

YAMASHIN-FILTER CORP. Financial Results for the Second Quarter of the Fiscal Year Ending March

**Ensure profit by internal efforts (PAC15), while
the external environment is tough**

**November 30, 2015
(Code:6240)**

Results Briefing Summary



- In FY2014, amid sluggish Chinese market, there was a surge in demand prior to the exhaust gas regulations
- For FY2015 Q2, performance was impacted by the weaker than expected market conditions in China and other Asian countries
- As market weakness increases, service parts sales and cost cutting will be vital to remaining profitable

FY2014

**Sales and profits increased YoY,
There was a special demand**

FY2015 Q2

**Sales and profits decreased YoY,
Line parts sales decreased**

FY2015 Forecast

**Revisions made to business forecasts,
Focusing on cost cutting**

**Made downward revisions to the FY2015 forecasts because of the difficult operating environment
Aiming for a profit in FY2015 by increasing service parts sales and cutting costs**

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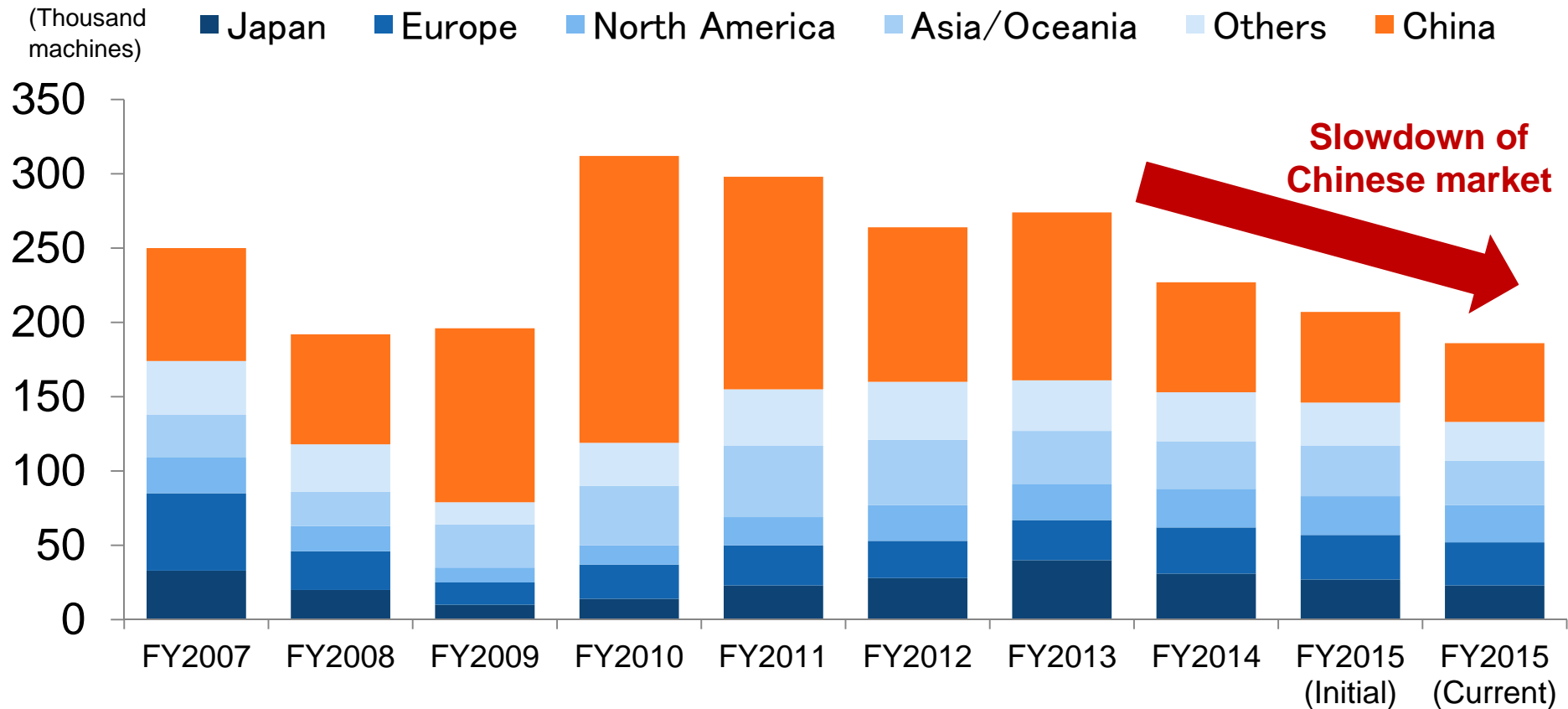
I . Introduction/Market Condition

-Most challenging business climate since the collapse
of Lehman Brothers-

Business environment/ Demand for new excavators



■ Demands for new machines largely decreased due to the sluggish Chinese market



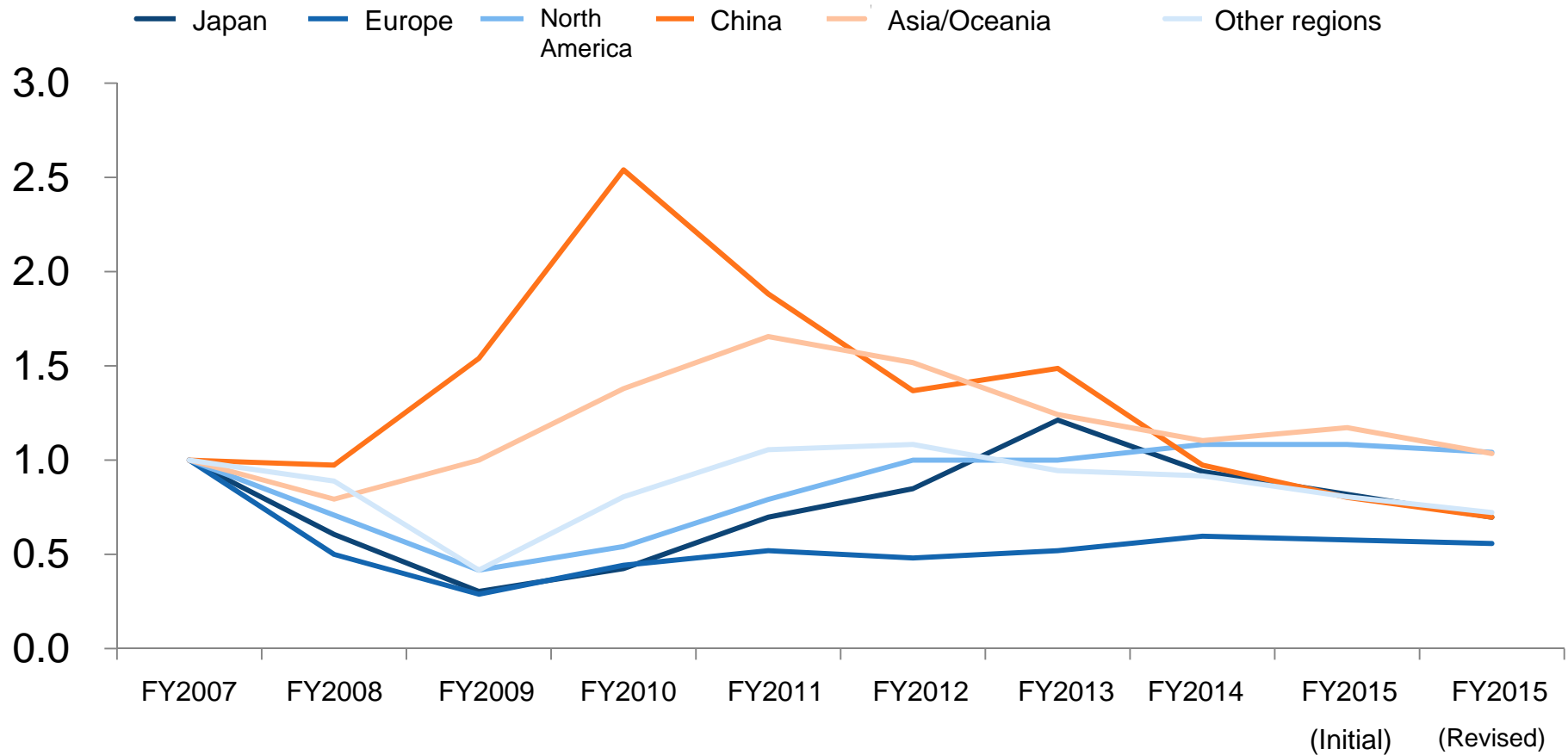
Forecasts

(Above figures are estimated by Yamashin Filter based on data from construction machinery manufacturers and industry associations)

Size of markets (Indexation based on FY2007 as 1)



■ The end of rapid growth in China is causing economic growth rates to decline in other Asian countries, too.



Forecasts

Construction machinery market

Regional conditions and forecasts



- Markets were weaker than expected, particularly in China, resulting in the most challenging business climate since the collapse of Lehman Brothers.

	Japan	Overseas			
		China	Asia/ Oceania	North America	Europe
Initial forecast	Strong	Downturn	Downturn	Strong	Stable
1H	Weak	Sharp Downturn	Downturn	Weak	Weak
4Q forecast	Weak	Sharp Downturn	Downturn	Weak	Weak

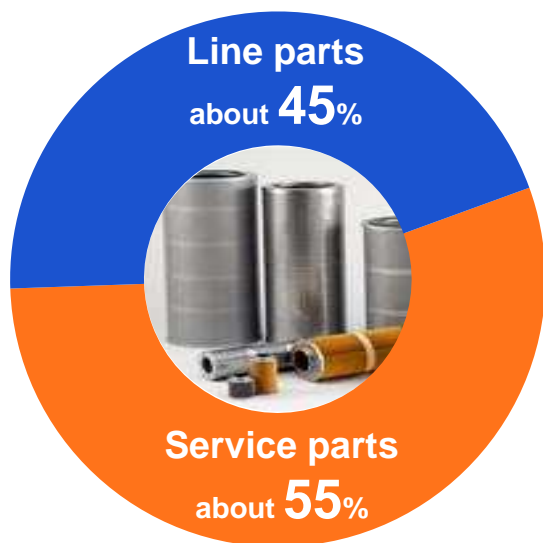


(Reference: Terms Standards)

Strong demand for service parts

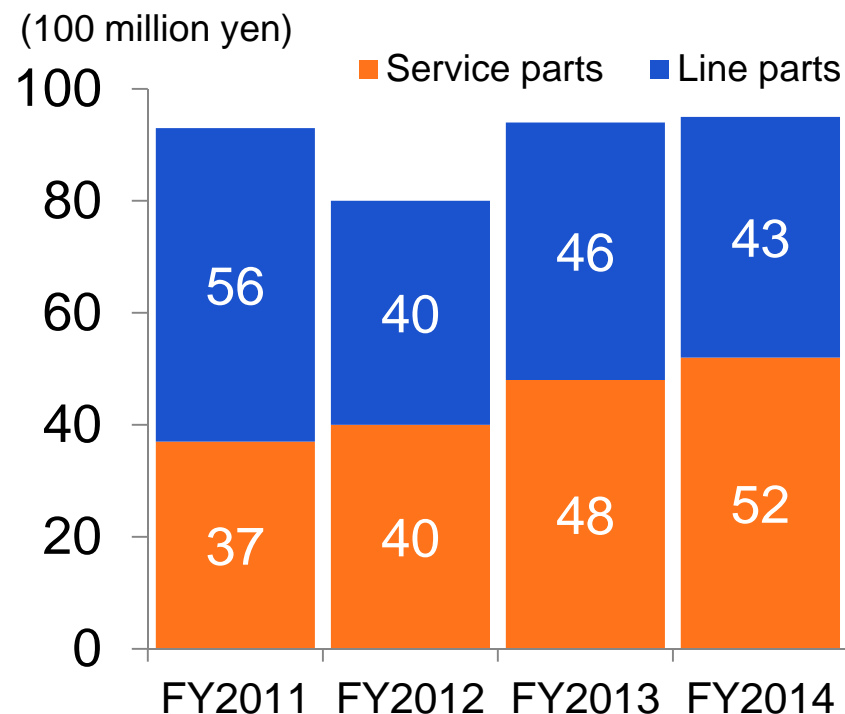
- Demand for service parts in the after-market continues to grow along with the increased units of construction machinery in use.
- Not directly affected to changes in demand for new construction machinery. The key indicator is “Construction machinery in use” x “Operating hours”

Construction machinery filters sales composition



*Line parts: Filters for new machinery
Service parts: Filters for replacement use

Changes in sales of service parts and line parts

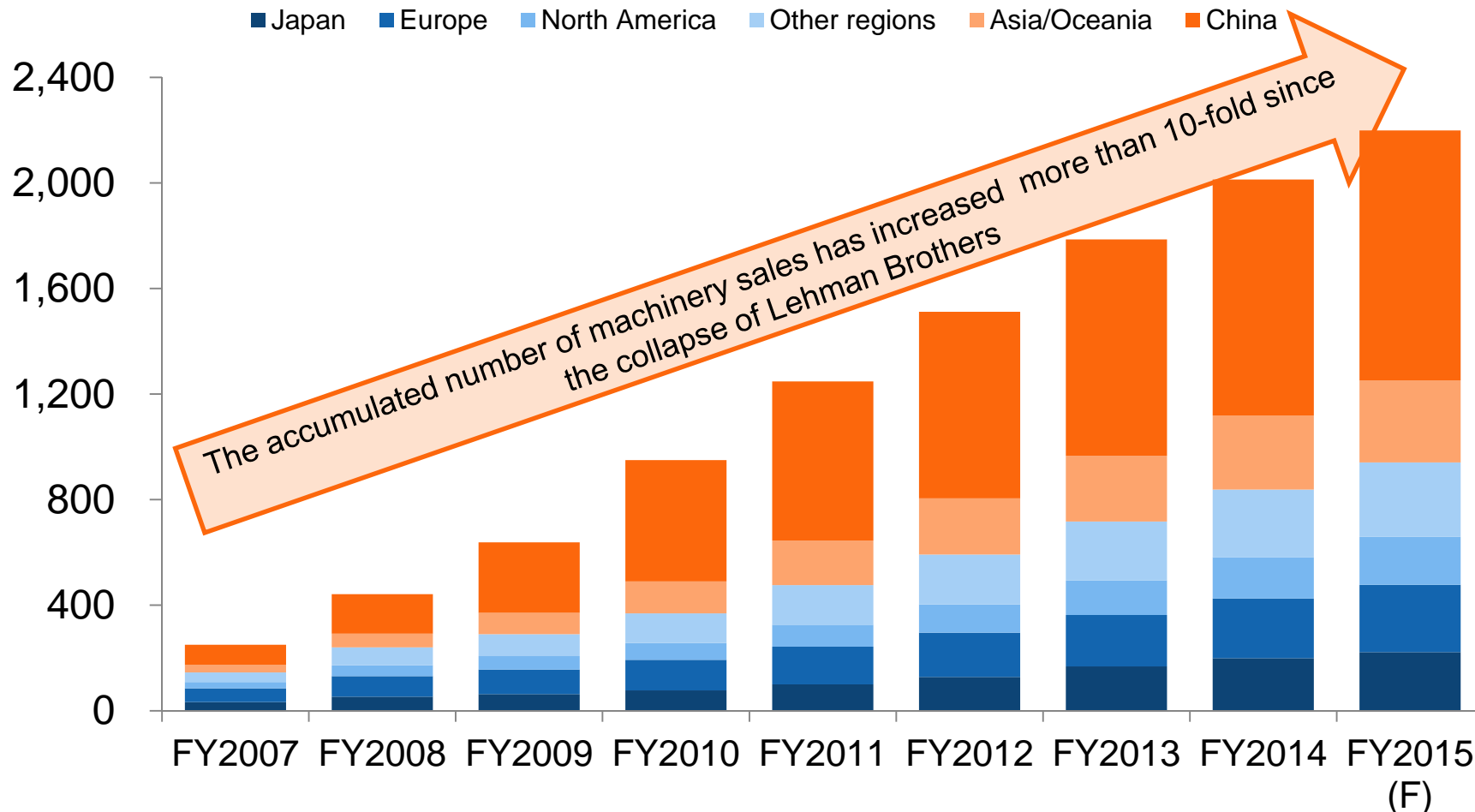


*Figures for FY2011 are non-consolidated basis

Accumulated No. of new machinery sales The Specialist in Filtration YAMASHIN

■ The accumulated number of new construction machinery sales has steadily increased even after the collapse of Lehman Brothers

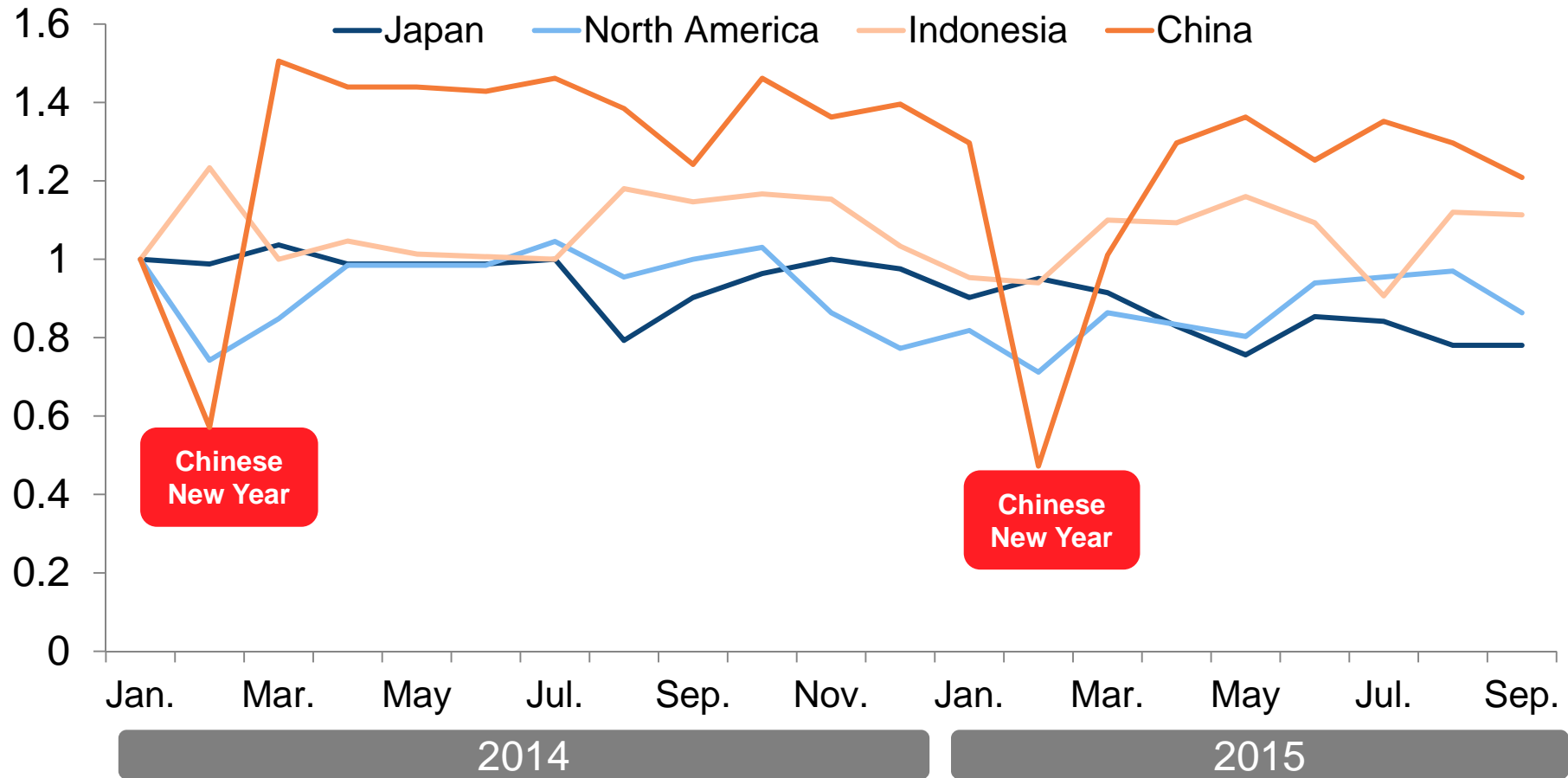
Thousand machines



Construction machinery operating hours The Specialist in Filtration **YAMASHIN**

■ Although construction machinery operating hours are decreasing in China, operating hours were generally higher in other major markets.

(Indexation based on January 2014 as 1)



(Source: made by YAMASHIN based on materials by construction machinery manufacturers)

Service Parts Summary

Economic trend

- Service parts business is not directly affected by the market condition
- The key indicator is “Construction machinery in use” x “Operating hours”

No. of construction machinery in use

- The accumulated number of machinery sales increased, while annual machinery sales decreased

Operating hours

- Although there are changes in operating hours in major markets, the effects are limited

II . FY2015 Q2 Results

-Decrease in line parts sales
due to the sluggish Chinese market-

FY2015 Q2 Results Summary



- Sales decreased due to slowdown of the Chinese market

(Million yen)	FY2014 Q2	FY2015 Q2	FY2015 Q2	YoY	
	Actual	Budget	Actual	Amount	%
Net sales	5,473	5,727	5,128	△345	△6.3%
Operating income	563	373	170	△392	△69.7%
Net income	373	234	71	△302	△80.9%

Sales by products

- Sales of line parts largely decreased due to slowdown of the Chinese market
- For sales of service parts, almost no change from the previous year

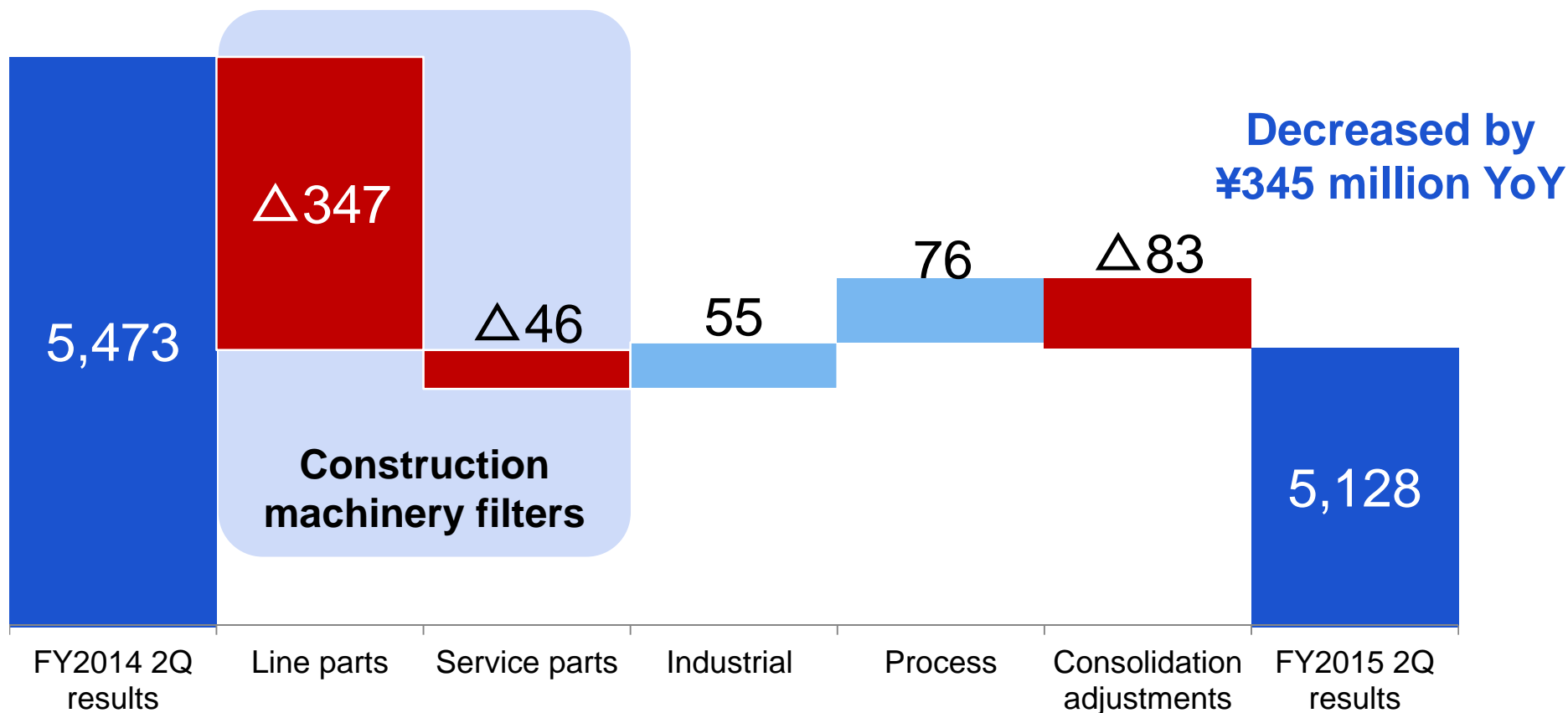
(Million yen)	FY2014 Q2	FY2015 Q2	FY2015 Q2	YoY	
	Actual	Budget	Actual	Amount	%
Construction machinery filters	4,835	5,163	4,441	△394	△8.2%
Line parts	2,218	2,446	1,871	△347	△15.7%
Service parts	2,616	2,716	2,570	△46	△1.8%
Industrial filters	213	232	268	55	25.9%
Process filters	332	354	408	76	23.2%
Consolidation adjustments	92	△23	9	△82	△89.8%
Total of sales	5,473	5,727	5,128	△345	△6.3%

Major factors for increase/decrease in sales (YoY)



- Sales of line parts decreased due to slowdown of the Chinese market
- Sales of industrial and process filters increased YoY thanks to increase in orders

(Million yen)

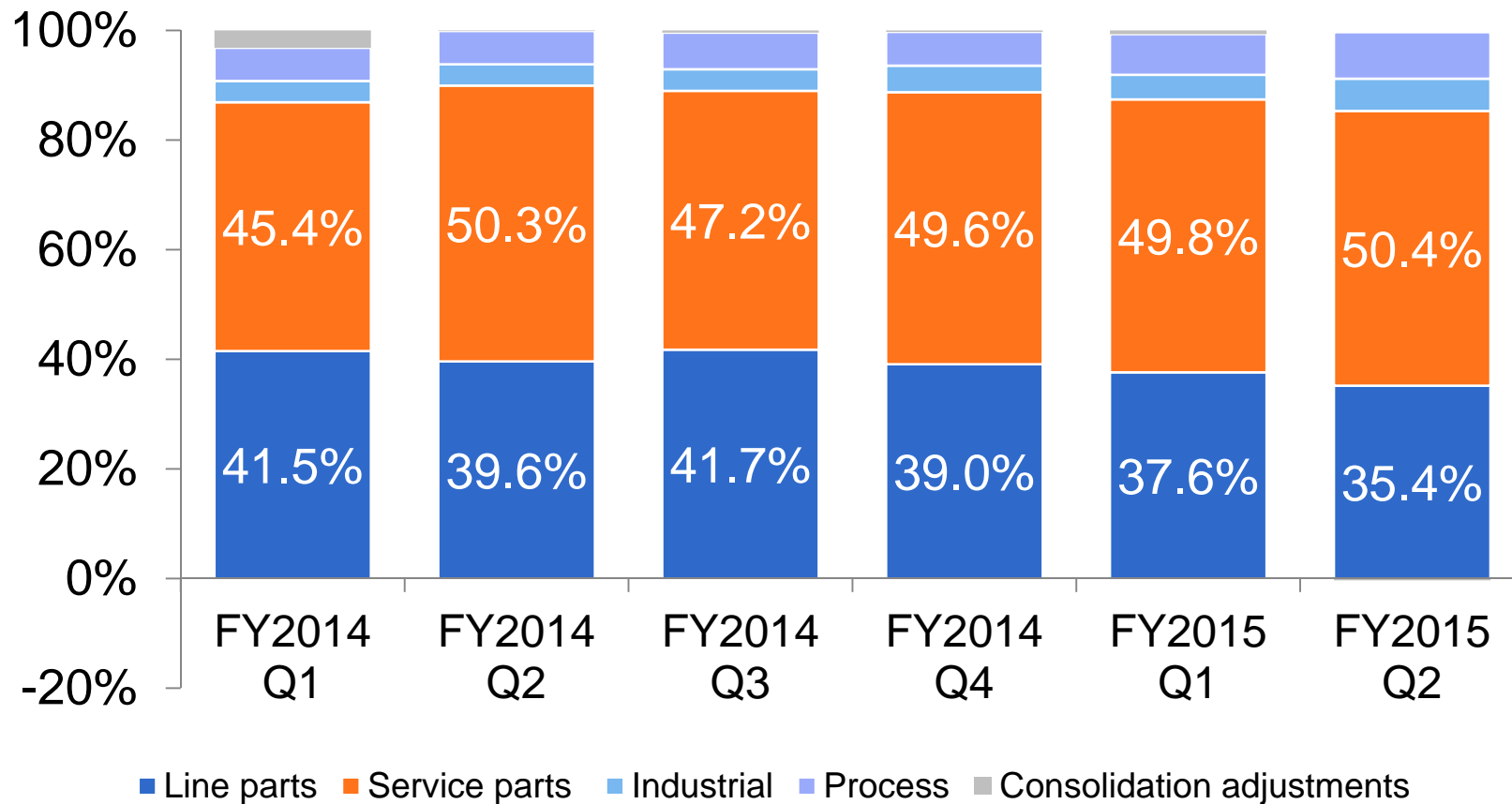


Changes in quarterly sales ratio by products



■ The sales ratio of service parts is high

(Million yen)



Sales by regions



- Sales for Japan and China decreased due mainly to the slowdown of the Chinese market

*There are differences between actual market trends and the following figures because regional sales are calculated based on the invoices sent by YAMASHIN

(Million yen)	FY2014 Q2		FY2015 Q2		YoY	
	Amount	%	Amount	%	Amount	%
Japan	2,867	52.4%	2,727	53.2%	△140	△4.9%
North America	1,018	18.6%	969	18.9%	△49	△4.8%
China	352	6.4%	222	4.3%	△129	△36.8%
Asia	512	9.4%	531	10.4%	18	3.6%
Europe	573	10.5%	592	11.5%	18	3.3%
Other (Middle East etc.)	56	1.0%	75	1.5%	19	34.0%
Consolidation adjustments	92	1.7%	9	0.2%	△82	△89.8%
Total of sales	5,473	100.0%	5,128	100.0%	△345	△6.3%

* Regional sales are based on the invoices we sent to the customers

* The monetary composition of FY3/15 sales has been revised because of a revision in the method for determining regional sales.

FY2014 Balance sheet



■ Shareholders' equity ratio rose by 2.5%

(Million yen)	End-FY2014	FY2015 Q2	Change		End-FY2014	FY2015 Q2	Change
Current assets	7,384	7,111	△ 273	Current liabilities	1,893	1,707	△ 186
Cash and deposits	2,645	2,991	345	Notes and accounts payable-trade	1,066	895	△ 170
Notes and accounts receivable-trade	2,464	2,107	△ 356	Short-term loans payable, Current portion of long-term loans payable and corporate bonds	300	300	-
Merchandise and finished goods, Raw materials and supplies	1,765	1,577	△ 187	Others	527	511	△ 15
Others	509	434	△ 74	Fixed liabilities	1,102	926	△ 176
Fixed assets	1,963	1,779	△ 183	Corporate bonds	-	-	-
Tangible fixed assets	1,456	1,423	△ 33	Long-term loans payable	750	600	△ 150
Intangible fixed assets	164	129	△ 35	Others	352	326	△ 26
Investments and other assets	341	226	△ 115	Total net assets	6,351	6,256	△ 94
Total assets	9,347	8,890	△ 457	Total of liabilities and net assets	9,347	8,890	△ 457

*Estimated exchange rates: 1USD=120JPY, 1EUR=140JPY

*Shareholders' equity ratio

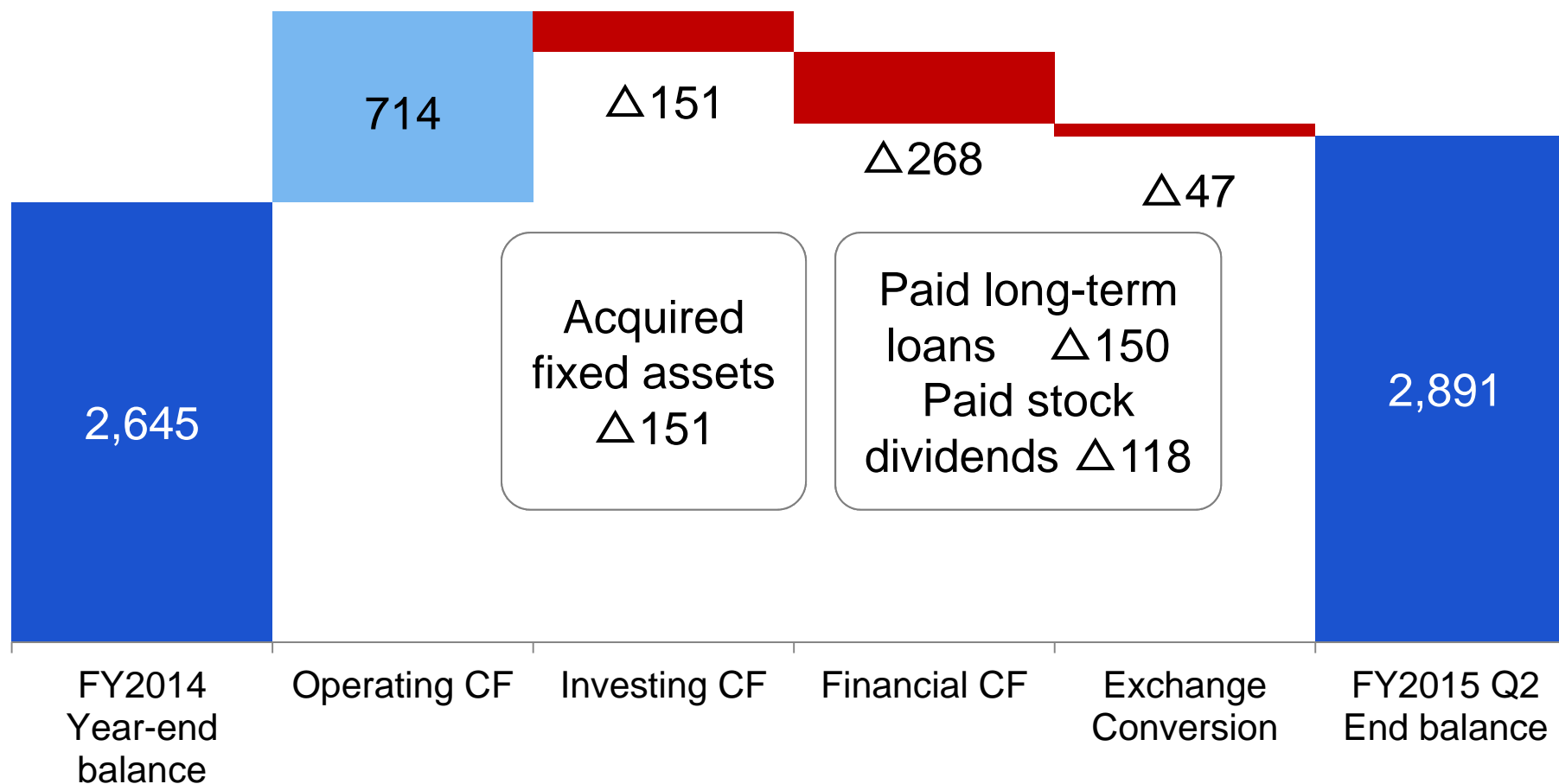
67.9%

70.4%

Analysis of factors for increase/decrease in cash flows

- Balance of cash and cash equivalents increased compared to the previous fiscal year

(Million yen)



Ⅲ. Business Forecast /Revised Plan

- Additional cost reduction plan to ensure profit-

FY2015 Full-year business forecast



- Revisions were made to the business forecasts as of October 15 due to sharp downturn in the Chinese market

	FY2014	FY2015	FY2015	YoY	
	Actual	Initial forecast	Revised forecast	Amount	%
(Million yen)					
Net sales	10,703	11,353	10,351	△351	△3.3%
Operating income	869	835	526	△343	△39.5%
Net income	430	540	329	△100	△23.4%
ROE (%)	8%	8%	5%	-	-

Full-year sales forecasts by products



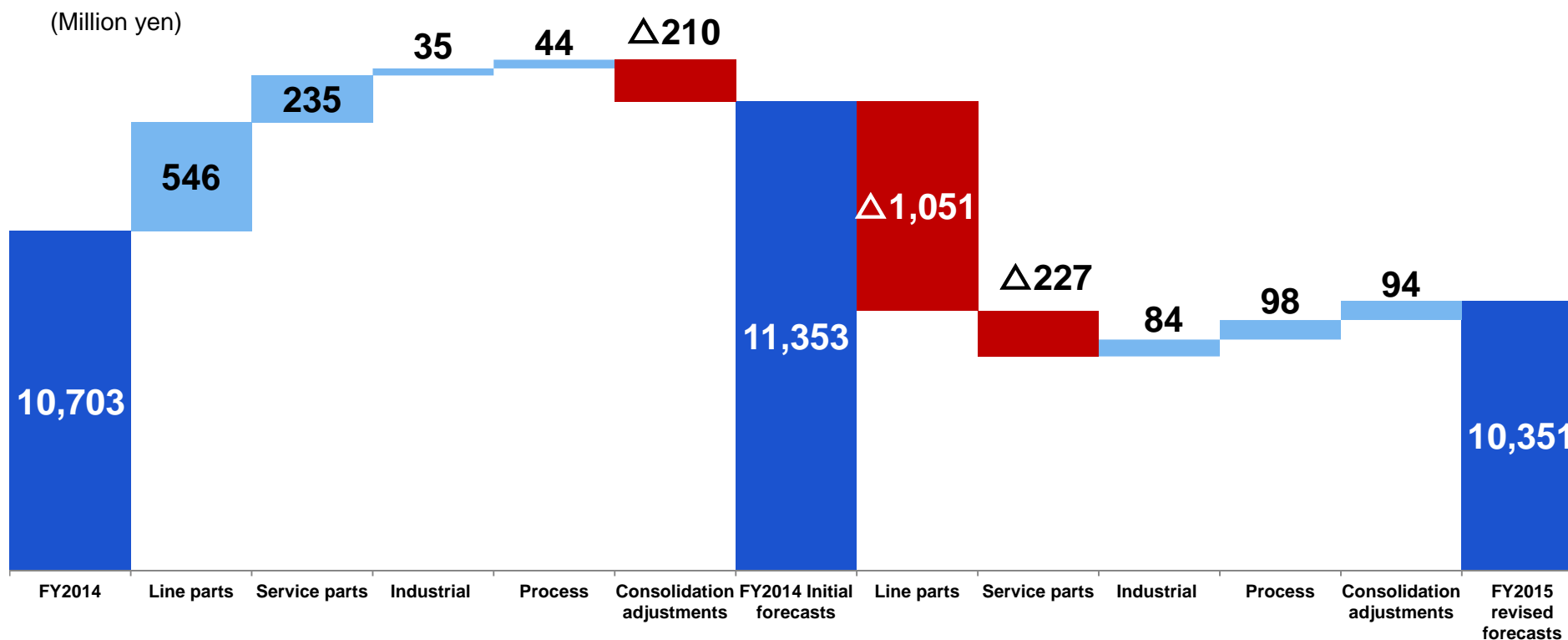
- Sales of line parts are expected to decrease substantially due to production adjustments by main customers.
- Sales of service parts are expected to increase by strengthening sales promotion

(Million yen)	FY2014	FY2015	FY2015	YoY	
	Actual	Initial forecasts	Revised forecasts	Amount	%
Construction machinery filters	9,479	10,261	8,982	△497	△5.3%
Line parts	4,329	4,875	3,824	△505	△11.7%
Service parts	5,150	5,385	5,157	7	0.1%
Industrial filters	444	479	564	120	27.1%
Process filters	667	709	808	141	21.2%
Consolidation adjustments	112	△97	△3	△115	△103.2%
Total of sales	10,703	11,353	10,351	△351	△3.3%

Analysis of factors for increase/decrease in sales, and forecasts

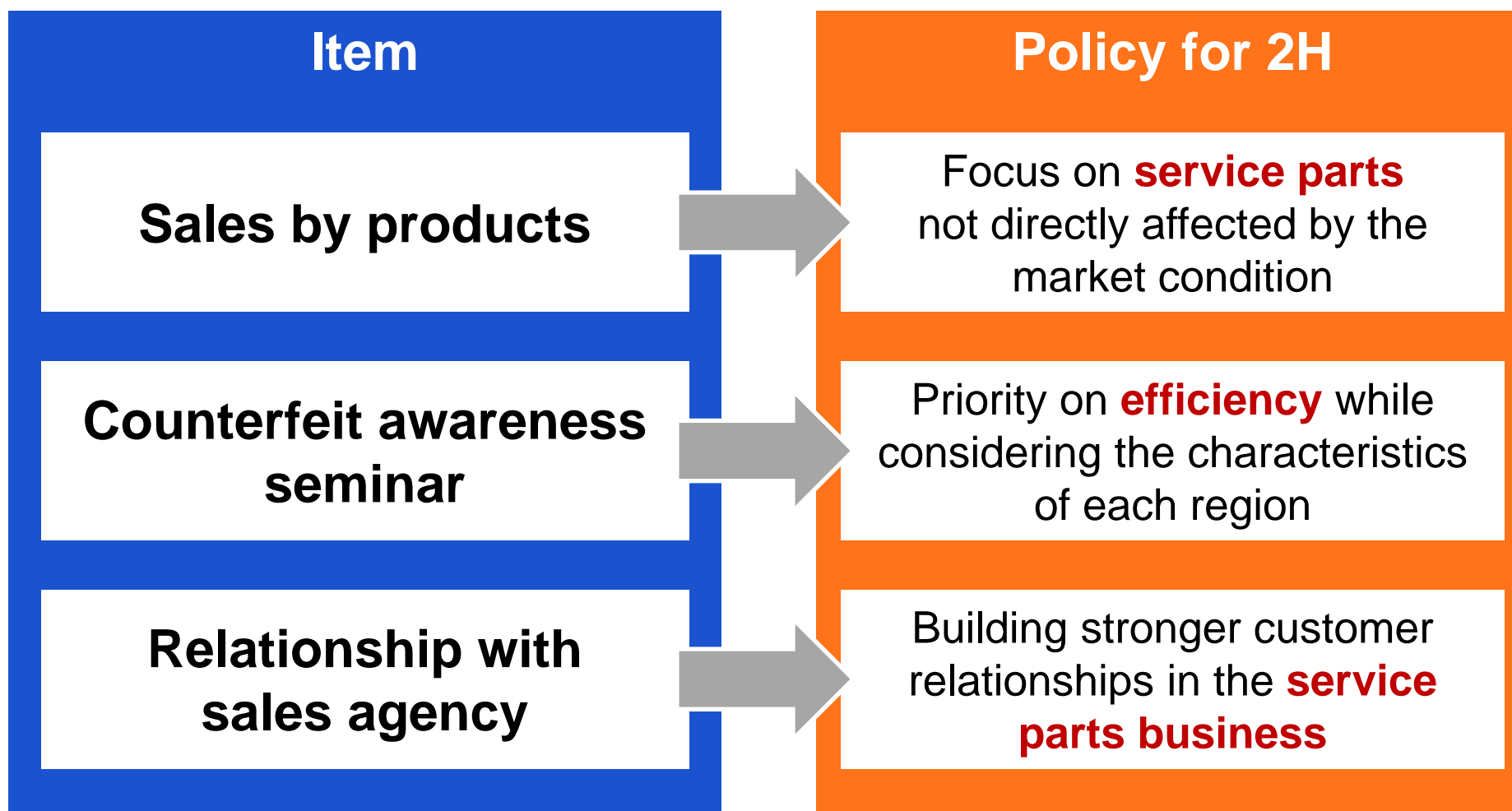


- Sales of construction machinery filters are expected to decrease due to slowdown of the Chinese market
- Sales of industrial and process filters are expected to increase owing to the increase in orders from existing customers and new customer development.



Aiming for sales recovery

- Focus on service parts sales promotion toward the end of FY

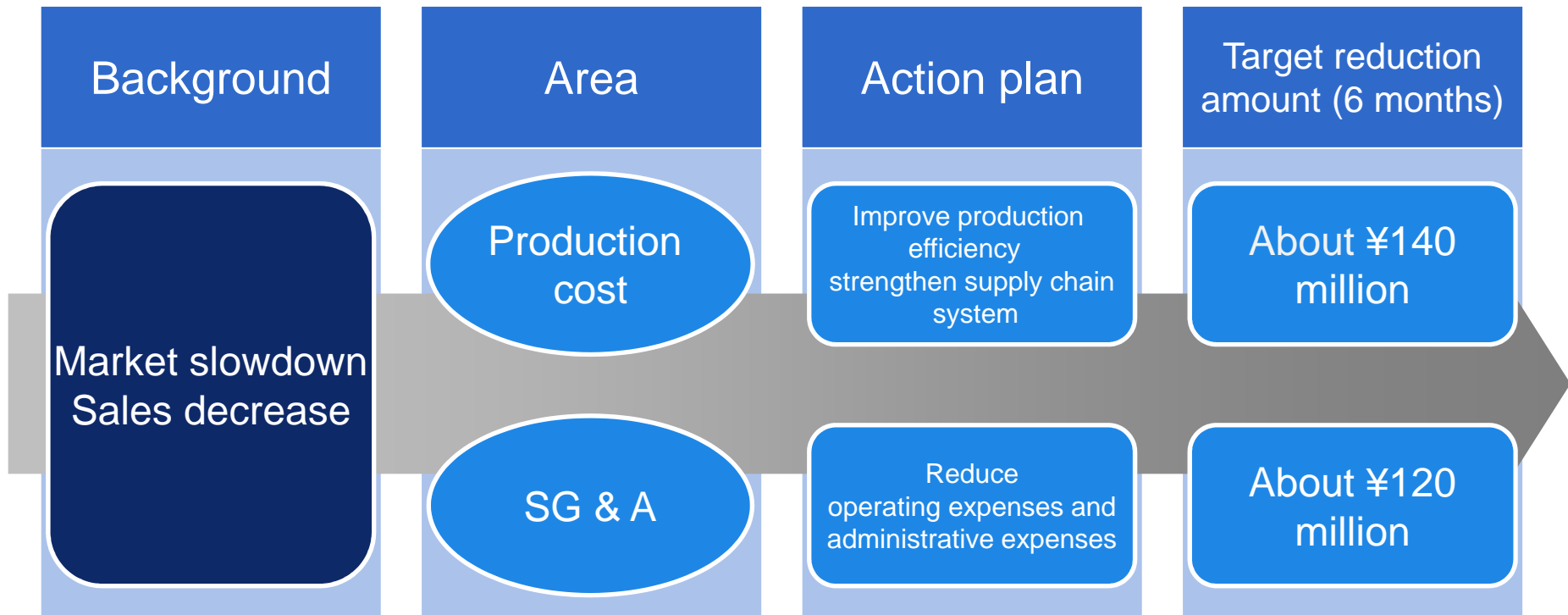


Project PAC 15

- A group-wide project with the goals of building a business framework that ensures business profitability and increasing corporate value

PAC15 is

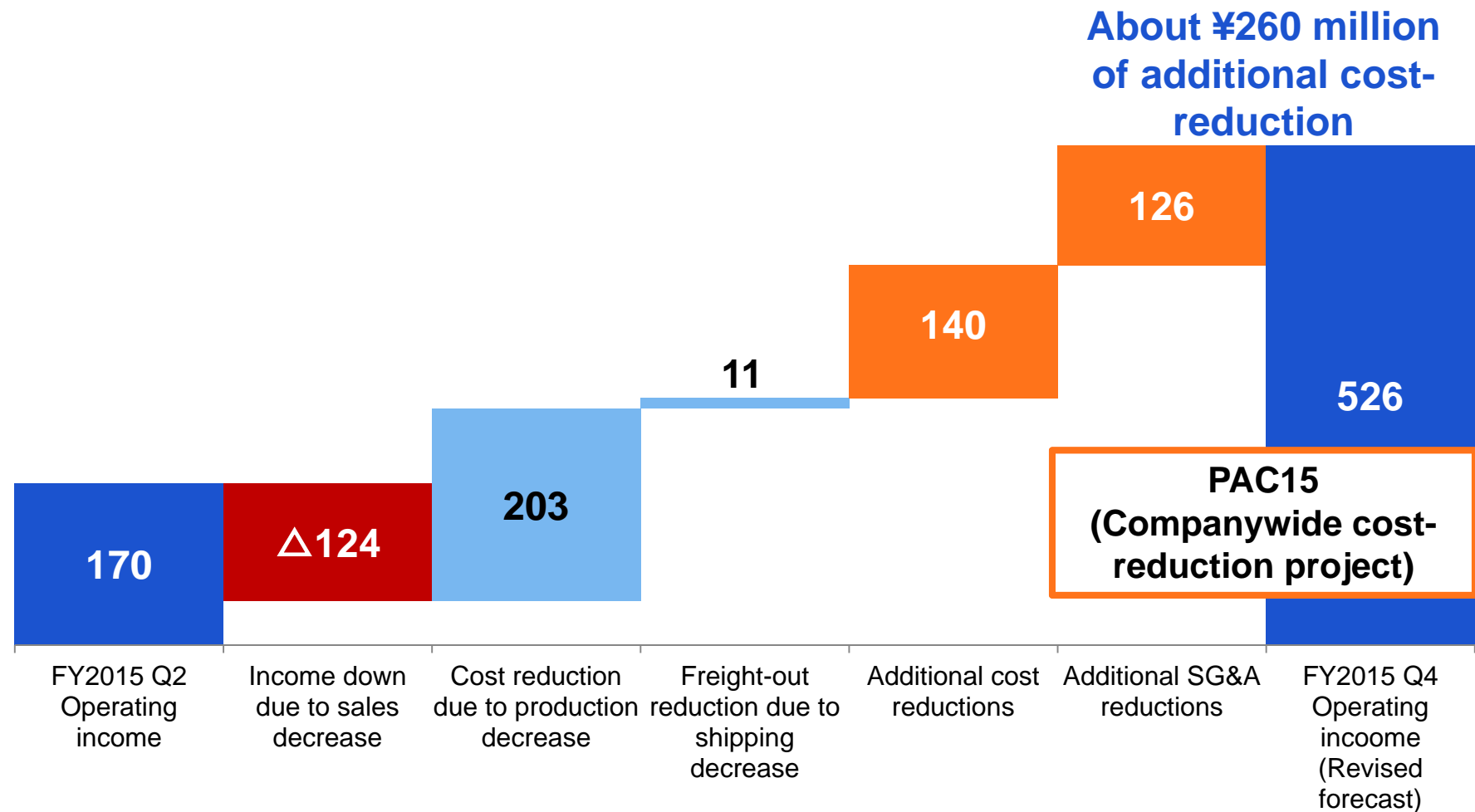
Promptly **A**ctivated **C**ost reduction 20**15**



Project PAC 15

- More cost cutting in the second half to be profitable

(Million yen)

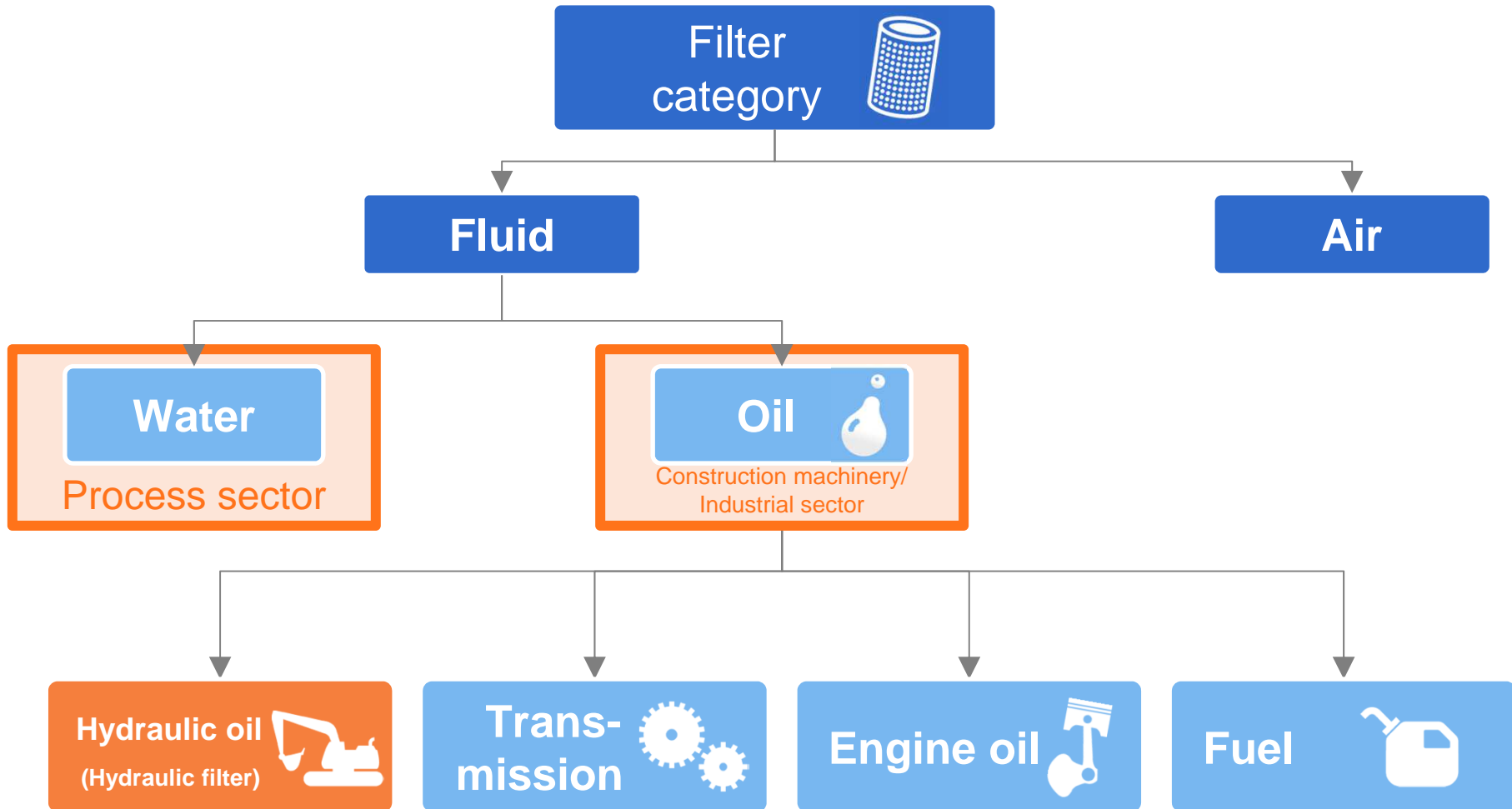


IV. Future Direction

-Further development of peripheral market-

Growth opportunity

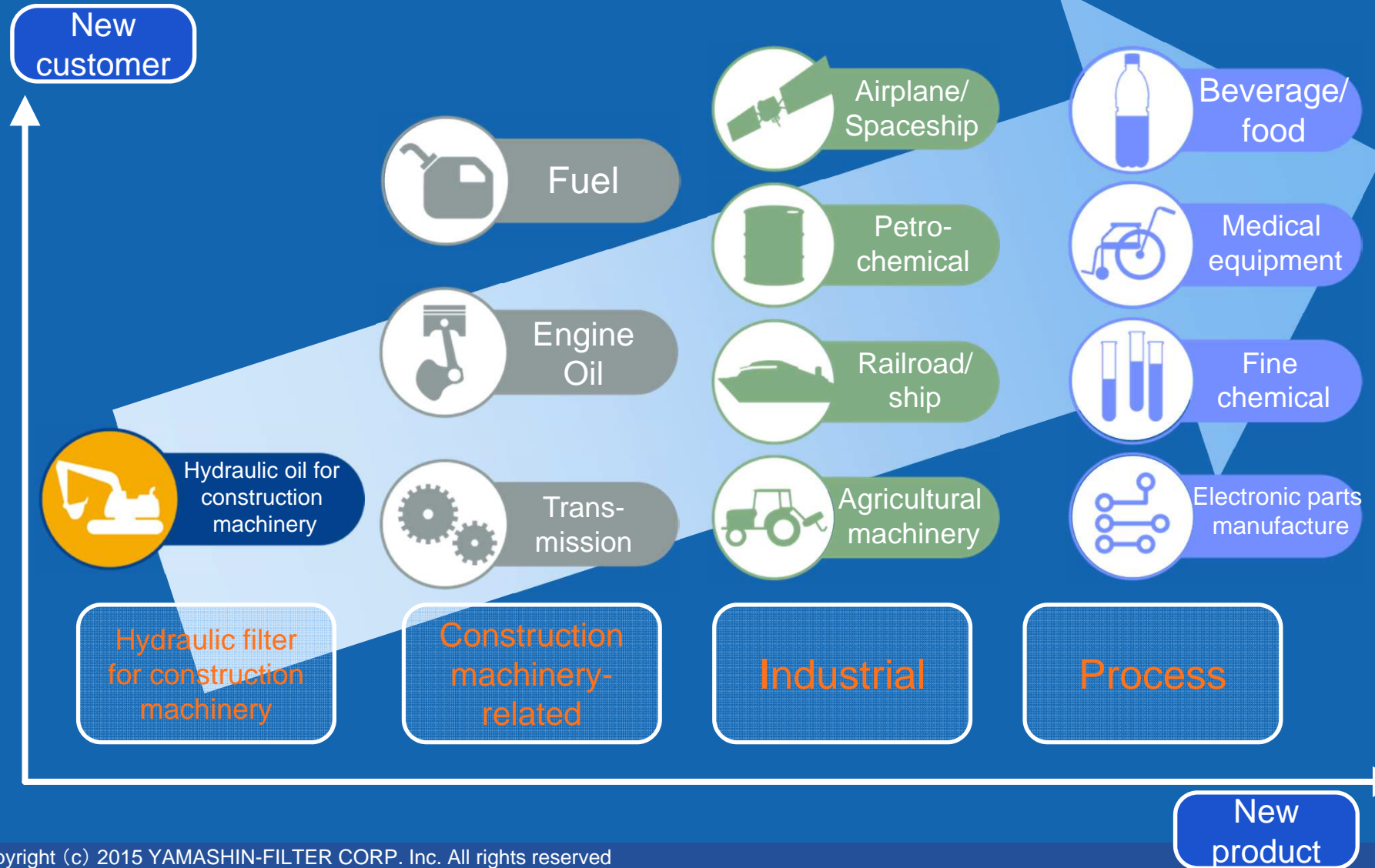
- Aiming for more synergies from the construction machinery and industry/process sectors



*Images

Growth opportunity

■ Strengthen presence in peripheral markets and enter new business domains




V. Shareholder Return

Shareholder Benefit Program

- Introduced in September 2015
to make YAMASHIN stock more attractive to investors

Description

Eligible shareholders	Shareholders whose names are recorded in the Registry of Shareholders, as of every end of second quarter (September 30) and end of fiscal year (March 31), who hold 100 (1 unit) or more shares.
Starting date	September 30, 2015
Contents of benefits	QUO cards 
Benefits by the number of shares held	100 to less than 1,000 shares → ¥500 QUO card 1,000 or more shares → ¥1,000 QUO card

Shareholder return

- Plan on a split-adjusted increase in the yield
- No change in dividend forecast or contents of shareholder benefits

	FY2013	FY2014	FY2015
Dividend per share	40 yen ^{*1}	19 yen ^{*3}	10 yen ^{*2 *3}
Shareholder benefit	—	—	【Introduced】

*1: The company conducted 3-for-1 stock split as of March 20, 2015. Dividend per share for FY2013 is presented on a pre-split basis.

*2: The dividend per share for FY2015 is the current plan.

*3: The company conducted 2-for-1 stock split that became effective on August 31, 2015. Dividend per share for FY2014 is presented on a pre-split basis.

There is no revision to the planned dividend per share for FY2015.

Overall summary

Results

- Impact of China and Asia market weakness is greater than anticipated

Forecasts

- FY2015 plan was revised, but aiming for a profit by increasing service parts sales and cutting costs

Project PAC 15

- A group-wide project is under way with the goals of building a business framework that ensures profitability and increasing corporate value

Forecasts regarding future performance presented in this material are based on information that was available at the time this material was released. Actual results may differ from the forecasts due to various factors such as market trends and business conditions etc.,

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