



YAMASHIN-FILTER CORP.

Future Growth Potential Materials



**YAMASHIN-FILTER CORP.
TOKYO STOCK EXCHANGE
NUMBER6240**

November 5th, 2014

1. Corporate Profile	P3
2. Business Overview	P6
3. YAMASHIN Core Values	P9
4. Growth Strategies	P14
5. Reference	P21

1. Corporate Profile

- Corporate profile
- Financial highlights

1. Corporate Profile

Corporate Name YAMASHIN-FILTER CORP.

Business Manufacturing and sales of filtration products for construction and industrial machinery, process filtration systems and related components.

Established April 5th , 1956

President/CEO Atsuhiko Yamazaki

Number of Employees Consolidated : 327
Non-consolidated : 113 (as of March 31st , 2014)

Capital 822,642,500 yen

Head Office 16th Floor, Nisseki-Yokohama Bldg., 1-1-8 Sakuragi-cho, Naka-ku, Yokohama 231-0062, Japan

Certifications ISO9001 : 2008 (JIS Q 9001 : 2008) Certified
ISO14001 : 2004 (JIS Q 14001 : 2004) Certified

Corporate Principle

仕 濾 過 事
(R o k a j i n i t s u k a f u r u)
Contributing to Society through Filtration

1. Corporate Profile : Financial highlights

(Units : million yen)	FY 3/11 56 th period non-consolidated	FY 3/12 57 th period non-consolidated	FY 3/13 58 th period consolidated	FY 3/14 59 th period consolidated	FY 3/15 (forecast) 60 th period consolidated (forecast)	YoY %
Sales	9,924	10,678	9,088	10,530	11,069	105.1%
Gross income	3,789	3,065	3,671	4,440	4,719	106.3%
Gross income ratio	38.2%	28.7%	40.4%	42.2%	42.6%	-
SG & A	2,105	2,560	3,615	3,730	3,902	104.6%
SG & A ratio	21.2%	24.0%	39.8%	35.4%	35.3%	-
Operating income	1,683	505	55	710	817	115.1%
Operating income ratio	17.0%	4.7%	0.6%	6.7%	7.3%	-
Ordinary income	2,091	789	△ 69	709	787	111.0%
Ordinary income ratio	21.1%	7.4%	△0.8%	6.7%	7.1%	-
Net income	1,207	531	△ 253	336	530	157.6%
Net income ratio	12.2%	5.0%	△2.8%	3.2%	4.7%	-

**For FY 3/15, YAMASHIN plans for ¥11,069 million of consolidated sales globally
¥817 million of consolidated ordinary income
¥530 million of consolidated net income**

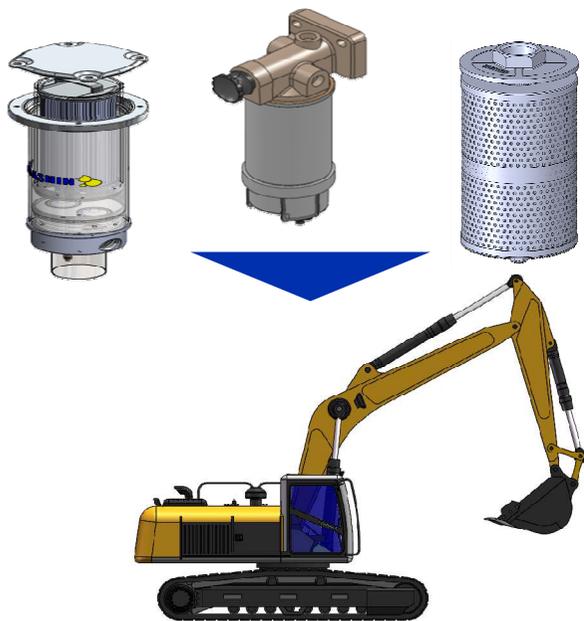
2. Business Overview

- Overview of YAMASHIN's business
- YAMASHIN's global footprint
- Core business flow chart

2. Business Overview : Overview of YAMASHIN's business

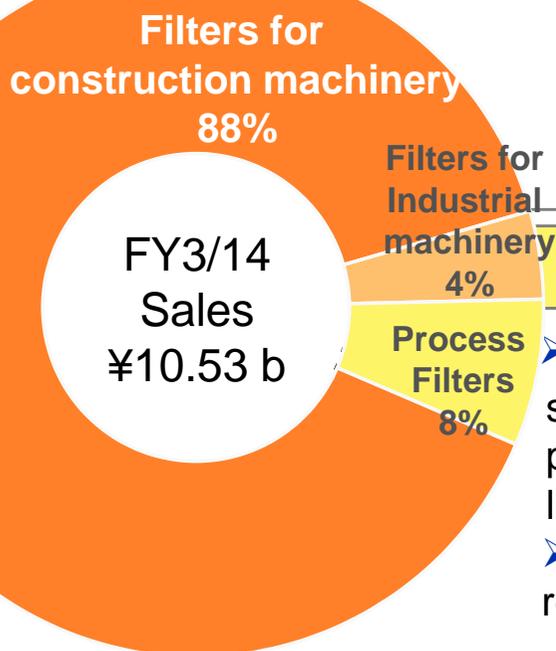
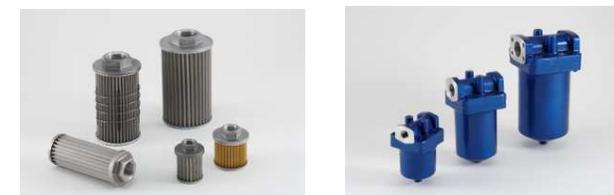
Filter for Construction Machinery

- Top market share in hydraulic oil filter for construction machinery.
- Manufacture and sales of filtration products used in oil, fuel, drive-train systems.



Filter for Industrial Machinery

- Provide filtration products to a wide range of industries including machine tool, press machine, rail, agricultural machinery and marine industries.



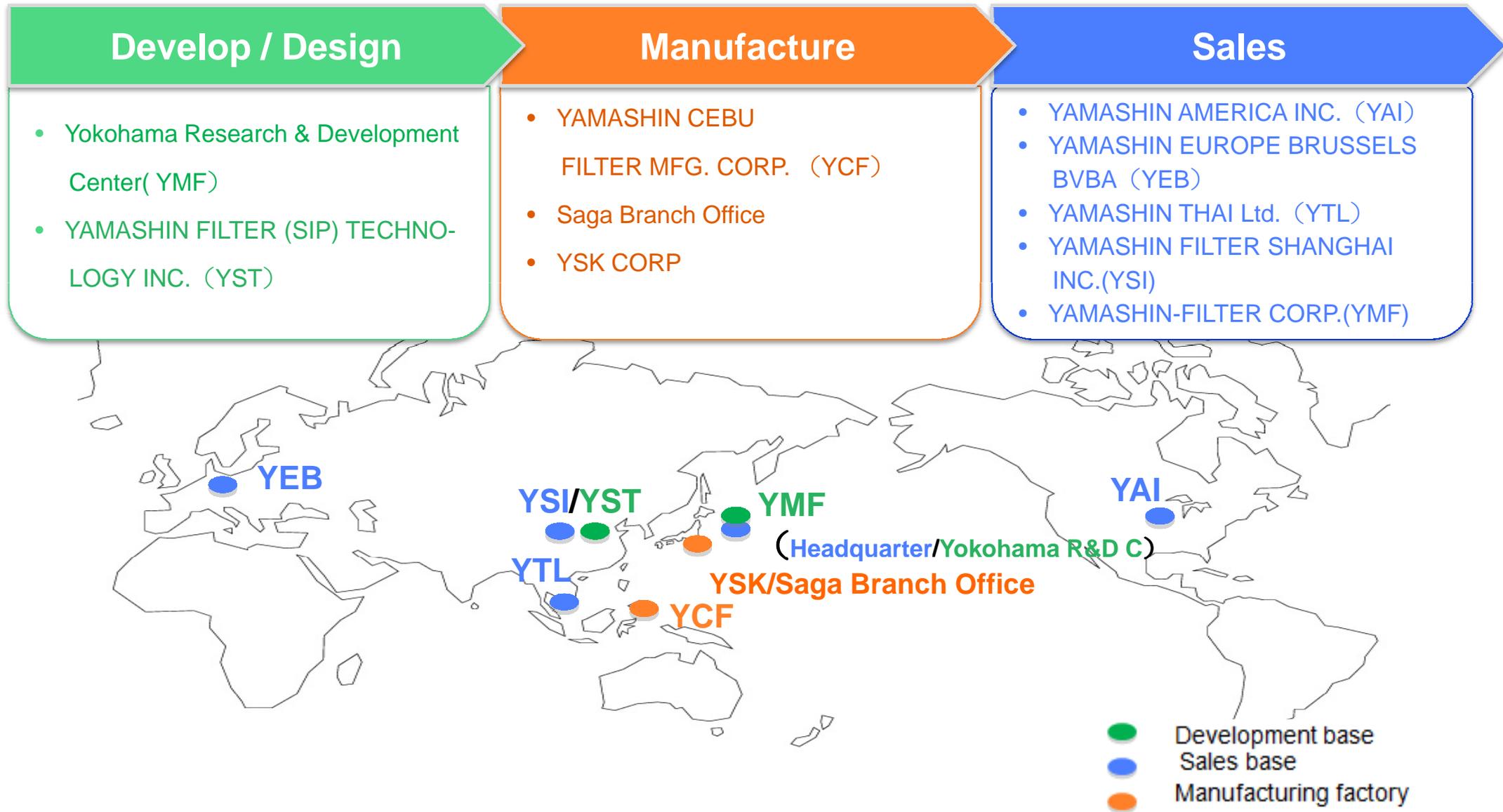
Process Filter

- Provide products for filtration and separation in the manufacturing and processing of electronic components, liquid crystal displays and food products.
- Successful development and realization of nano-level filtration



Global leader in hydraulic filtration for on-highway and off-highway construction machinery.

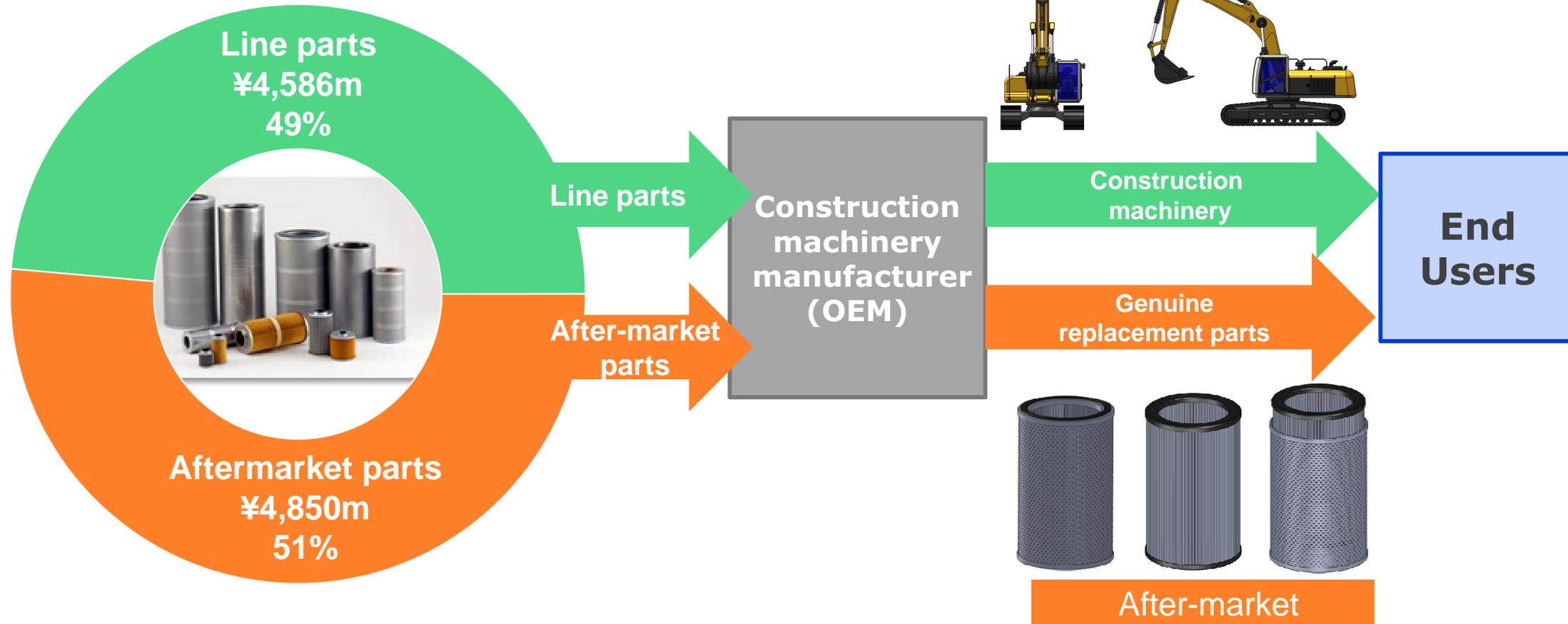
2. Business Overview: YAMASHIN's global footprint



YAMASHIN operates in a globally integrated structure from development through manufacturing to final sale of filtration products.

2. Business Overview: Core Business Flow Chart

FY3/14 Net sales and component ratio of filter products for construction machinery



※”Line parts” indicates a filter for new vehicle and/or machine.

“Aftermarket parts” indicates a filter for replacement part or more commonly known as a “service part”.

YAMASHIN DOES NOT compete with its valued OEM customers in the marketplace.

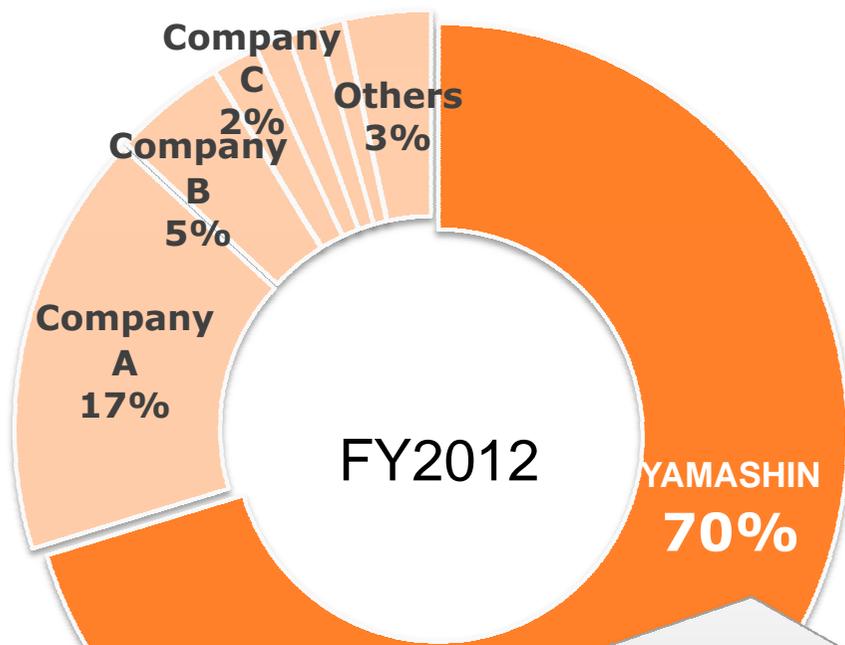
3. YAMASHIN Core Values

- Aftermarket support
- Designing Products with VOC in-mind
- Earning our customer's trust

3. Characteristics of YAMASHIN : Aftermarket support

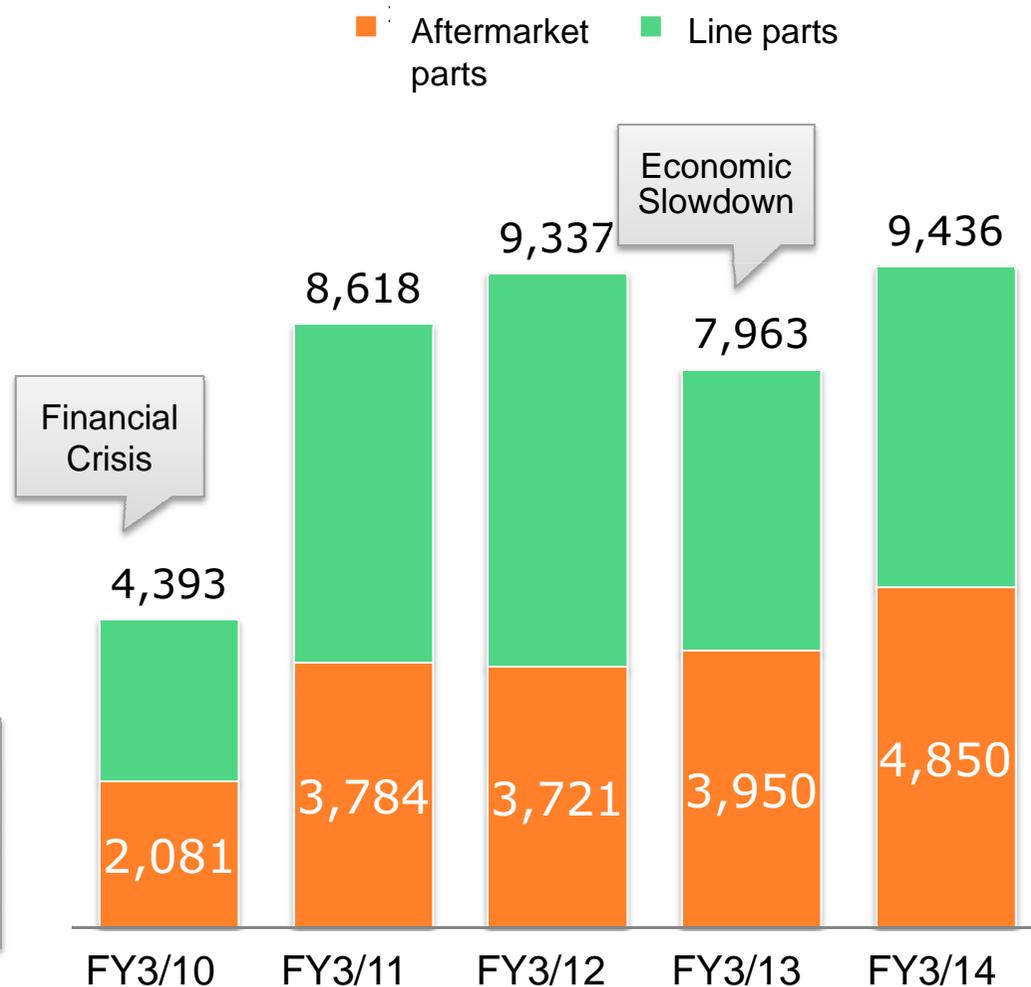
YAMASHIN's share of hydraulic return filters for hydraulic excavators.

Comparison of sales of filters for new machines and aftermarket



Highest rate of market share of new machines in the industry with our competition far behind us. YAMASHIN's market share is roughly **70%**

Source: Yano Research Institute



Large market share with line parts allows YAMASHIN to support and retain a larger aftermarket volume.

3. Characteristics : Designing Products with VOC in-mind ①

Major Filter Components

Outer Tube

To protect the filter media

Banding

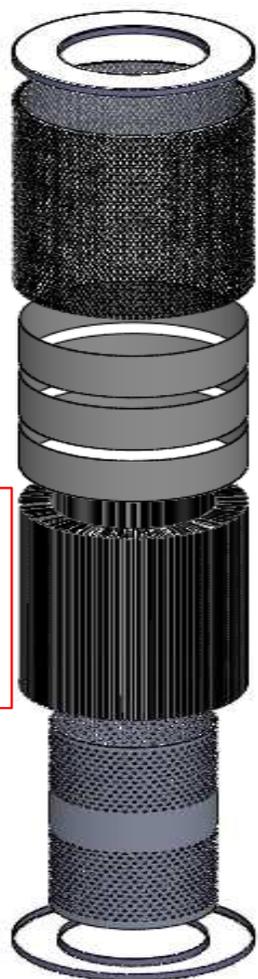
To retain pleated media stability

Filtration Media

The most important component of the filter that captures contamination

Inner Tube

To protect against filter collapse



Development process of filters

Selection of structure and material

Prototype manufacturing

Validation

Concept creation
(Yokohama Research & Development Center)



Prototype manufacturing
(Filter media)



Validation of design
(Multi-pass testing machine)



YAMASHIN works with our customer every step of the way to design a product and meets and exceeds their expectations.

3. Characteristics : Designing Products with VOC in-mind ②

Required performance

■ Filter Durability

The volume of hydraulic fluid that flows in construction machinery varies depending on the operation performed. At times, about 1,000 l/min of fluid passes through the return filter.

■ Ability to work in high pressure applications

The high pressure of hydraulic circuits creates an extremely difficult environment for circuit components. Filters must be built to withstand a load of about 9 tons/m².

YAMASHIN products



Yamashin expertise

■ Expertise in the construction machinery field

Long history of product development in hydraulic system components designed in Japan since the 1960s.

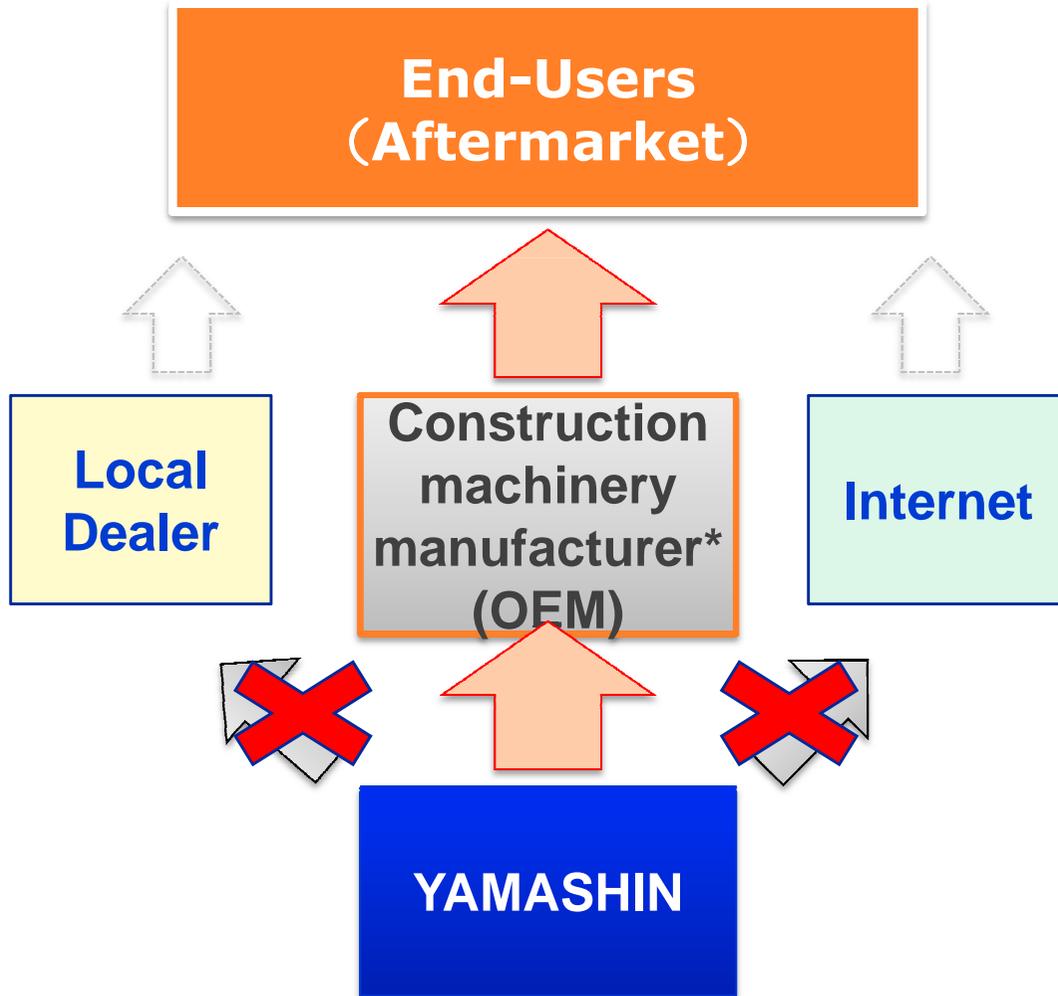
■ Expertise in the other fields

YAMASHIN has a long history of expertise in the development in a variety of fields such as process and industrial machinery.

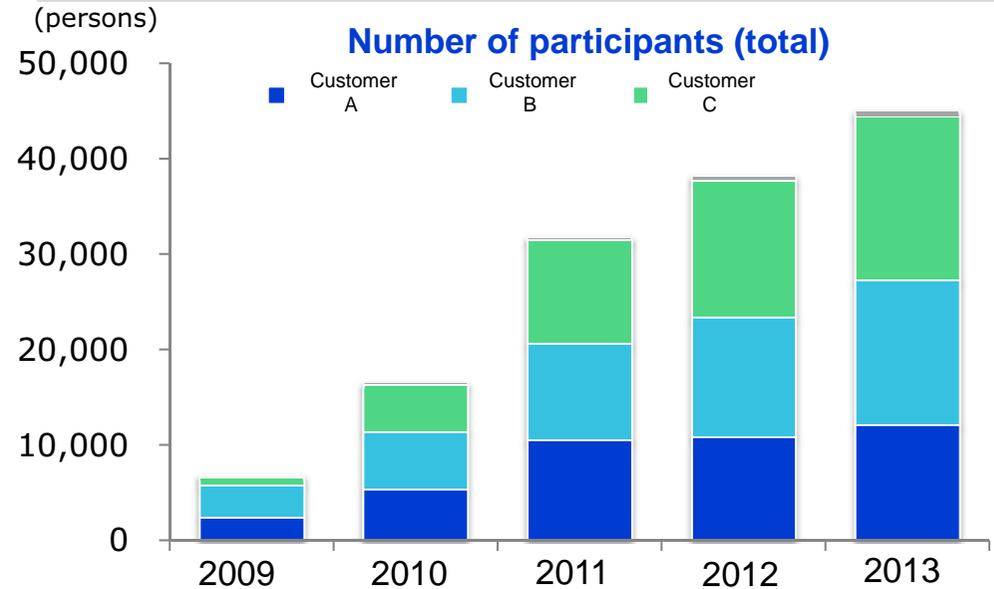
YAMASHIN has the expertise to produce highly durable filter products which meet and exceed our customer needs

3. Characteristics : Strong trust relationship with construction machinery manufacturers

YAMASHIN DOES NOT COMPETE with our OEM customers.



Genuine filter seminars in local areas



Seminar held in China

The number of seminar participants has exceeded **45,000** people in total since 2009.

YAMASHIN is able to earn and keep the trust of customers as a valued business partner.

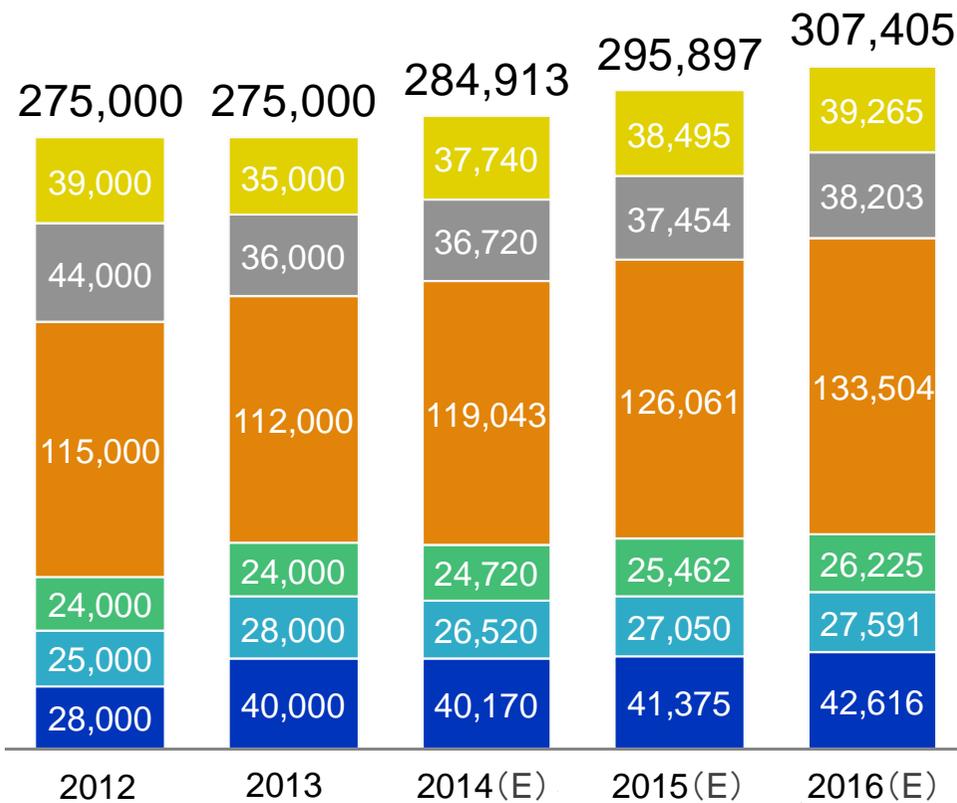
4. Growth Strategies

- Business environment
- Growth strategies

4. Growth Strategies : Business environment ①

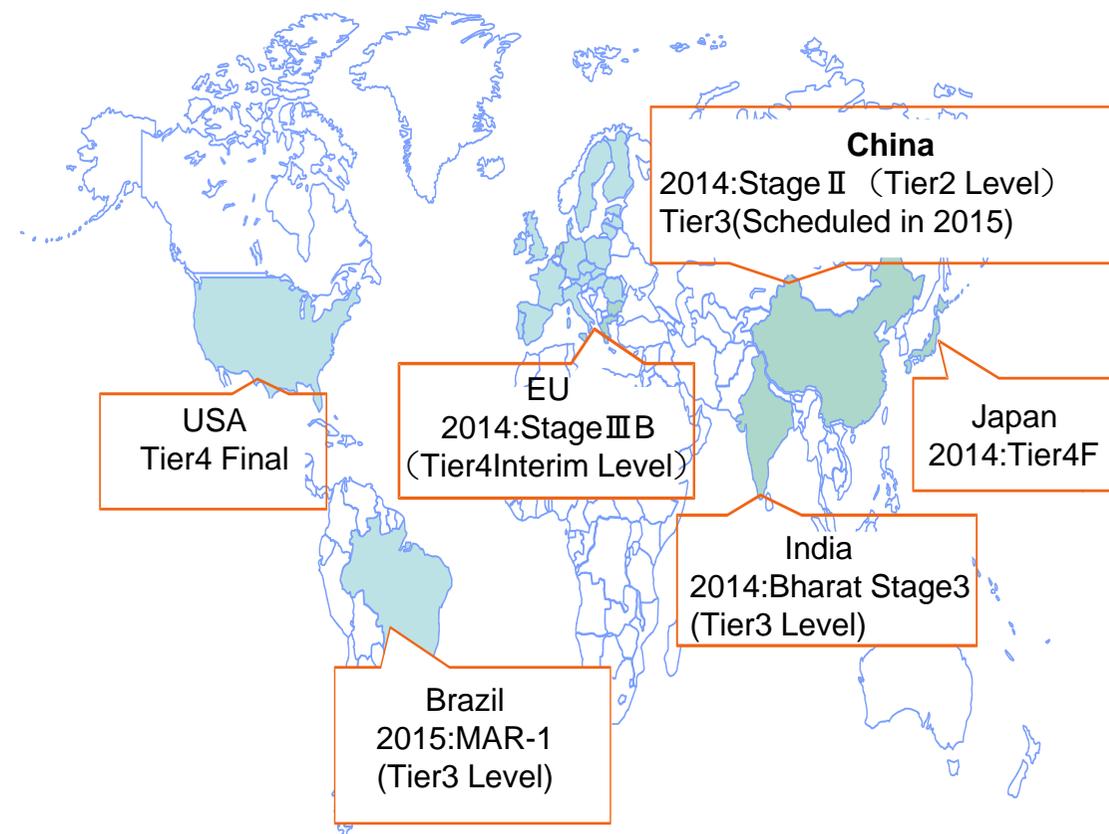
Market demand for new hydraulic excavator (Number of machines)

■ Japan ■ Europe ■ North America ■ China
■ Asia · Pacific ocean ■ Others



Reference: Above figures are estimated by YAMASHIN based on various information channels and OEM production forecasts.

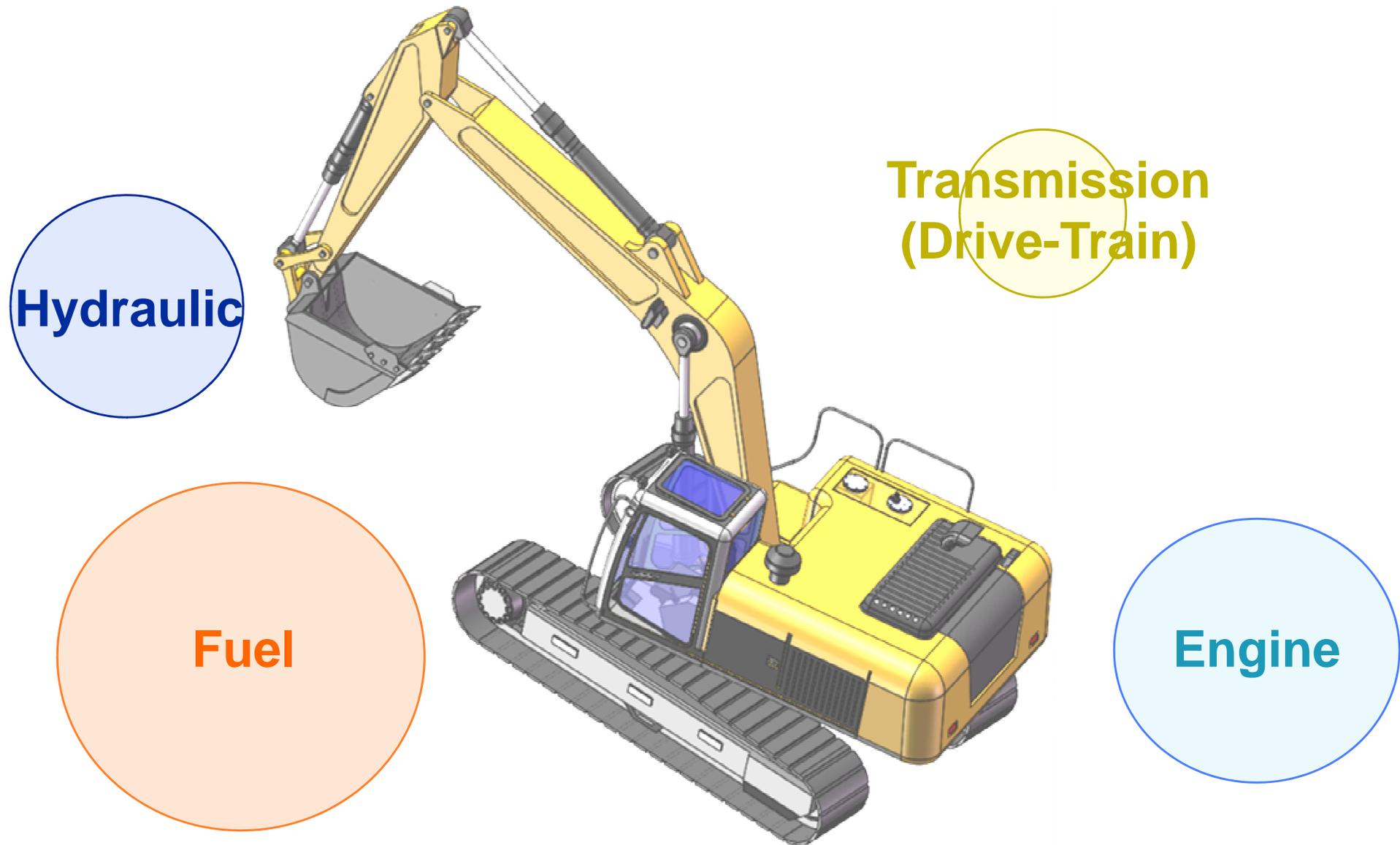
Status of emission control by region



Reference: MITI (Industrial Structure Council) report for FY6/13
emission control : exhaust gas regulation to restrict emissions exhaust gas as pollution-abatement measures

Strong demand is expected for the next few years.
High emission regulation is one of the reasons for demand increase.

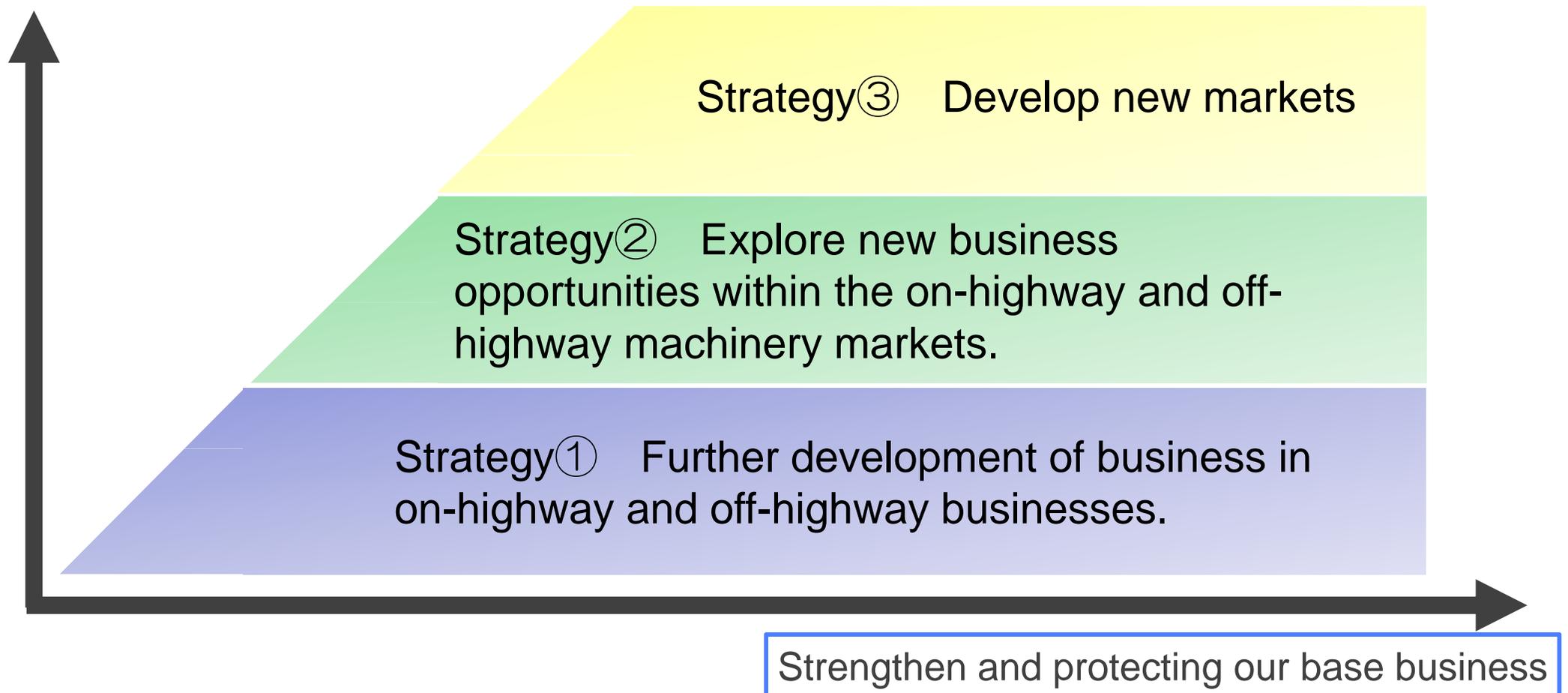
4.Growth Strategies : Business environment ②



There are many market sectors that YAMASHIN has recently entered that will help advance expansion of business in our on-highway and off-highway business.

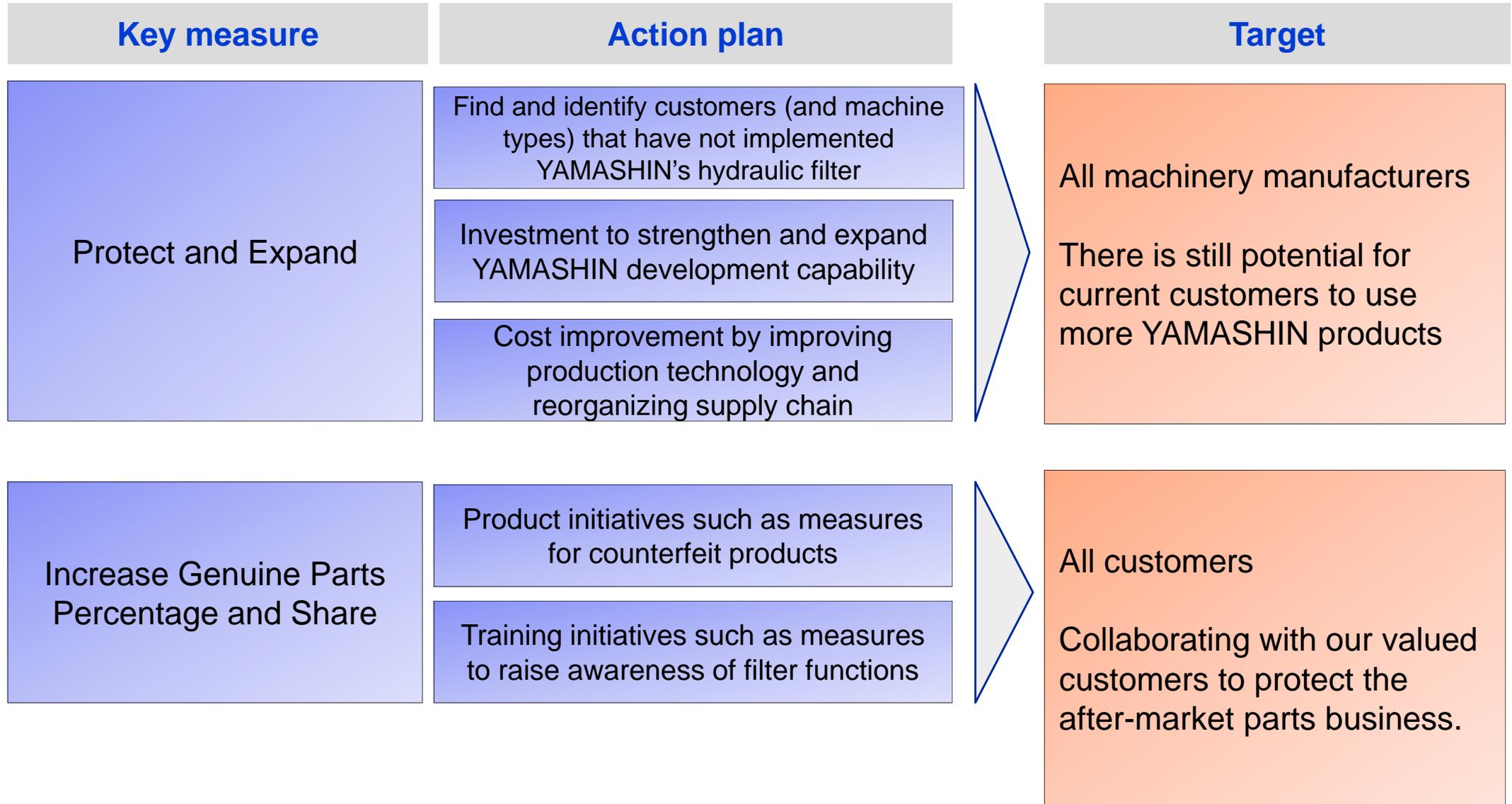
4. Growth Strategies : Three strategies

Business expansion



Using the hydraulic filter business as the core, YAMASHIN will explore new opportunities within the machinery markets, and further expand the business to other industrial sectors.

4. Growth Strategies : Enlarge hydraulic filter business in the construction machinery market



Enhance YAMASHIN's revenue base by maintaining and strengthening our core competencies in filtration.

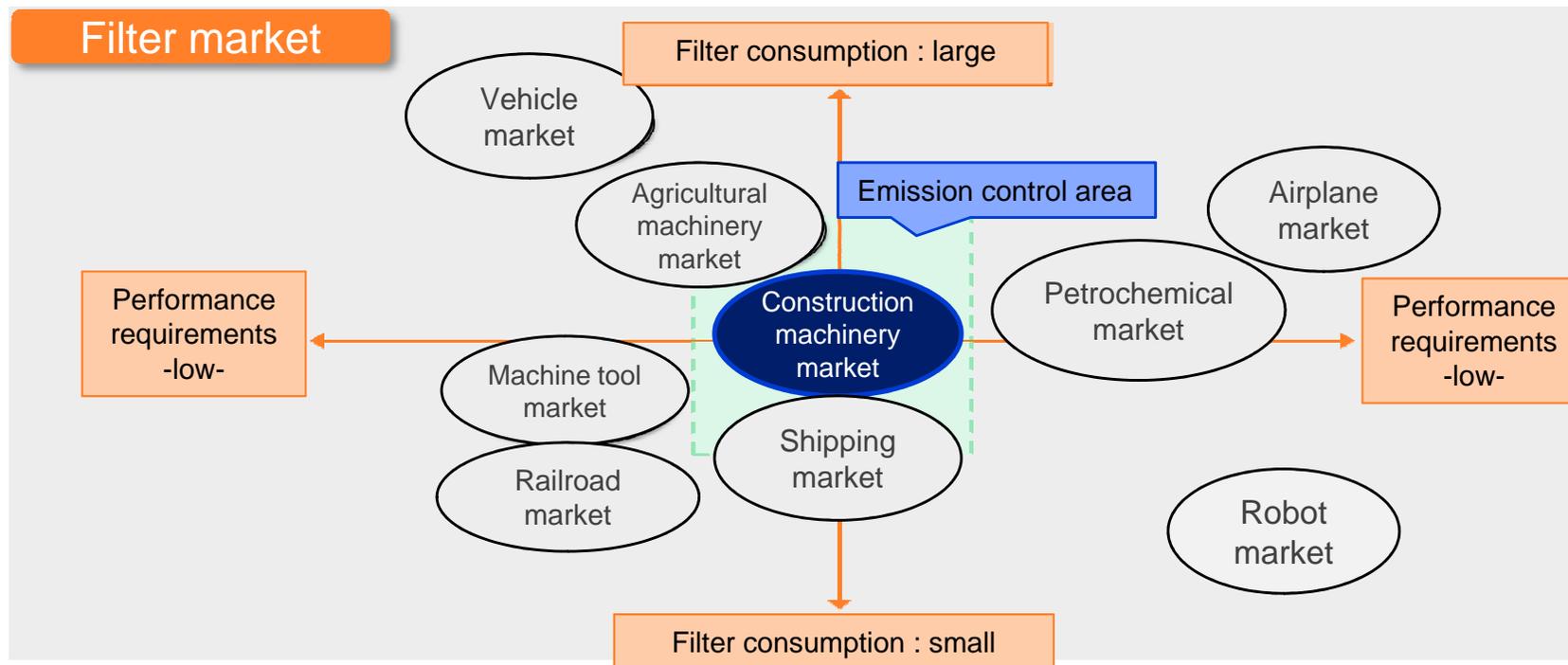
4. Growth Strategies : Expand the business to new areas within the construction machinery market

Key measure	Action plan	Target
<p>Product Line Expansion</p>	<p>Diversify the range of machines that use YAMASHIN's products.</p> <p>Greater filter variations</p>	<p>On-Highway and Off-Highway OEMs</p> <p>Increase the use of YAMASHIN products by utilizing opportunities created by periodic introductions of new models</p>
<p>Environmental Compliance</p>	<p>Introduce products suitable for fuel conditions of emerging countries</p> <p>Introduce products that comply with tighter emission gas control regulation in each country</p>	<p>Major construction machinery manufacturers</p> <p>For regulations, use regional information to solve customers' problems</p>

Aggressive penetration into areas within the on-highway and off-highway machinery markets that are new to YAMASHIN.

4. Growth Strategies : Foster and develop new markets

Key measure	Action plan	Target
Market Segment Diversification	<p>Full-scale entry into the industrial market</p> <p>Expand and improve R&D system and manufacturing system</p>	<p>Industrial machinery manufacturers</p> <p>Already have had transactions with customers in many industries ; currently determining priority market sectors</p>



Aim for overall segment expansion leveraging YAMASHIN's experience and know-how.

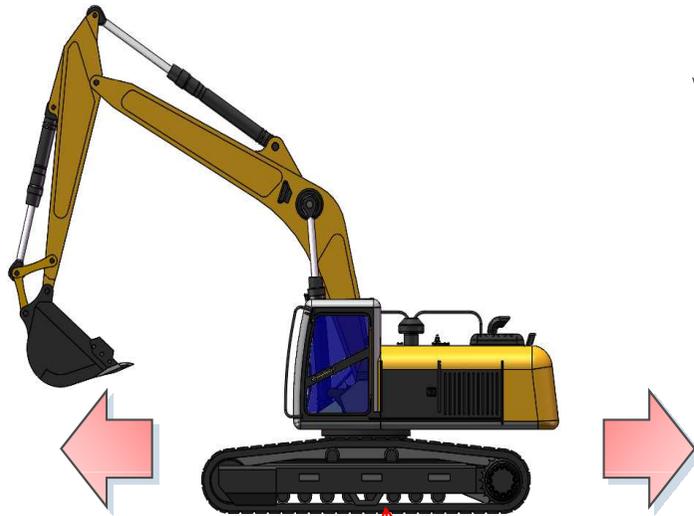
5. Reference

- About hydraulic filter for construction machinery

5.Reference:

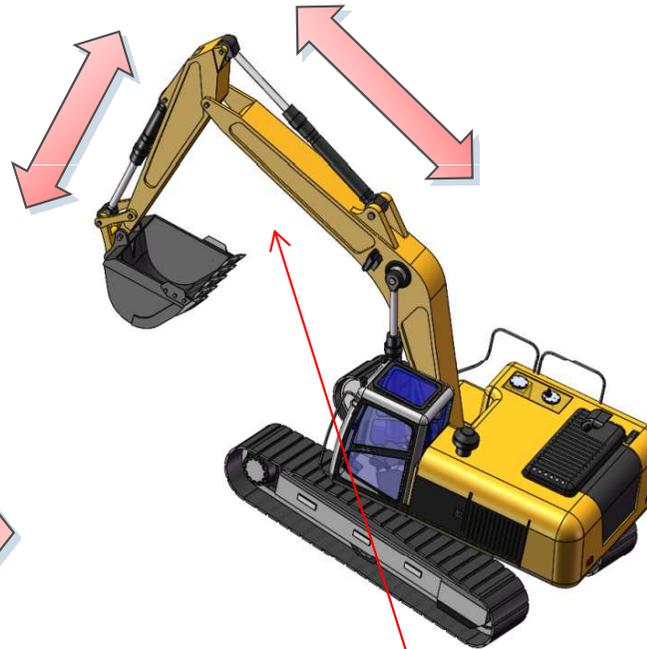
About hydraulic filter for construction machinery ①

Move・Stop・Bend



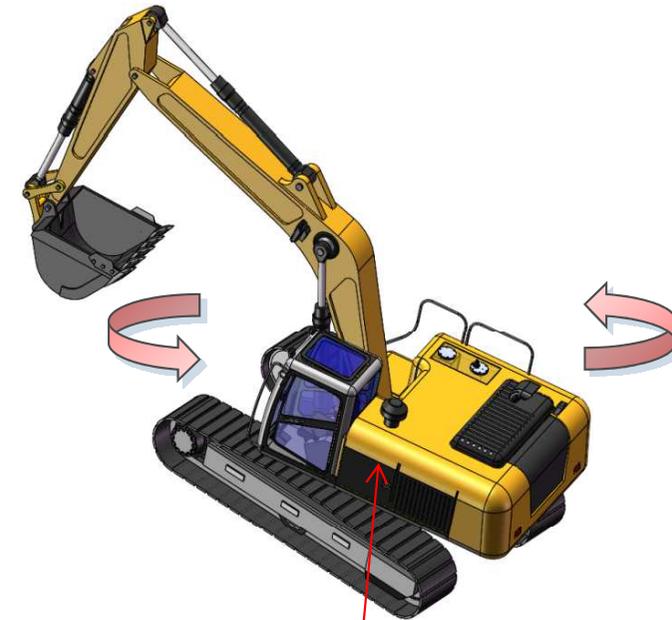
Travel motor is driven by hydraulic pressure

Move the shovel



Move the cylinder using hydraulic pressure

Turn the upper body

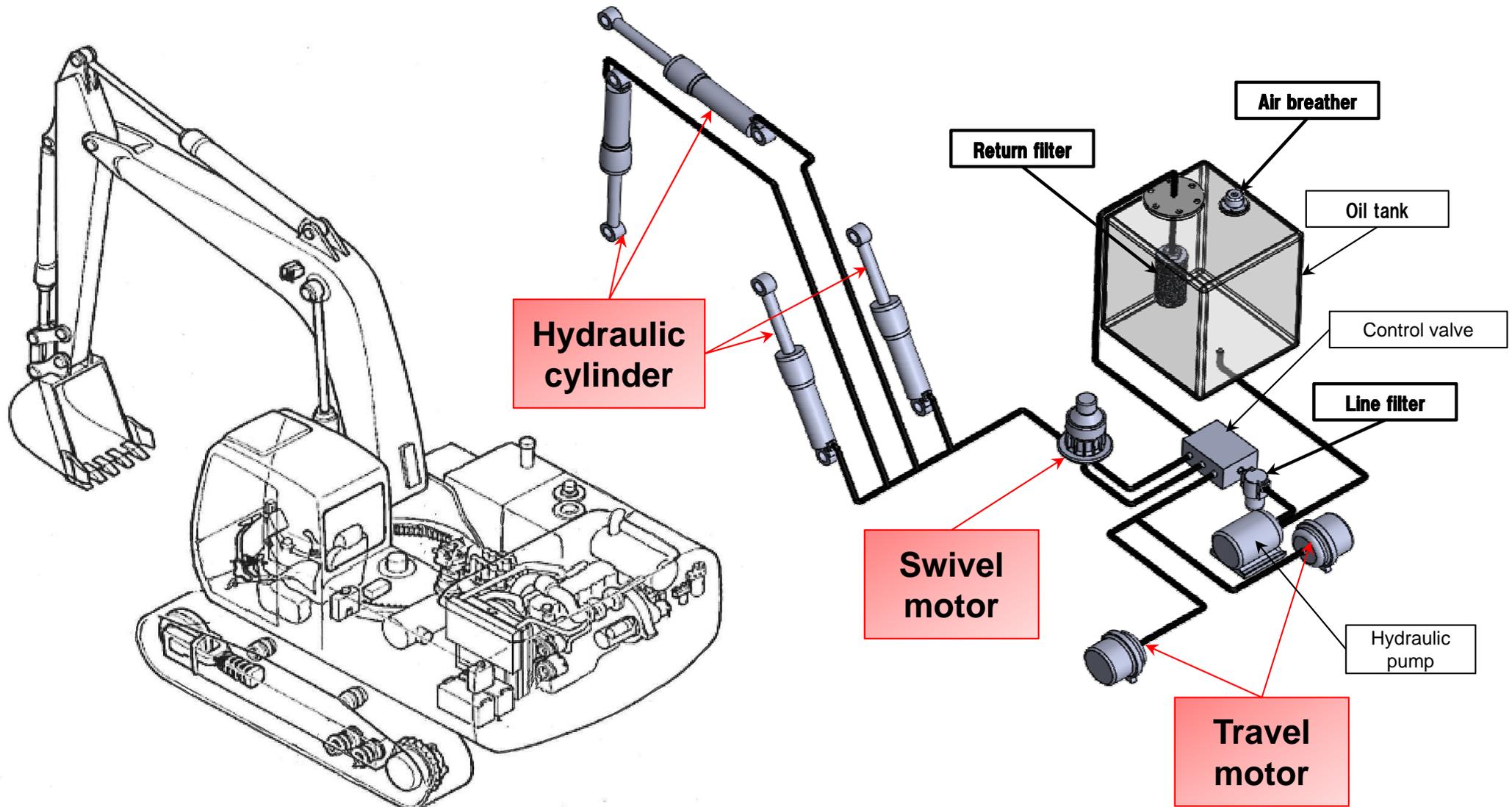


Swivel motor is driven by hydraulic pressure

Construction machinery is operated using hydraulic pressure.

5.Reference:

About hydraulic filter for construction machinery ②



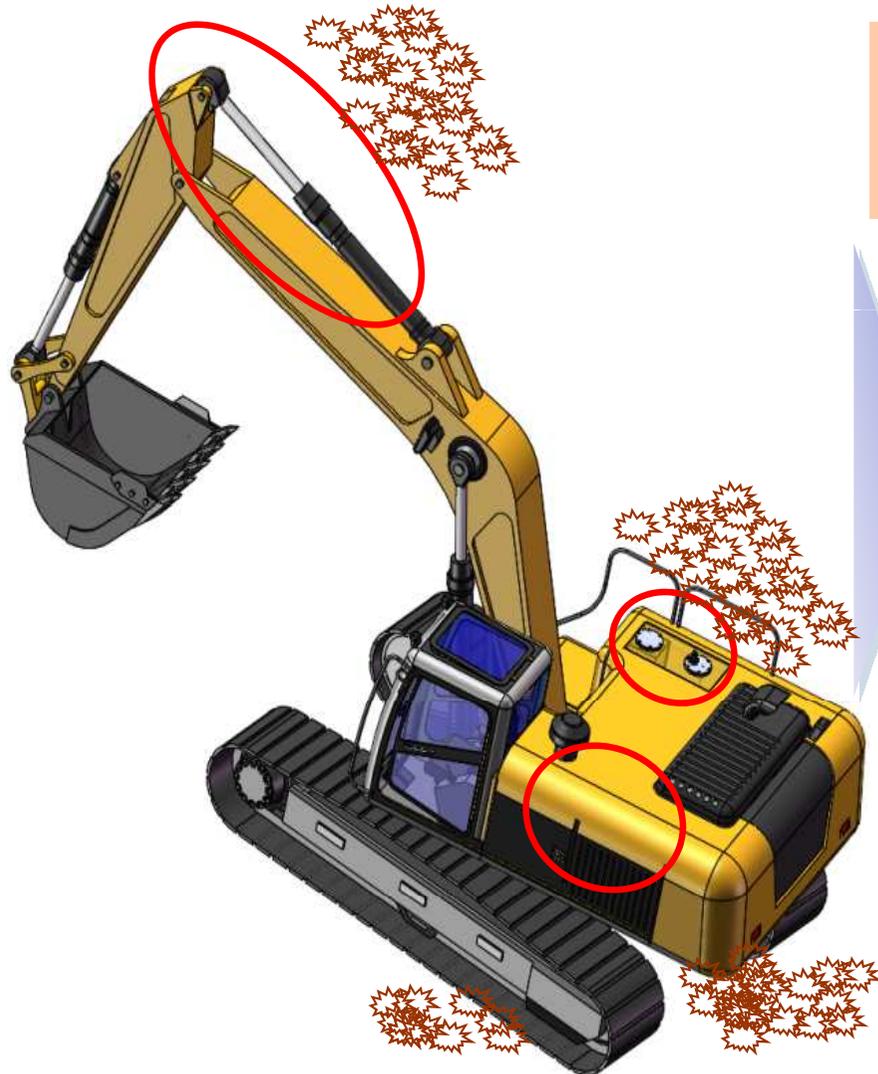
Reference : Japan Construction Equipment Manufacturers Association

Hydraulic fluid goes to all parts of construction machinery, where hydraulic components transform hydraulic pressure into machinery movement.

5.Reference :

About hydraulic filter for construction machinery ③

◆Hydraulic circuit : The importance of keeping it clean



Primary
entry points for
contamination

Effects of
malfunctioning
circuits

- Reaches the hydraulic circuit through sliding parts like cylinders
- Enters along with atmospheric contamination from the hydraulic fluid tank
- Residual contamination from production process or overhaul.
- Contamination internally generated by hydraulic circuit components like pumps and/or motors.



- Even small contamination causes malfunctions because hydraulic circuit is so sensitive

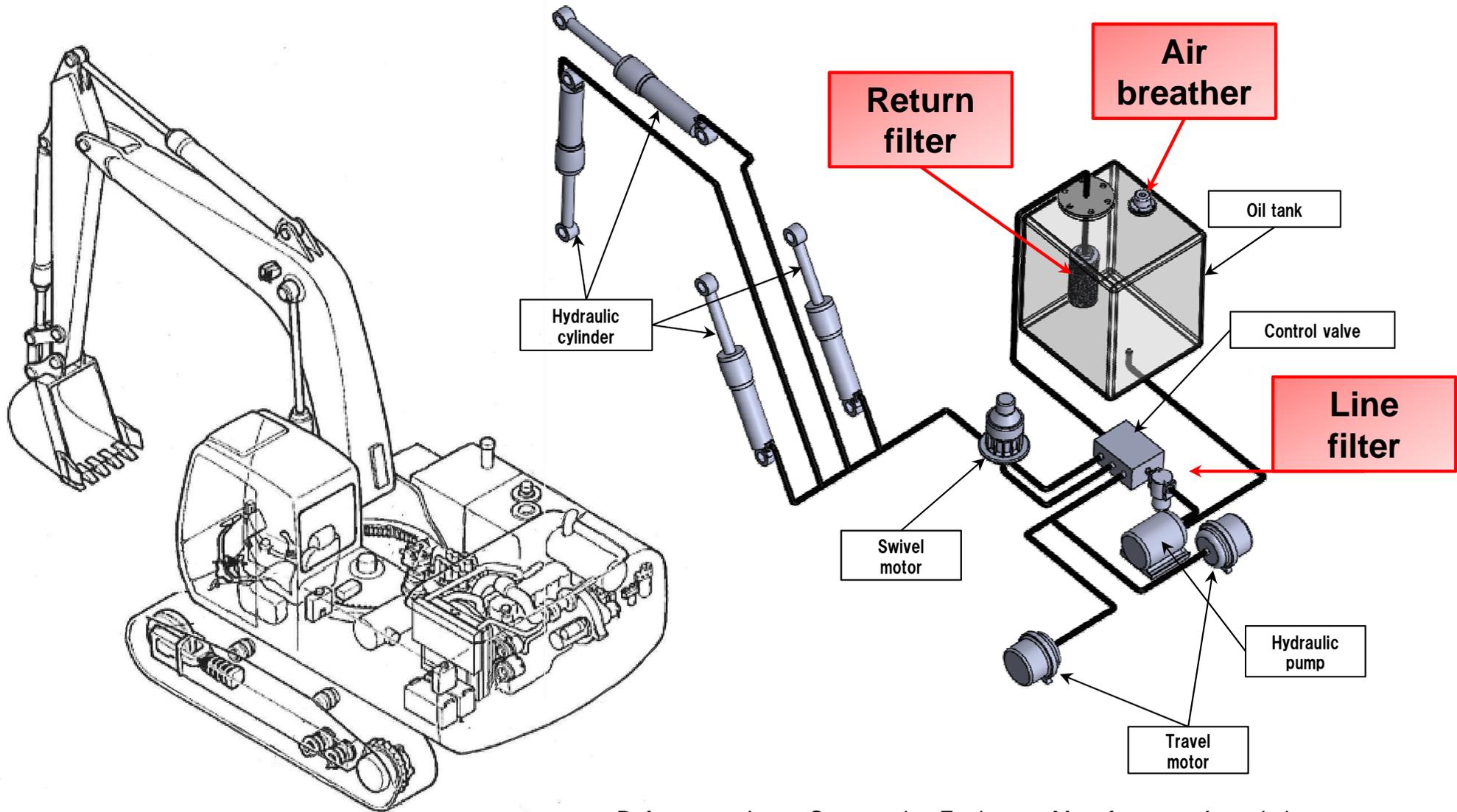


- Enormous expenses for repairs due to hydraulic component malfunctions
- Delays in construction schedules and deliveries
- Safety problems due to construction machinery malfunctions
- Contamination in hydraulic circuits is the cause of about 70% of construction machinery malfunctions

Failure to keep a hydraulic circuit clean can result in damage to circuit components

5.Reference :

About hydraulic filter for construction machinery ④



Reference : Japan Construction Equipment Manufacturers Association

Filtration is an indispensable part of the hydraulic system.

Forward-looking statements

This presentation contains plans, outlooks, strategies and other information associated with expectations for future results of operations.

This information is based on the judgments of management in accordance with information that is currently available to YAMASHIN-FILTER CORP. Economic and/or market conditions and actual results may change based on these events which are outside of YAMASHIN-FILTER CORP.'s control.

Actual results of operations may differ from these forward-looking statements.

Please contact us with any comments or questions:

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