



August 19, 2019

News release

Company name:	YAMASHIN FILTER CORP. (Code: 6240, First Section, Tokyo Stock Exchange)
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YAMASHIN FILTER CORP. to acquire stock in AQC Corporation (making it a wholly owned subsidiary)

In a meeting held August 19, 2019, the Board of Directors of YAMASHIN FILTER CORP. (“Company” hereinafter) resolved to acquire stock in AQC Corporation (“AQC” hereinafter), making it a wholly owned subsidiary (“Acquisition” hereinafter), as outlined below. Today, the Company concluded an agreement on the transfer of stock involved in this Acquisition with each of the shareholders of AQC.

1. Reasons for this Acquisition of stock

The YAMASHIN Group (“YAMASHIN” or “Group” hereinafter) develops, manufactures, and sells filters under the corporate philosophy “Contributing to society through its filter business”. In particular, in the area of hydraulic fluid filters for use in construction machinery, YAMASHIN has secured and maintains the world’s leading market share by a considerable margin, thanks to its unmatched research and development capabilities.

The current management strategy calls for our evolution from our status as the leading specialist in filters for construction machinery to a multi-field filter manufacturer. To achieve this strategic goal, we deem it essential to grow our business portfolio into one not dependent solely on hydraulic fluid filters for use in construction machinery. For this reason, in December 2017, we raised approximately 10 billion yen through a third-party private allocation of stock options and began energetically seeking out opportunities to invest in future business growth. This Acquisition will serve as a foothold for YAMASHIN’s advancement into new business domains outside its current businesses.

AQC (headquartered in Osaka) is a specialist air filter manufacturer that boasts one of the largest shares in the Japanese dust and medium-/high-performance filter markets. Since its foundation in 1962, it has developed a unique production management system that enables it to meet a wide range of customer needs. It has established a solid position in the Japanese air filter industry. A production system and expertise accumulated over the years that enable small-lot production with short lead times will give it strong competitive advantages in and beyond the construction machinery market in which YAMASHIN specializes.

The integration of AQC into the Group through this Acquisition will result, through the addition of air filters to the Group’s business portfolio, in the creation of a second foundation for our businesses.

We are confident that the combination of the YAMASHIN Nano Filter™ using synthetic high-polymer nanofibers for which YAMASHIN has established mass-production technologies with AQC’s outstanding strengths in production technologies and its wealth of sales channels will accelerate the Group’s progress toward its goal of becoming a multi-field filter manufacturer and lead to increased customer satisfaction through higher value added in our products.

Believing that a capital alliance between the Company and AQC will lead to greater corporate value for both companies by boosting the management efficiency of both parties and enhancing their business foundations through increased product demand, we reached an agreement today with AQC’s current shareholders on the acquisition of AQC’s stock.

2. Overview of acquired company (AQC)

(1)	Name	AQC Corporation		
(2)	Address	1-20, Hirabayashiminami 1-chome, Suminoe-ku, Osaka		
(3)	Representative president	Asataro Nishikawa		
(4)	Lines of business	Manufacture, research, new product development, inspections, sales, etc., of air filters in general		
(5)	Capital	50 million yen		
(6)	Established	December 11, 1968		
(7)	Major shareholders and percentages of shares held (As of July 31, 2019)	Asataro Nishikawa	70.7%	
		Nishikawa Filter Development Co., Ltd.	3.0%	
		Four individuals	26.3%	
(8)	Relationships between the Company and this company (AQC)	Capital relationship	Not applicable	
		Personal relationship	Not applicable	
		Transaction relationship	Not applicable	
		Qualification as interested party	Not applicable	
(9)	Business results and financial conditions of AQC over the last three years			
	Fiscal year	Ended September 2016	Ended September 2017	Ended September 2018
	Net assets	2,906 million yen	3,051 million yen	3,187 million yen
	Total assets	3,395 million yen	3,538 million yen	3,666 million yen
	Net assets per share	29,067 yen	30,513 yen	31,879 yen
	Net sales	2,684 million yen	2,755 million yen	2,752 million yen
	Operating income	254 million yen	215 million yen	188 million yen
	Ordinary income	263 million yen	225 million yen	200 million yen
	Net income	173 million yen	152 million yen	144 million yen
	Net income per share	1,735 yen	1,520 yen	1,440 yen
	Dividends per share (Common stock)	75 yen	75 yen	75 yen
	(Preferred stock)	75 yen	75 yen	75 yen

Note: The figures for net assets per share and net income per share represent net assets and net income, respectively, divided by the total of shares of common stock and of preferred stock issued and outstanding. All shares of preferred stock issued and outstanding were converted to common stock as of November 27, 2018.

3. Summary of counterparties in this acquisition of stock

(1)	Name	Asataro Nishikawa
(2)	Address	Sakai, Osaka Prefecture
(3)	Relationships between the Company and this individual	No capital, personal, or transaction relationships

(1)	Name	Nishikawa Filter Development Co., Ltd.	
(2)	Address	517-2 Hamaderashowacho 4-chome, Nishi-ku, Sakai, Osaka Prefecture	
(3)	Representative president	Asataro Nishikawa	
(4)	Lines of business	Manufacture, research, new product development, inspections, sales, etc., of air filters in general	
(5)	Capital	10 million yen	
(6)	Established	April 1, 1981	
(7)	Relationships between the Company and this company	Capital relationship	Not applicable
		Personal relationship	Not applicable
		Transaction relationship	Not applicable
		Qualification as interested party	Not applicable

Note: Net assets, total assets, and major shareholders and percentages of shares held are not disclosed above since they are subject to nondisclosure obligations to the counterparty.

(1)	Name	Four individuals (See note.)
(2)	Address	See note.
(3)	Relationships between the Company and these individuals	No capital, personal, or transaction relationships

Note: The names and addresses of the four individuals are not disclosed above since they are subject to nondisclosure obligations to each individual.

4. Number of shares acquired, purchase price, and stock holdings after acquisition

(1)	Number of shares held prior to acquisition	0 shares (Voting rights held: 0) (Percentage of voting rights held: 0%)
(2)	Number of shares acquired	100,000 shares (Voting rights acquired: 100,000)
(3)	Purchase price	The purchase price is not disclosed because the Company is subject to nondisclosure obligations under the contract on the transfer of stock concluded with the counterparties to this stock acquisition. The purchase price was calculated based on due diligence by an external specialist regarding financial conditions and other matters and through evaluations of the stock price (employing discounted cash flow and other methods) by an external specialist (a third-party appraisal agency) and determined through negotiations with counterparties to the acquisition based on the results thereof.
(4)	Number of shares held after acquisition	100,000 shares (Voting rights held: 100,000) (Percentage of voting rights held: 100%)

5. Schedule

(1)	Date of Board of Directors meeting to pass resolution on Acquisition	August 19, 2019
(2)	Date of concluding contract	August 19, 2019
(3)	Date of stock transfer	August 23, 2019 (planned)

6. Future outlook

While plans call for AQC's becoming a consolidated subsidiary of the Company effective August 23, 2019 as a result of this Acquisition, for purposes of reflecting the impact of making AQC a subsidiary on YAMASHIN's consolidated business results, plans call for setting September 30, 2019 as the nominal date of acquisition and for the inclusion of the corresponding impact beginning with business results for the Group's third quarter. The impact of this Acquisition on the Group's consolidated business results for this consolidated fiscal year (ending March 31, 2020) are currently under careful review. Any matters warranting disclosure will be announced forthwith.