

February 5, 2020

Notice Regarding Revision to the Business Forecasts

YAMASHIN-FILTER CORP., at the Board of Directors meeting held on February 5, 2020, decided to revise its full-year business forecasts for the fiscal year ending March 2020 (April 1, 2019 to March 31, 2020) that was announced on November 6, 2019 as follows.

1. Revision to the full-year business forecasts for the fiscal year ending March 2020

(April 1, 2019 to March 31, 2020)

(Unit: million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share (yen)
Previous forecast (A)	13,400	1,250	1,135	800	11.56 yen
Revised forecast (B)	12,700	880	685	460	6.65 yen
Increase/decrease (B-A)	(700)	(370)	(450)	(340)	—
Change in percentage (%)	(5.2%)	(29.6%)	(39.6%)	(42.5%)	—
(Ref.) Previous results (Fiscal year ended Mar. 2019)	13,811	1,963	1,915	1,413	20.44 yen

(Note) Assumed exchange rates:

1 USD = 108 JPY (the rate assumed at the time when the previous forecast was announced)

2. Reasons for the revision to the business forecasts

1. Existing Business (Construction Machinery Filter Business)

From November 6, 2019, when the full-year business forecast was announced, the market share expansion of Chinese construction machinery manufacturers continued in the Chinese and Asian market, which is the largest construction machinery market in the world, while the market share of our major client companies, mainly Japanese construction machinery manufacturers, in the same market greatly shrunk. Further, the long-term halt of the production line of our major domestic client companies became unavoidable, due to the suspension of supply of parts from their suppliers, ravaged by Typhoon Hagibis in October 2019. Additionally, due to the rapid spread of the coronavirus which originated in China in December 2019, the Chinese government announced the extension of the Chinese New Year holidays, which has started to affect the distribution and manufacturing not only in China, but also in the surrounding countries, increasing a sense of uncertainty regarding the world economy.

For the above reasons, the full-year business forecast will be revised.

2. New Business (Air Filter Business)

The business forecast of AQC Corporation, which became a wholly-owned subsidiary on August 23, 2019, will be unchanged.

3. Conclusion

For the reasons stated above, the full-year consolidated results announced on November 6, 2019, will be revised.

Within such an environment, YAMASHIN will continue to aggressively expand the

business domain based on newly developed technology for the mass production of synthetic polymer nanofibers, centered on the 2 business segments of hydraulic filters for construction machinery and air filters, and will pursue the strengthening of the group's business foundation.

Specifically, we will strive to increase the earnings from the next financial year through initiatives, such as (1) increase in the rate of adoption by Chinese construction machinery manufacturers and entry into the market of service parts, (2) expansion of the market share in North America, (3) enrichment of the line-up of filters that utilize new materials and IoT technology, (4) expansion of the air filter business, (5) development of "YAMASHIN Nano Filter™" as an industrial secondary material, etc.

(Reference)

1. Overview of revision to the consolidated business forecasts

- a. Net sales: Concerning the existing construction machinery filter business, the sales are expected to decrease by approximately 5.8% from the previous forecast, as a result of the downward adjustment of the production schedule at our major client companies. On the other hand, the sales forecast of AQC Corporation, which became a wholly-owned subsidiary company in October 23, 2019, will not be revised, so overall net sales are expected to drop by approximately 5.2% from the previous forecast.
- b. Operating income: As a result of the decrease in net sales of construction machinery filters, operating income is estimated to decrease by 29.6% from the previous forecast.
- c. Ordinary income: Due to a decrease in operating income, ordinary income is projected to decrease by 39.6% from the previous forecast.
- d. Net income attributable to owners of parent: Due to a decrease in ordinary income, the net income is expected to decrease by 42.5% from the previous forecast.

2. Business forecasts by segment

(Construction Machinery Filter Business)
(April 1, 2019 to March 31, 2020)

(Unit: million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
Previous forecast (A)	12,000	1,120	1,000	710
Revised forecast (B)	11,300	750	550	370
Increase/decrease (B-A)	(700)	(370)	(450)	(340)
Change in percentage (%)	(5.8%)	(33.0%)	(45.0%)	(47.9%)
(Ref.) Previous results (Fiscal year ended Mar. 2019)	13,811	1,963	1,915	1,413

(Air Filter Business)
 (October 1, 2019 to March 31, 2020)

(Unit: million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
Previous forecast (A)	1,400	130	135	90
Revised forecast (B)	1,400	130	135	90
Increase/decrease (B-A)	0	0	0	0
Change in percentage (%)	0.0%	0.0%	0.0%	0.0%
(Ref.) Previous results (Fiscal year ended Mar. 2019)	—	—	—	—