

November 4, 2016

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

YAMASHIN-FILTER CORP., at the Board of Directors meeting held on November 4, 2016, decided to revise its full-year business forecast for the fiscal year ending March 31, 2017 (April 1, 2016 to March 31, 2017) that was announced on May 13, 2016 and its year-end dividend forecast as follows.

## 1. Revision to the full-year business forecast for the fiscal year ending March 2017

(April 1, 2016 to March 31, 2017)

(Unit: million yen)

	Net Sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share (yen)
Previous forecast (A)	8,670	344	286	181	14.62
Revised forecast (B)	9,345	780	720	464	37.31
Increase/decrease (B-A)	674	435	433	282	-
Percentage change (%)	7.8%	126.7%	151.7%	155.2%	-
(Ref.) Previous results (Fiscal year ended Mar.2016)	9,458	407	349	183	14.79

\*Assumed exchange rates: 1 USD = 100 JPY (120 JPY at the time when the previous forecast was announced)  
1 EUR = 110 JPY (130 JPY at the time when the previous forecast was announced)

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

For the fiscal year ending March 31 2017, construction machinery market showed signs of improvement, compared with when the previous full-year business forecast was announced on May 13, 2016. It is because the Chinese market, which is one of the Company's main markets, saw the beginning of a recovery in replacement demand for construction machinery, although there is some degree of regional variation in construction machinery demand trends.

In regards to the forecast for the exchange rate, the yen has remained at a substantially higher level than the rate initially expected, and it is assumed that a similar trend in the yen will be maintained for the foreseeable future.

In addition to such changes in the external environment, and in response to the results of the PAC16 cost reduction project on which the whole Group is working together, performance is expected to exceed the previous full-year business forecast, and the Company has therefore revised its full-year business forecast that was announced on May 13, 2016.

- a. With regard to net sales, sales of line parts are expected to increase by about 17% compared with the previous business forecast. This is due to the supportive effects of fixed asset investment by the government, a recovery in replacement demand for construction machineries supported by public investment including infrastructure investment in the Chinese market, and a relatively strong increase in demand in the European market. Sales of service parts are expected to increase by about 4% compared with the previous business forecast. In addition to the fact that there is a rising trend in operation hours in the aftermarket for construction machinery in China, this is due to the snapback impact of the customers' inventory adjustments in the second half of the previous fiscal year. Overall net sales are expected to increase by 7.8% compared with the previous business forecast.
- b. With regard to operating income, this is expected to increase by 126.7% compared with the previous business forecast. This is because there was an increase in net sales and the Company is expected to achieve better cost reduction target than estimated by implementing a cost reduction project named PAC16 to ensure profitability since the previous fiscal year.
- c. With regard to ordinary income, this is expected to increase by 151.7% compared with the previous business forecast. This is due to the increase in operating income.
- d. With regard to net income attributable to owners of the parent company, this is expected to increase by 155.2% compared with the previous business forecast. This is due to the increase in ordinary income.

## 2. Revision to the dividend forecast

YAMASHIN regards return of profits to shareholders as one of the most important matters regarding management. The Company's basic policy is to distribute a stable dividend while considering strengthening its profit structure and enhancing internal reserves for future business expansion.

With comprehensive consideration of the above basic policy and the business environment surrounding us, the Company plans to pay 5 yen per share as an interim dividend and has revised its year-end dividend forecast to 7 yen per share. Accordingly, the annual dividend will be 12 yen per share, and the consolidated dividend payout ratio will be 32.2%.

	Annual dividend (yen)		
	End of Q2	Year-end	Total
Previous Forecast	-	5.00 yen	10.00 yen
Revised Forecast	-	7.00 yen	12.00 yen
Current result (Fiscal year ending Mar.2017)	5.00 yen	-	-
Previous result (Fiscal year ended Mar.2016)	5.00 yen	5.00 yen	10.00 yen

(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, business conditions, etc.