

**World's largest market share in the hydraulic oil filter for construction machinery
- Stock listing leads to the new stage -**

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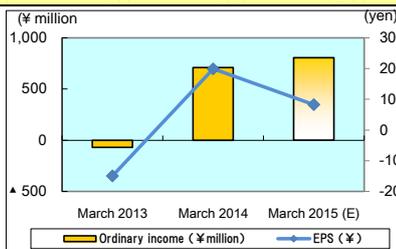
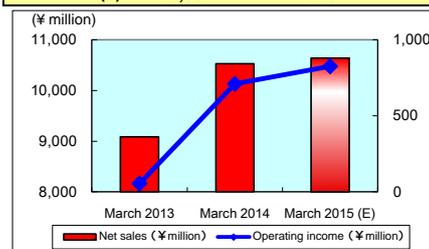
Corporate profile

Representative Atsuhiko Yamazaki URL: <http://www.yamashin-filter.co.jp/eng/index.html>
 Head office 16th Floor, Nisseki-Yokohama Bldg., 1-1-8 Sakuragi-cho, Naka-ku, Yokohama 231-0062
 Business line Manufacture and sale of filters for construction and industrial machinery, precision filter and other related parts
 Shares issued 6,219,000shares (as of March 19, 2015)
 Major shareholder Yamabiko Holdings Co., Ltd. (50.2%) Atsuhiko Yamazaki (11.8%) Takaaki Yamazaki (7.4%) Hiroaki Yamazaki (7.4%)
 NIFSMBC-V2006S3 Investment Partnership (4.7%) Sumitomo Mitsui Banking Corporation (2.9%) ※
 ※as of the end of Sep. 2014

Established April 1956
 Listed October 2014

23-Mar-15	
Stock price	¥1,087
PER (est.)	13.18x
PBR	1.07x
EPS (est.)	¥82.5
BPS	¥1,013.1
Dividend yield (est.)	1.75%
Market cap	¥6,760million
Volume (5-day avg.)	27,480shares
Trading unit	100shares

	Net sales (¥million)	Operating income (¥million)	Ordinary income (¥million)	Net income (¥million)	Dividend (¥)	EPS (¥)
March 2013	9,088	55	▲ 69	▲ 253	24.0	▲ 149.40
March 2014	10,530	710	709	336	27.0	198.50
March 2015 (E)	10,637	825	805	463	19.0	82.50



<Corporate profile and history>

YAMASHIN-FILTER was established in 1956 and is engaged in development, manufacture and sale of hydraulic oil filters for construction machinery and filters for industrial machinery. The company is the world's leading company in the hydraulic filter for hydraulic excavator. The company conducts consistent production from development to manufacture of filter materials. The corporate philosophy "仕濾過事" (Rokajinitsukafuru) means "Contribute to Society through the Filtration Industry". The company, its headquarter is located in Yokohama, has four overseas sales bases in Belgium, Thailand, America and Shanghai, China and two development bases in Yokohama and Suzhou, China, and its manufacturing factory is in Saga and Cebu, Philippines. The company has abandoned listing of its shares to the JASDAQ market twice affected by collapse of Lehman Brothers in 2008 and the flood in Thai in 2011. Finally, in October 2014, the company achieved to list its share to the 2nd section of the TSE market.

The company has grown over the years by solving problems for companies in the construction machinery industry. The company started by targeting the problem of construction machinery breakdowns caused by dust. To deal with this issue, YAMASHIN-FILTER developed a new filtering material and started making high-precision filters. From about 1980 to 2010, which was a period of growth for the company, YAMASHIN-FILTER developed the world's first glass fiber filtering material. The material was needed to handle the higher hydraulic pressures used for greater energy efficiency in construction machinery. This material met the conflicting requirements of removing large quantities of dust without becoming clogged. In a first in the filter industry, YAMASHIN-FILTER has supplied products designed specifically for components made exclusively by a particular construction machinery company. The company declared 2001 as the start of its second founding. One problem in the construction machinery industry is the growth of imitation products in the replacement parts market. YAMASHIN-FILTER held seminars for machinery users to explain the high performance of genuine parts and the negative effects of counterfeit parts. The enactment of tighter emission standards worldwide, including the start of Tier 3 level restrictions in China in 2015, is creating very favorable market conditions for YAMASHIN-FILTER.

<Business strategy and financial outlook>

YAMASHIN-FILTER has a world's biggest market share in the hydraulic oil filter market with world's major construction machinery manufacturers as its customers. The company provides wide range of products including filters for construction machinery, industrial filters for machine tool, railroad vehicle, and ships and process filters for filtration and separation required in production process of electronic parts and food materials. However, filters for construction machinery are the company's mainstay products account for 90% of total sales. Hydraulic pressure is responsible for everything from swiveling to excavator movements in construction machinery. The company's filters remove dust from the hydraulic fluid that moves hydraulic components so they can continue to operate normally. In Japan, YAMASHIN-FILTER supplies more than 70% of the return filters used for manufacturing construction machinery. Now the company is aiming to increase its share of the highly profitable replacement filter market. The company makes filters for all construction machinery manufacturers, including replacement filters. Supplying filters has resulted in strong relationships rooted in trust with these manufacturers. At the heart of these relationships is YAMASHIN-FILTER's core strength: filter material development expertise that is much greater than at competitors. YAMASHIN-FILTER was first in the world to make filters with a glass fiber filtering material. These filters boost filtering precision by four times while more than doubling the filter's service life. Furthermore, the filter is less than half the size of filters with conventional materials. These glass fiber filters have helped make possible the higher hydraulic pressures needed for energy conservation in construction machinery. For growth in sales and higher profitability, YAMASHIN-FILTER needs to accomplish two goals. First is increasing sales of filters for new construction machinery. Second is increasing its share of the much larger replacement filter market (especially in China). In China, YAMASHIN-FILTER is working with construction machinery manufacturers to increase sales in the replacement parts market due to the large volume of counterfeit products and the tightening of environmental restrictions.

As the company is considering expanding the business to new fields such as agricultural machinery, airplane and robot market, medium-to-long term growth is expected. For the fiscal year ending March 2015, sales of ¥10,637 million, operating income of ¥825 million, ordinary income of ¥805 million and net income of ¥463 million are expected. In view of future business expansion, PER of 13.2x and PBR of 1x are considered to be undervalued. The company conducted 3-for-1 stock split on March 19, 2015. Decrease in minimum purchase price to about ¥110 thousand is also a positive factor to buy the company's shares.

Corporate analysis by IR STREET

Strength	Opportunity
1. Consistent production system conducting from development to manufacture of filter materials 2. Technological capability to development of filter material that fulfill high-level requirements 3. Strong relationship with construction machinery manufacturers	1. Tightening of world emission control (especially in developing nations) 2. Expectation for prolong of the lifetime of construction machinery by high-quality filters
Weakness	Risk
1. Subject to market trends in construction machinery manufacturers	1. Decrease in genuine filters due to expansion of distribution volume of counterfeit filters 2. Geopolitical risk

<Peer comparison>

	Financial period	Net sales (¥ million)	Ordinary income (¥ million)	Ordinary income ratio	EPS(¥)	PER (Stock price as of Mar. 23)	Stock price (Closing price as of Mar. 23)
Yamashin-Filter (6240)	FY3/15 (E)	10,637	805	7.6%	82.5	13.2	1,087yen
DIJET (6138)	FY3/15 (E)	10,000	540	5.4%	10.4	21.9	228yen
FUJI SEIKO (6142)	FY2/15 (E)	19,880	1,060	5.3%	40.9	7.9	325yen
OKADA AIYON (6294)	FY3/15 (E)	11,500	1,000	8.7%	86.9	13.8	1,200yen
Peer companies avg.(231 machinery manufacturers)		119,927	10,806	9.0%		19.1	—



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