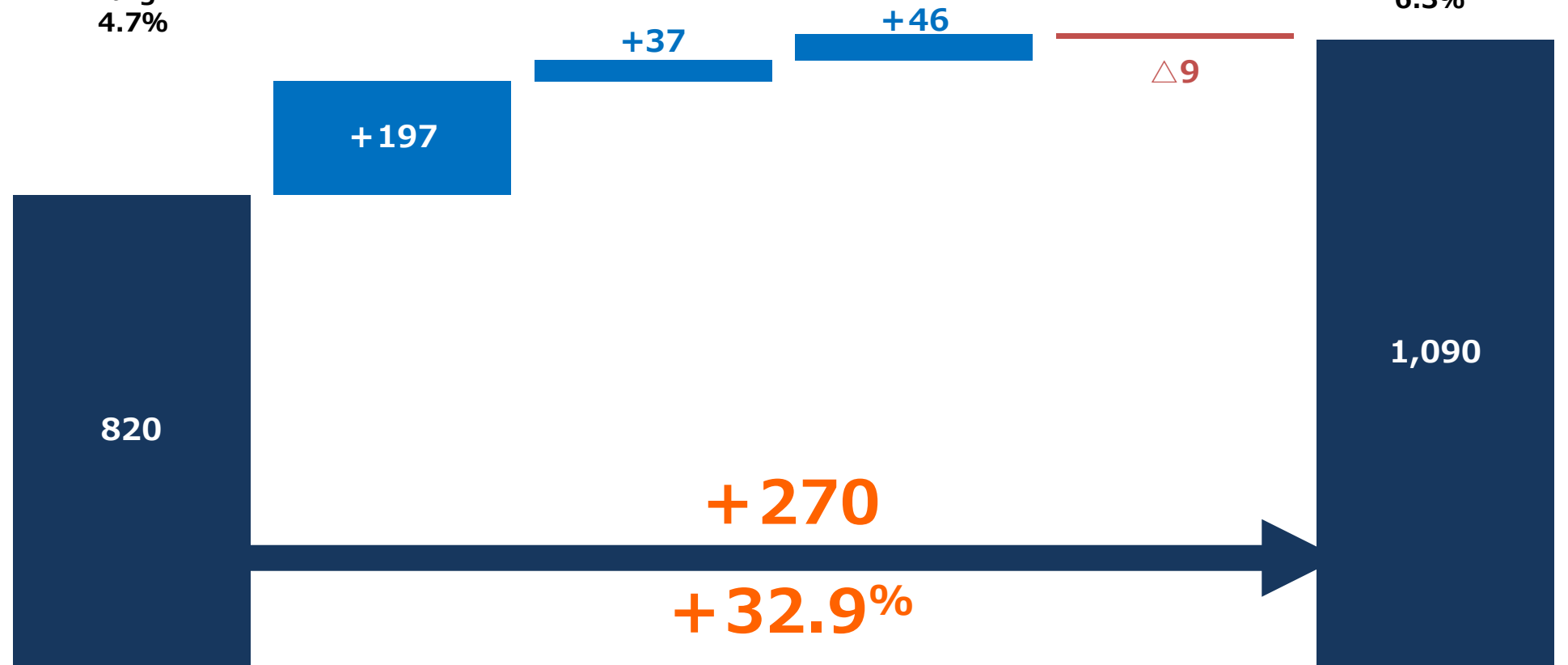
FY2023 Forecasts: Changes in Operating Income

(Compared to revised budget on 2023/11/6)

(million yen)

Operating income margin
4.7%

Operating income margin
6.3%



FY2023
Revised budget
on 2023/11/6

[Construction machinery]
Increased in profit
due to price pass-
through and cost
reduction

[Construction machinery]
Increased in profit
due to decrease in
marine freight cost

[Construction machinery]
Increased in profit
due to decrease in
expenses

[Construction machinery]
Decreased in profit
due to impact of
exchange rates

FY2023
Revised budget
on 2024/2/5

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%	2.0%
Total return ratio^{*2}	59.3%	960.4%	75.6%	126.5%

*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 attributable to shareholders of the parent company} × 100



II Market Conditions

Conditions in the Construction Machinery Market

Summary of External Conditions Impacting the Construction Machinery Market

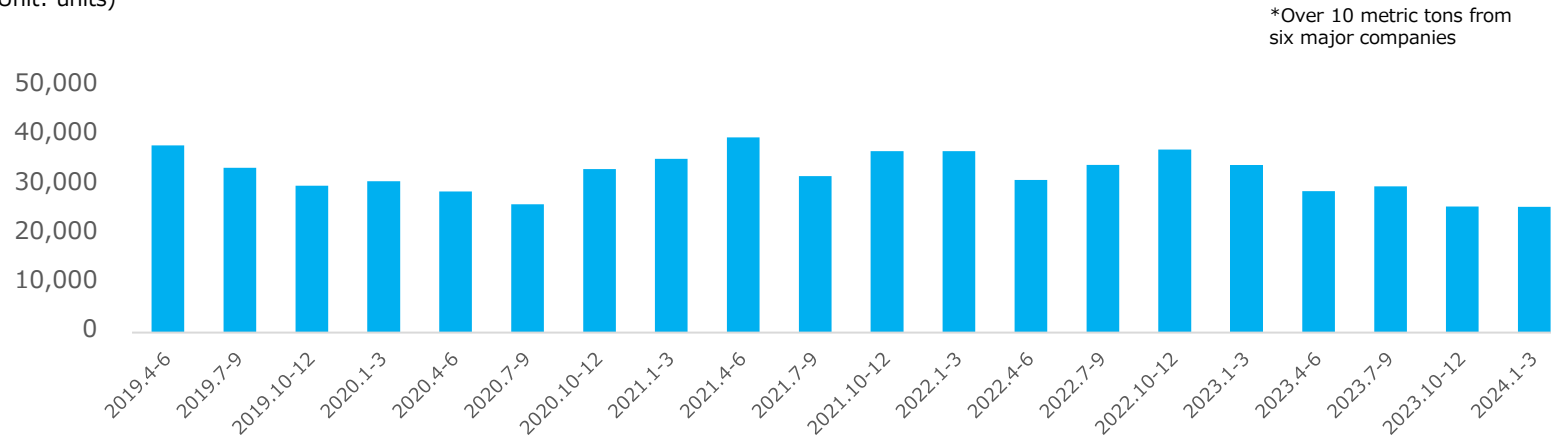
- No major changes in business environment compared to Q2 (uncertainty continues)
- Demand for new vehicles will remain firm only in North America, but is slowing down in other markets
- Demand for parts is stable as operating hours mainly in Asia remain strong

	Q2 FY2023	Q3 FY2023	Future Outlook
Japan	Energy, raw material costs and logistic costs continue to rise but demand for construction equipment is firm	Raw material costs remain high, demand for construction equipment remained steady	Raw material costs remain high, demand for construction equipment is expected to decline
North America	Continued impact of price hikes in key raw materials but construction equipment uptime and demand for new vehicles steady	Continued impact of price hikes in key raw materials and weakening yen, construction equipment uptime and demand for new vehicles steady	Prices of key raw materials remain high, Construction equipment operating hours and demand for new vehicles is on a gradual downward trend
Europe	Steady, although demand is expected to decline due to soaring prices of key raw materials	Due to rising interest rates and the impact of energy price hikes remained soft	Decreased demand due to protracted situation in Russia and the Middle East, demand is expected to decline
Asia	Demand remains strong despite expected economic slowdown	Demand remains strong despite economic uncertainty due to the expected slowdown in the economy	Demand softening due to expected economic slowdown, demand is expected to decline
China	Continued weak demand due to sluggish economic activity	Sluggish demand for new vehicles due to stagnant economic activity stemming from weak real estate market conditions, etc.	Significant decline in demand continues due to economic slowdown

- Demand for new vehicle mainly in compact models is expected to continue a gradual downward trend
- Demand for mining equipment and maintenance demand continues to maintain a firm demand environment mainly in Asia
- Due to the effect of price adjustments, order backlogs are expected to remain at the same level

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

(Unit: units)



Demand for new vehicles declined moderately on a physical quantity basis

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

(million yen)

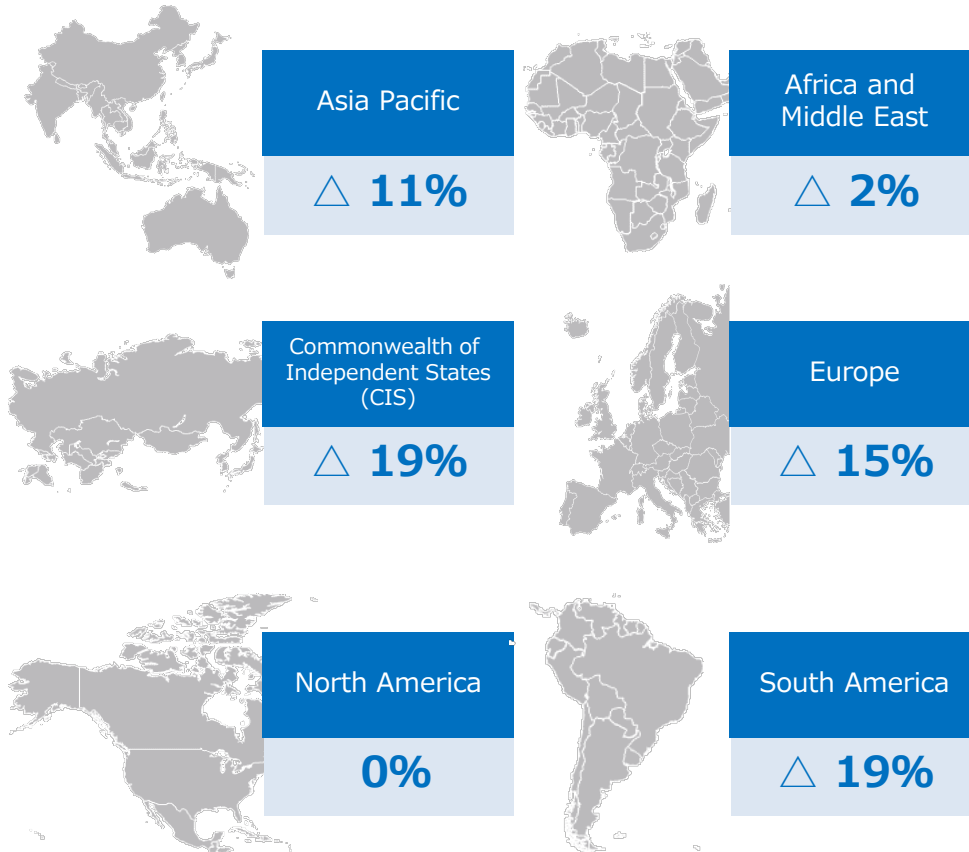
■ Net sales (left axis) ● Backlog of orders (right axis)



Orders remained at the same level due to firm demand for service parts

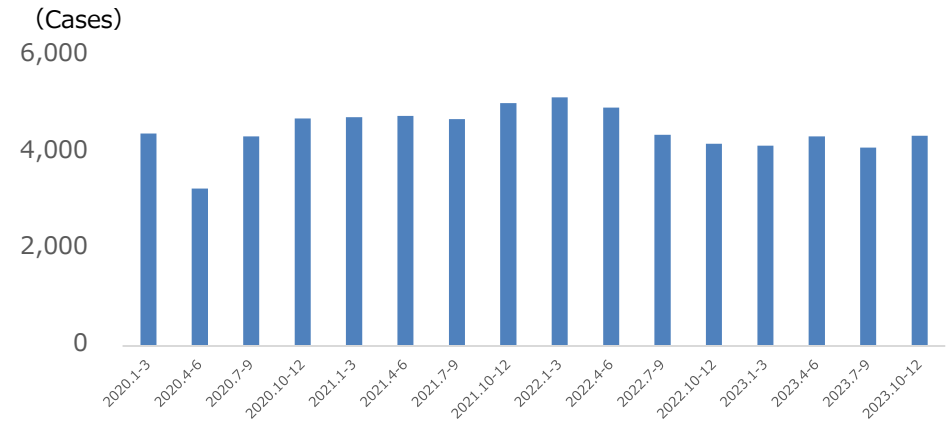
- Although regions with year-on-year declines are prominent, demand in North America remains on par with the previous year
- Housing starts in North America are expected to remain in an adjustment phase, but few factors are expected to cause a significant decline
- Non-residential demand such as infrastructure investment and mining demand remains firm

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



TRADINGECONOMICS.COM | NATIONAL ASSOCIATION OF REALTORS

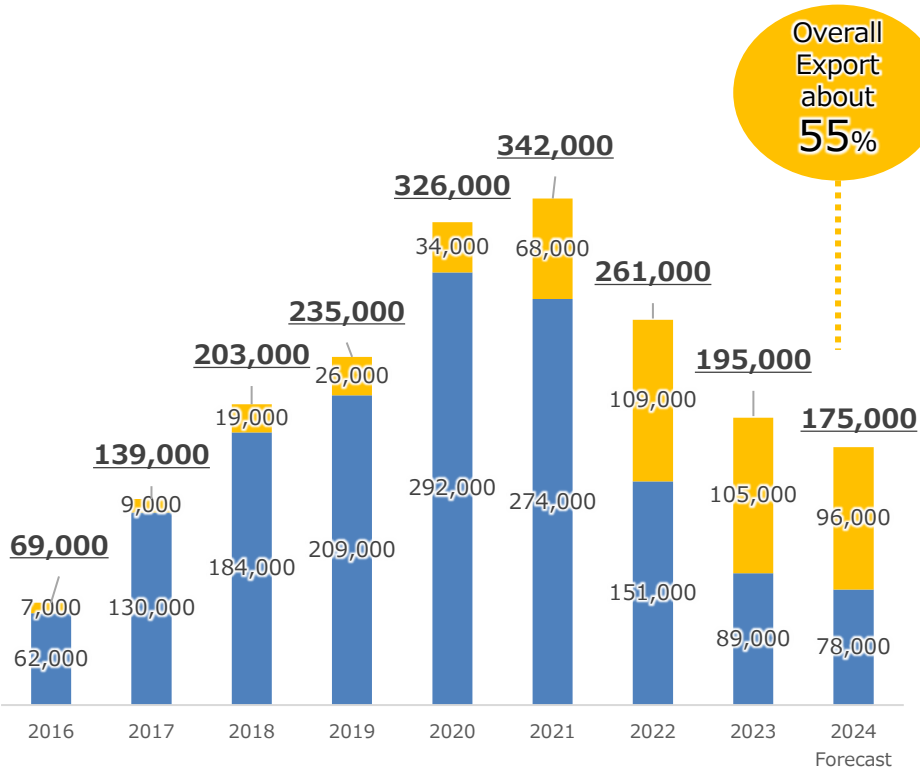
(Adapted from TRADINGECONOMICS)

- Demand for construction equipment remained low due to the prolonged slump in the real estate market
- Export ratio is high at approximately 55%, but the future is uncertain because overseas demand is also in an adjustment phase

Annual sales volume in China

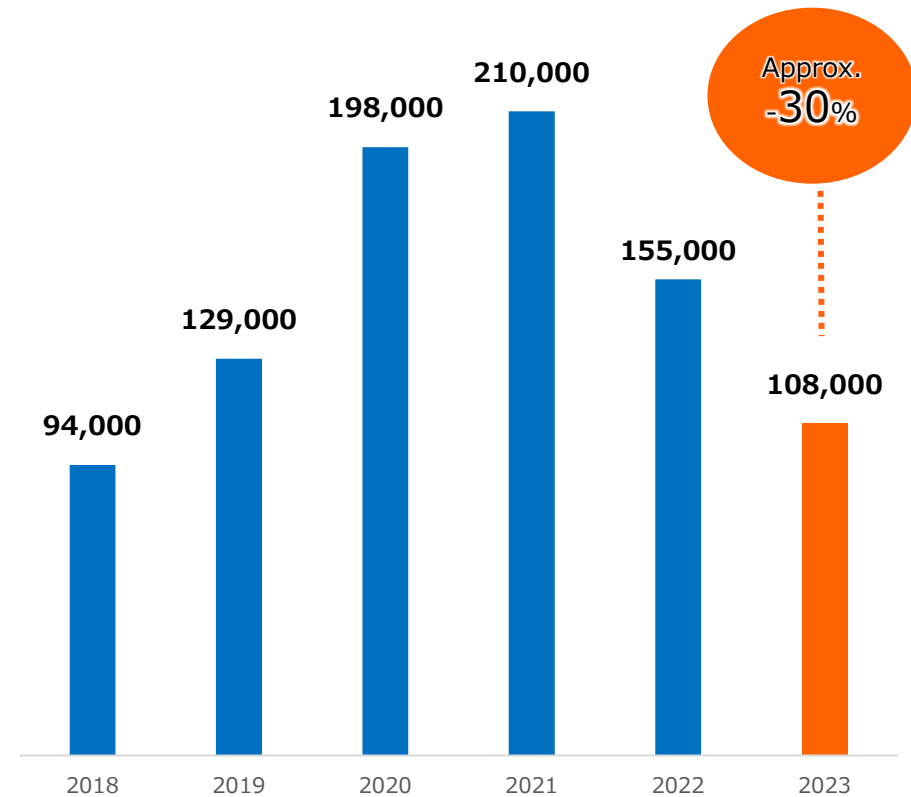
(Number of vehicles)

■ Domestic sales in China ■ Overseas Export Total













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

(Number of vehicles)

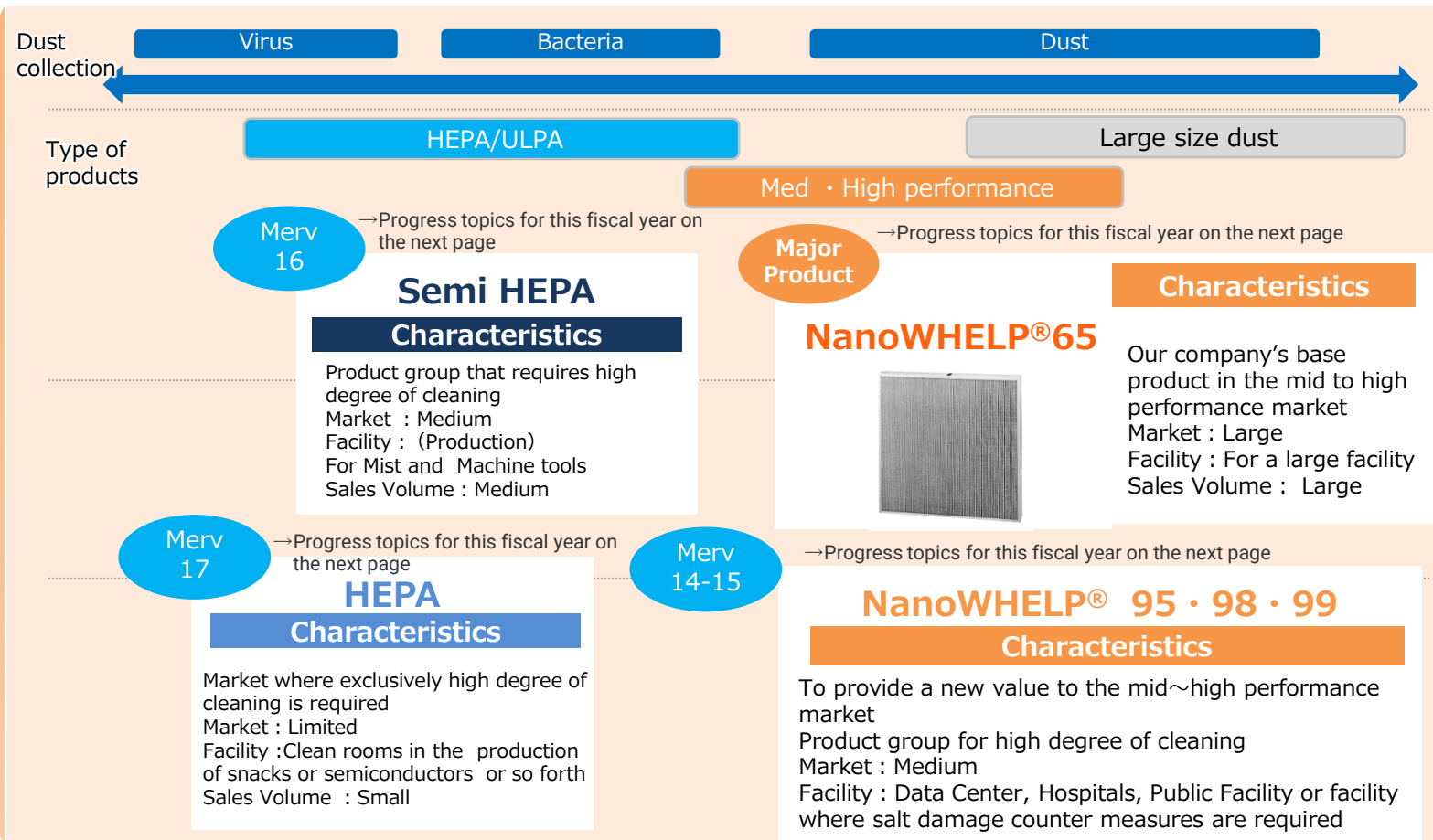


Conditions in the Air Filter Market

- Maintaining a stable demand environment in each segment
- In buildings, repeat demand for offices and other buildings is recovering moderately
- Stable capital investment in general factories is expected to fuel maintenance demand in the future

		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.	 Demand for large properties is expected to remain strong nationwide, while demand for small properties is expected to remain unstable	 Flat trend but increasing instability due to increase in spot projects
General factories	Air filters for outdoor air intake units, indoor air conditioning, etc. installed in factories	 Both large-scale properties and renovation work remained steady	 Regular maintenance is stable with a tendency to be maintained. Active renewal work and other projects are expected to be a little further along.
Semiconductor factories	Chemical filter replacement market	 Capital investment expected to remain strong	 Some movement toward the next fiscal year is seen, but the trend is somewhat stagnant within the current fiscal year.
Environmental equipment	Air filters for residential air conditioning and air purifiers used in homes	 Housing starts are expected to settle down. New housing starts expected to decline steadily over the long term	 Flattening trend, but declining trend becoming clearer in the mid- to long-term
Vehicles	Air filters for air conditioning of railways, etc. Air filters for construction machinery dust	 Replacement demand remains strong as rail ridership recovers	 Replacement demand remained strong. Movement in new markets appears to be stagnant

- Sales expansion of the NanoWHELP® series using the market's only proprietary nanofiber filter media
- Steady progress is being made in developing sales channels and accumulating a diverse property portfolio



A uniquely developed material
YAMASHIN NANO FILTER® is the base of development of each backbone product line



III Future Strategies



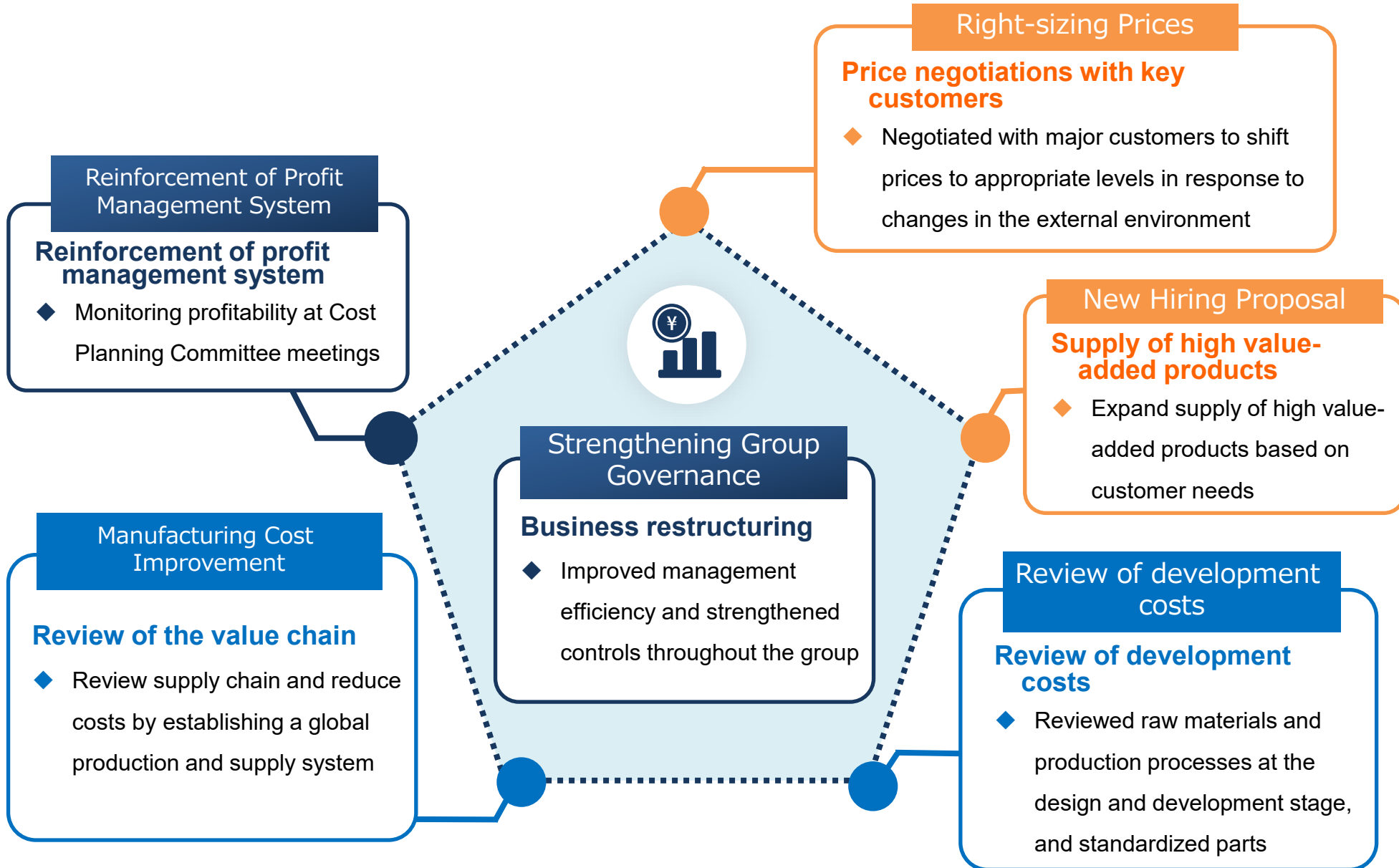
Improve earning power of core businesses and rebuild management base



ESG management implementation



Realization of management with awareness toward cost of capital and stock price



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

- Sustainability Report 2023 (in Japanese) has been published, summarizing our ESG initiatives



Note: English version was published on December 2023



Sustainability Report 2023

Main contents

Top Message

President &
Vice President
dialogue



Special feature on
Environmentally friendly
products

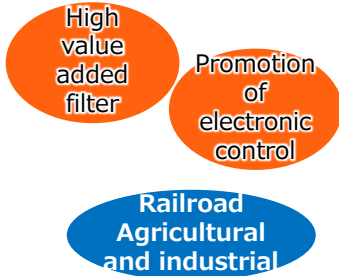
Establishment of mid- to long-
term non-financial KPIs

Achieving Carbon Neutrality,
Scope 1, 2, 3 disclosure begins

Outside director
interview

Construction machinery filters

Deepening of existing business areas



Exploration of new 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 HEPA/ULPA)

NanoWHELP®



In FY2023, focusing on improving earning power of core businesses, implementing ESG management, and strengthening management foundation

Announcement of full-year financial results for the fiscal year ending March 31, 2024 in mid-May 2024

Planning to announce new Medium-term Management Plan

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.		

目次

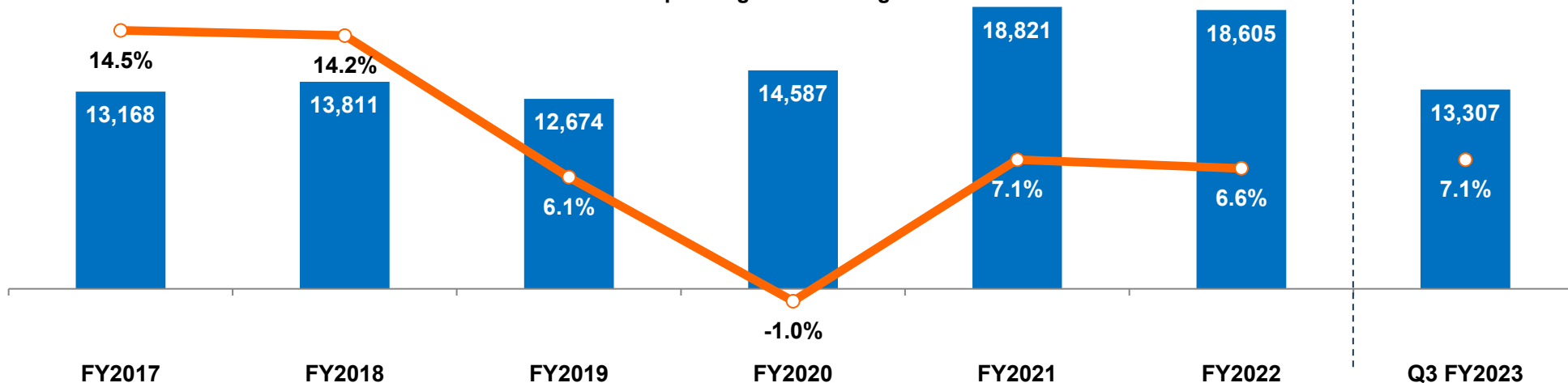
REFERENCE MATERIALS

② FINANCIAL HIGHLIGHTS

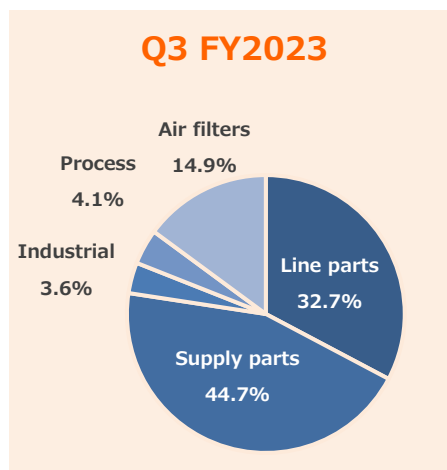
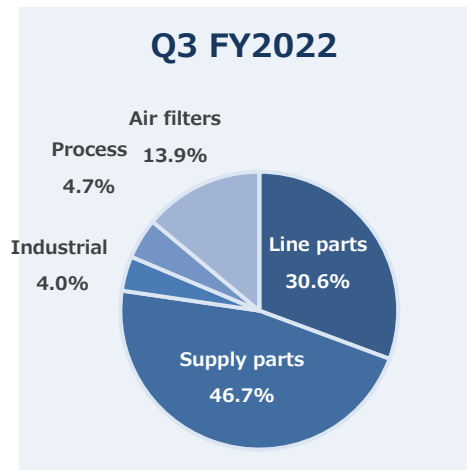
Net sales, Operating income margin

(million yen)

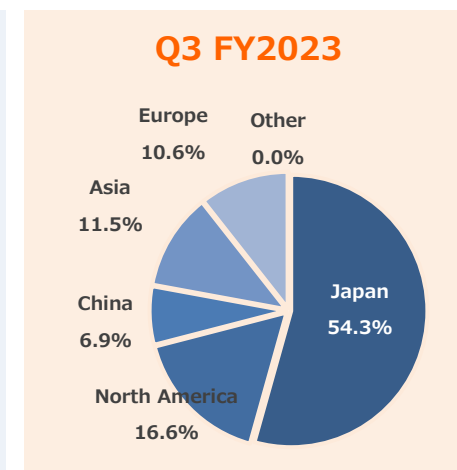
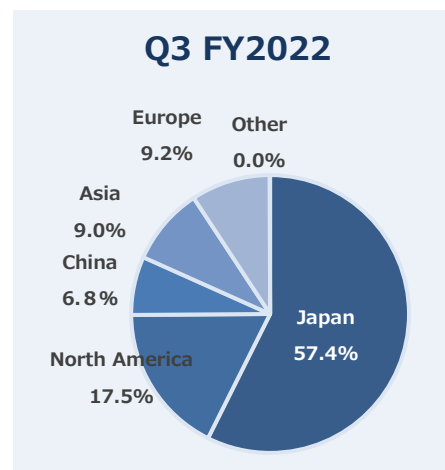
■ Sales ●—● Operating income margin



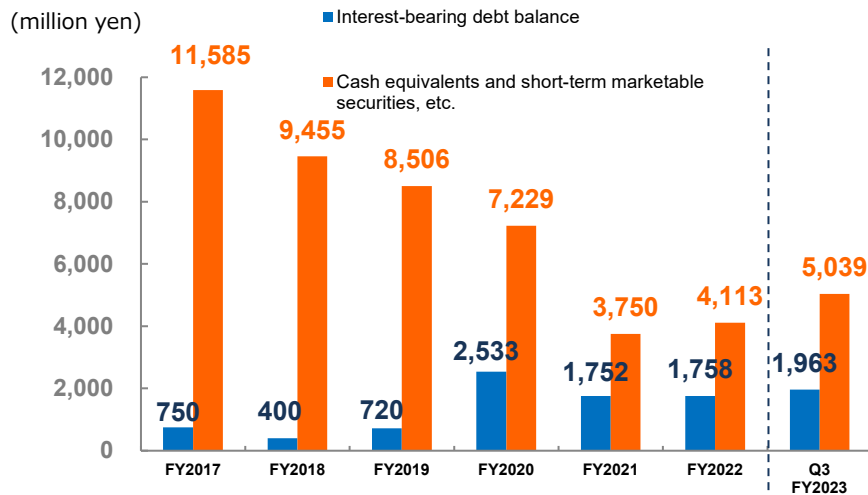
Sales breakdown by product category



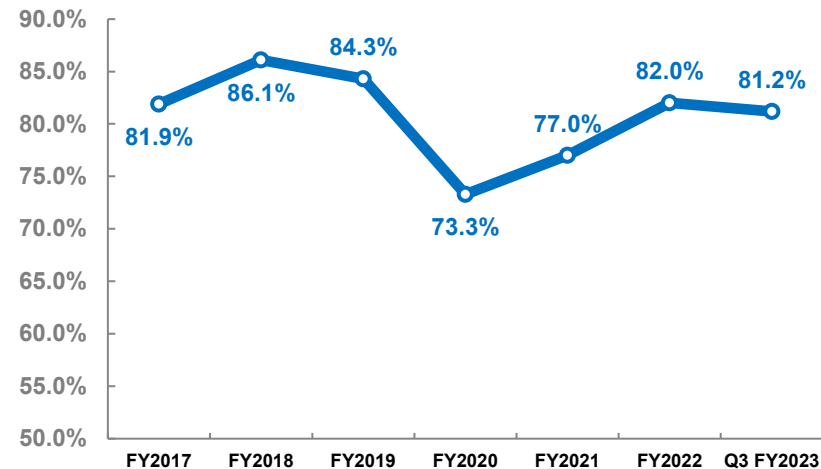
Sales breakdown by region



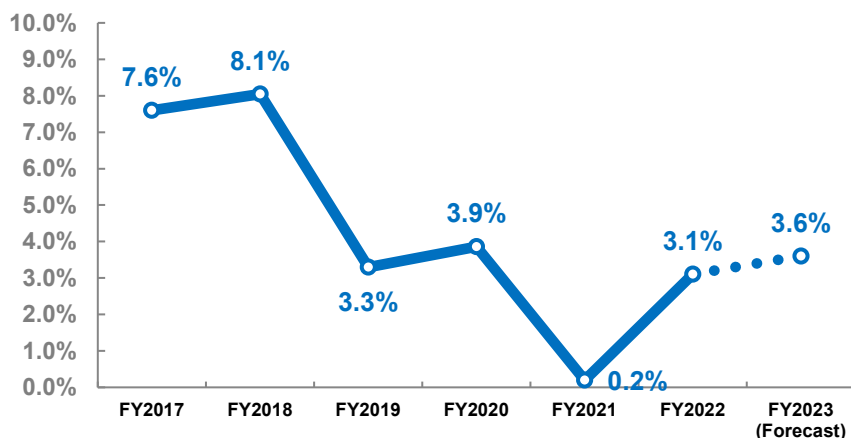
Interest-bearing debt, cash equivalents short-term investment securities, etc.



Shareholders' Equity Ratio

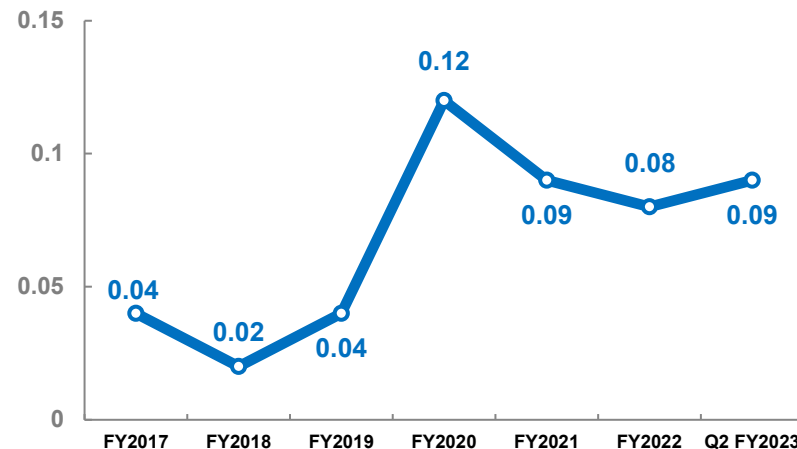


ROE



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

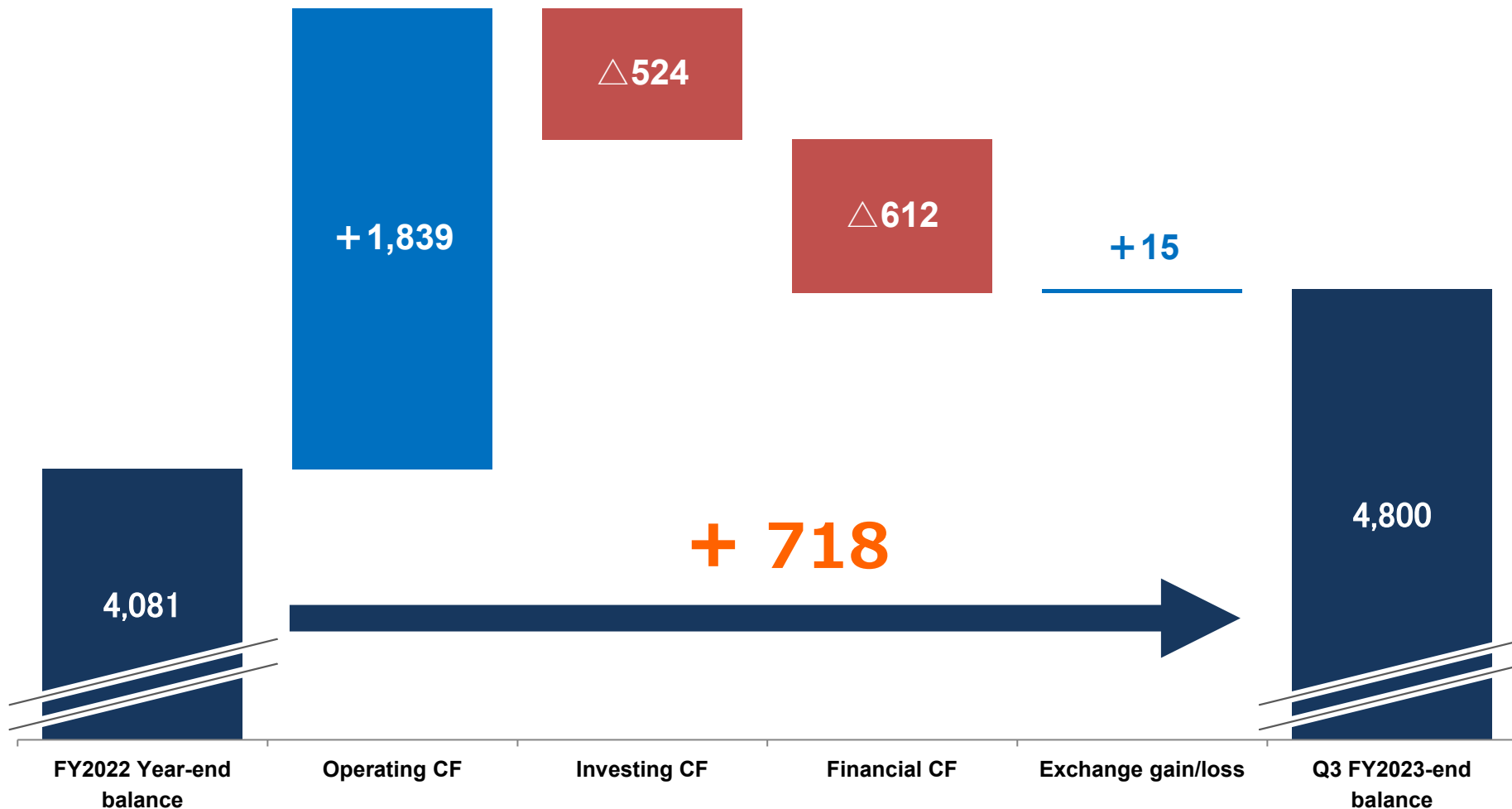
D/E Ratio



- 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 Flow

(million yen)



*For long-term deposits with maturities of less than one year (¥32 million at the end of FY2022 and ¥239 million at the end of Q3 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 Dec 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	¥12,300	61%	¥9,800	53%	¥2,500	-	-	-	-	-	-	-
USD	\$47.0	33%	\$48.9	38%	\$-1.9	¥143.3	¥128.97	¥-14.33	¥27.23	¥157.63	¥14.33	¥-27.23
EUR	€6.0	5%	€3.6	3%	€2.4	¥155.3	¥139.77	¥-15.53	¥-37.27	¥170.83	¥15.53	¥37.27
PHP	PP2.3	0%	PP318.9	4%	PP-316.6	¥2.6	¥2.31	¥-0.26	¥81.37	¥2.83	¥0.26	¥-81.37
THB	฿60.6	1%	฿30.3	1%	฿30.30	¥4.1	¥3.68	¥-0.41	¥-12.39	¥4.50	¥0.41	¥12.39
VND	11.1 đ	0%	404.2 đ	1%	-393.10 đ	¥0.6	¥0.54	¥-0.06	¥23.54	¥0.66	¥0.06	¥-23.54
Total	-	100%	-	100%	-	-	-	-	¥82.47	-	-	¥-82.47

Variation in Marginal Profit Ratio

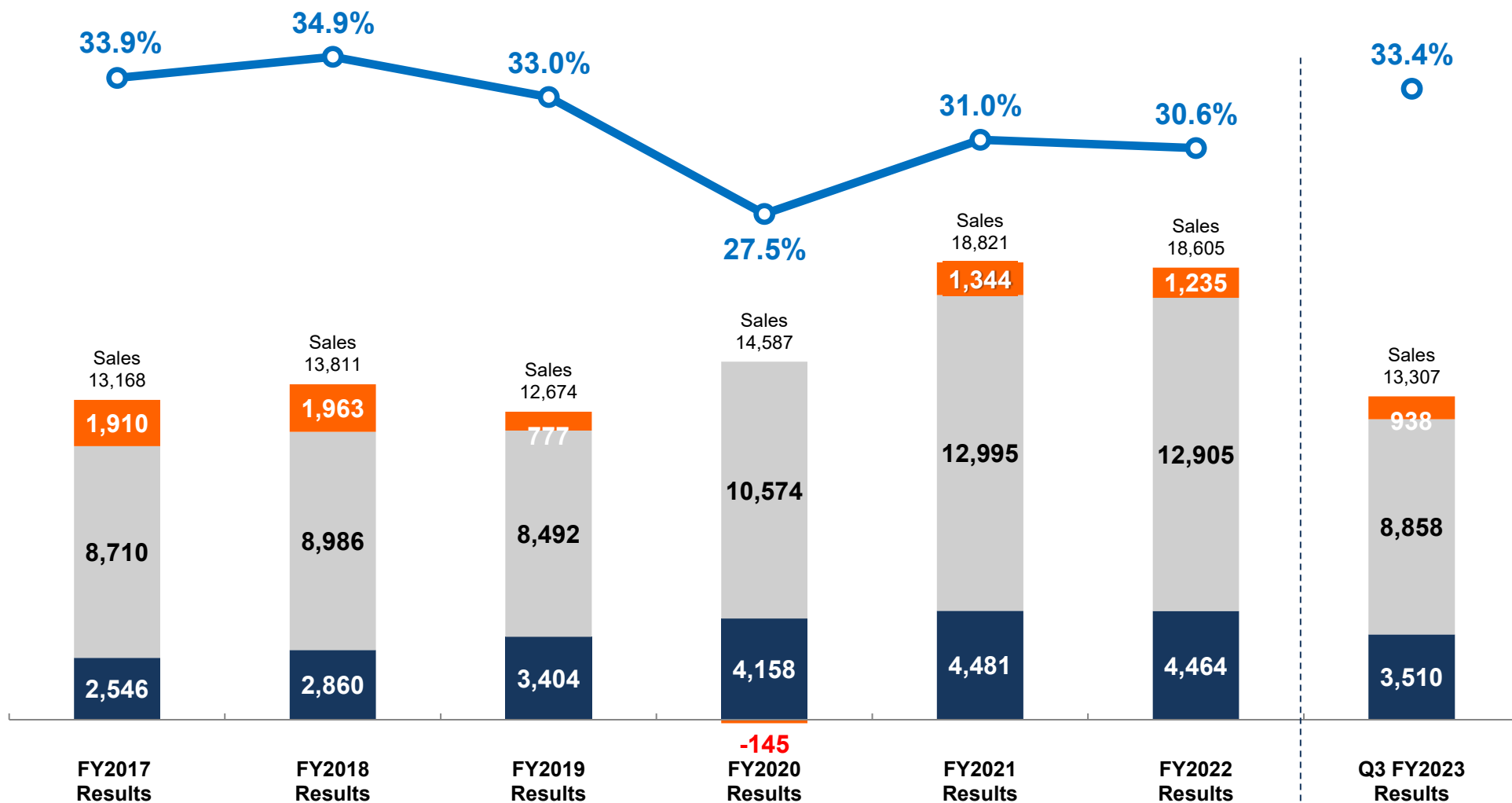
(million yen)

■ Fixed cost

■ Variable cost

■ Operating income

○— Marginal profit ratio

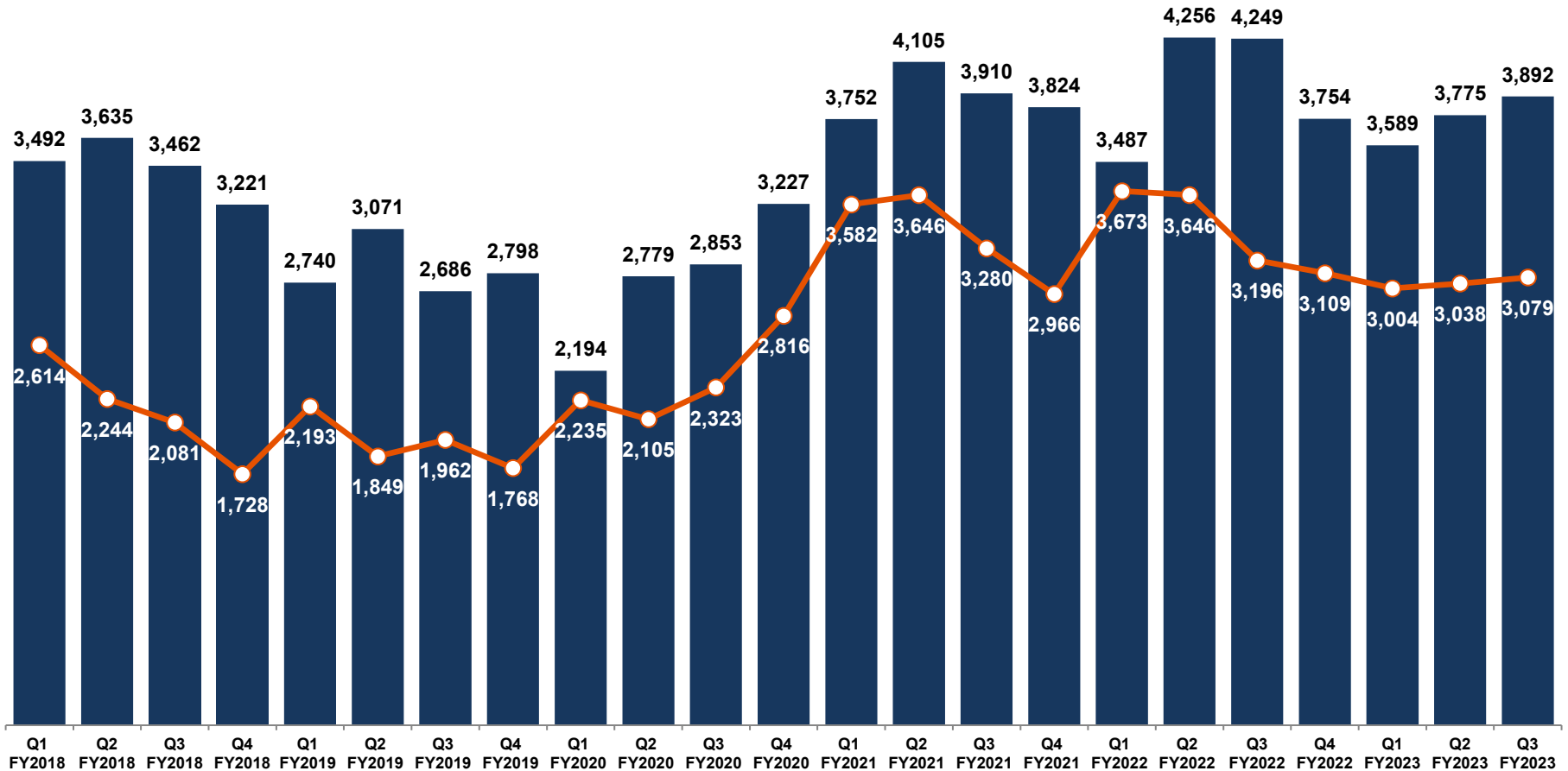


Construction Machinery Filters Changes in Backlog Orders (Quarterly)

(million yen)

■ Sales

○ Backlog orders



*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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