

November 6, 2017

**Notice Regarding Revision to the Business Forecast and Year-end Dividend Forecast**

YAMASHIN-FILTER CORP., at the Board of Directors meeting held on November 6, 2017, decided to revise its full-year business forecast and year-end dividend forecast for the fiscal year ending March 2018 (April 1, 2017 to March 31, 2018) that was announced on May 12, 2017 as follows.

## 1. Revision to the full-year business forecast for the fiscal year ending March 2018

(April 1, 2017 to March 31, 2018)

(Unit: million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share (yen)
Previous forecast (A)	11,090	980	970	660	53.06
Revised forecast (B)	12,500	1,750	1,720	1,180	18.97
Increase/decrease (B-A)	1,410	770	750	520	-
Percentage change (%)	12.7%	78.6%	77.3%	78.8%	-
(Ref.) Previous results (Fiscal year ended Mar. 2017)	10,007	957	934	640	51.46

Note 1: The amounts in the table were obtained while taking into account the 5-for-1 stock split for common shares that will become effective on December 1, 2017, as mentioned in the "Notice Regarding Stock Split and Partial Revision to the Articles of Incorporation" (Japanese) disclosed separately today. When said share split is not taken into account, net income per share is 94.87 yen.

Note 2: Assumed exchange rates:

1 USD = 115 JPY (115 JPY at the time when the previous forecast was announced)

1 EUR = 120 JPY (120 JPY at the time when the previous forecast was announced)

## 2. Reasons for the revision to the business forecast

As for the construction machinery market for FY2017, the demand for construction machinery, including hydraulic excavators, is estimated to be stronger than the forecast in various regions, mainly the Chinese market, one of the Company's main markets, compared with when the previous full-year business forecast was announced on May 12, 2017. The Company's net sales are also expected to exceed the initial forecast.

In addition to the above-mentioned changes in the external environment, the performance is expected to exceed the previous full-year business forecast, thanks to the group-wide cost reduction project PAC17. Therefore, YAMASHIN has revised its full-year business forecast announced on May 12, 2017.

a. With regard to net sales, sales of line parts are expected to increase by about 23% compared with the previous business forecast. This is due to the strong demand in the markets of North America and Southeast Asia, as well as the Chinese market, where the demand for construction machinery is estimated to keep growing solidly through active public investment based on the governmental investment in fixed assets and infrastructure. Sales of service parts are expected to

increase by about 8% compared with the previous business forecast. This is because the operation hours of construction machinery are increasing, except some regions, and demand will grow solidly particularly in the after-sales markets of China and Southeast Asia. Overall net sales are expected to increase by about 12.7% compared with the previous business forecast.

b. With regard to operating income, this is expected to increase by 78.6% compared with the previous business forecast, thanks to an increase in net sales and cost reduction effect through PAC17, which is a project for ensuring profitability since the previous fiscal year, although YAMASHIN is estimated to incur cost, etc. for securing personnel and operating the new ERP system for ensuring future profitability.

c. With regard to ordinary income, this is expected to increase by 77.3% compared with the previous business forecast due to the increase in operating income.

d. With regard to net income attributable to owners of parent, this is expected to increase by 78.8% compared with the previous business forecast. This is due to the increase in ordinary income.

### 3. Reasons for the revision to the dividend forecast

The basic policy of YAMASHIN is to position the return of profit to shareholders as one of the most important missions and take stable dividend measures while considering the strengthening of its financial structure and the enrichment of internal reserve required for future business growth.

Considering the above basic policy, and the business environment surrounding YAMASHIN, etc., the Company set an interim dividend at 7 yen per share, and a year-end dividend forecast at 1.8 yen per share (based on the 5-for-1 stock split for common shares that will become effective on December 1, 2017, as mentioned in the "Notice Regarding Stock Split and Partial Revision to the Articles of Incorporation" disclosed separately today).

When said stock split is not taken into account, the annual dividend amount is 16 yen per share, up 2 yen per share from the previous forecast.

Consolidated payout ratio is 16.9%.

	Annual dividend (yen)		
	End of Q2	Year-end	Total
	Yen	Yen	Yen
Previous forecast	-	7.00	14.00
Revised forecast (before taking into account share split)	-	1.80 (9.00)	- (16.00)
Current results (Fiscal year ending Mar. 2018)	7.00	-	-
Previous results (Fiscal year ended Mar. 2017)	5.00	7.00	12.00

Note: The forecast regarding future performance presented in this material is based on information that was available at the time this material was released and this contains many uncertainties. The actual results may differ from the forecast due to various factors such as the market trends and business conditions.