

YAMASHIN Paradigm Shift –Growing our business in the era of COVID-19

Launch of Healthcare Business, Full-Fledged Entry into Japanese Mask Market

**YAMASHIN-FILTER CORP.
Financial Results for the Second Quarter of
the Fiscal Year Ended March 2021**

First Section of Tokyo Stock Exchange

6240

November 20, 2020

YAMASHIN is striving to achieve reasonable business continuity and improved work-life balance for employees while prioritizing the health and safety of business partners, shareholders, employees and their families with an eye on the post-pandemic world.

Working arrangements: Continuing telecommuting, implementing work style reforms

Employees who show symptoms or have had contact with a confirmed case are prohibited from going to the office and are to follow medical advice. Through this we secure employees' health and safety.

(1) Telecommuting now recommended

Telecommuting is recommended for headquarters (Naka-ku, Yokohama-shi), the Yokohama Development Center (Isogo-ku, Yokohama-shi), the Yokosuka Media Lab (Yokosuka-shi), and AQC (Osaka-shi and Chuo-ku, Tokyo).

* Guidance for telecommuting changed from mandatory to recommended as of June 1.

(2) Implementation of staggered commuting

To avoid crowded trains, employees' commuting hours are being staggered. Additionally, teams will work in shifts to avoid crowding at offices.

(3) Flexible working arrangements at overseas affiliates

Adoption of flexible working arrangements following infection prevention measures based on each government's directions

(4) Other

Hand sanitizers are placed at the entrance of every facility of our corporate group in order to ensure thorough disinfection.

Non-essential conferences, meetings, trainings, events, dinners, etc. are prohibited. On-line meeting should be used.

Domestic and overseas business trips are prohibited.

Production system

Based on our BCP, production output has been adjusted at each facility (Cebu, Saga, Osaka, and Suzhou*) and an alternate production/supply system has been established.

Cebu Factory	Resumed operations, restored mass production
Saga Factory	Commenced mass production of filter materials and masks
Suzhou Factory*	Normal operations
*Manufacturing outsourced	-
Osaka factory (AQC)	Relocated headquarters factory, strengthened production capacity, commenced mask mass production

Impact on business performance

Countries are seeking ways both to resume economic activity and to prevent the spread of the virus. The outlook remains uncertain; against this backdrop, the construction machinery market is recovering.

Trends in the construction machinery market

Chinese market

Economic activity is resuming. Further growth in the construction machinery market is expected with increasing government-led public investments.

[The production plans of Chinese major clients continue to expand.](#)

Japan/US/ Europe/Asia market

While the outlook remains uncertain, production at major clients is recovering, with economic activity resuming in stages.

The market environment, our actions, and business results for FY2020 Q2

Market Environment

- COVID-19 continues to spread. It remains uncertain when conditions will return entirely to normal. The construction machinery market is currently recovering against this backdrop.
- The demand for construction machinery in Japan, North America, Europe, and other Asian countries to decline.
- In China, the world's largest construction machinery market, the growing market share of Chinese construction machinery manufacturers and implementation of financial incentives and other economic stimulus measures by the government has led to significant growth in new machinery sales from the same quarter of the previous year. Moving forward, demand for new machinery is expected to increase, driven by increased government-led public investment and companies preparing for the fourth phase of environmental regulations.
- Even with the resumption of economic activity in various countries, based on forecasts for the second and third waves of the pandemic, we anticipate an opportunity to expand our air filter and healthcare business lines.



Company Actions

For details on our initiatives, see page 3

Deliver on ESG initiatives while improving profitability

Financing project for sustainable business ⇒ **Businesses run with financing help to build sustainable societies**

Construction machinery filters ⇒ **Contribute to reduced industrial waste (CO₂) and global environmental protection.**

- Grow market shares in China and North America; increase profitability by expanding the high value-added filter **product line**.

Air filters ⇒ **Contribute to reduced industrial waste (CO₂) and reduced risk of health hazards.**

Full-scale ramp-up of healthcare business ⇒ **Contribute both to economic activity and reduced health risks.**

Expand sales channels to online sales, drug stores and other outlets

- Expand sales channels to online sales, drug stores and other outlets
- Increase share of high performance mask market for general consumers.
- Work to expand lineups with dust masks for medical use and other applications by acquiring medical use certification.

Establish other elements of the business portfolio: Promote YAMASHIN Nano Filter™.

- Apparel: Contribute to improved animal welfare (specifically, eliminating use of down) through our materials.

Business results for FY2020 Q2

- **Consolidated net sales: 6,563 million yen, up 12.9% year on year**
 - Sales of construction machinery filters fell to 4,887 million yen, down 15.9% year on year, due COVID-19
 - Sales of air filters stood firm at 1.288 million yen.
 - **Healthcare sales contributing to results as new business: 386 million yen**
- Operating income: Due to COVID-19-related temporary costs for air freight, business restructuring, and new mask business marketing, operating income fell to -50 million yen, **down 438 million yen year on year.**

Our initiatives for FY2020 ending March 2021

Launch healthcare business and fully enter the Japanese mask market to meet COVID-19-related demand.

Deliver on ESG while expanding our business portfolio and maximizing profitability

Based on a corporate philosophy captured in the phrase Rokajini tsukafuru (contributing to society through filtration activities) and focusing on the three themes of Environment, Air, and Health, we're helping to create sustainable societies.

Construction machinery business

- **Expand lineup of high value-added filter products that leverage new materials and IoT technologies** Develop filter products with long-life nanofiber filters and aeration and sensor technologies
- **Expand the share in the North American market** In addition to return filters, our company's flagship products, progress is being made on new proposals for adoption of our filters for fuel and transmissions.
- **Raise rate of adoption by Chinese construction machinery manufacturers and enter service parts (service parts) market** We're currently making progress in concluding contracts for the adoption of our products by Chinese construction machinery manufacturers. With government-led public works investments moving forward and the development of new models that comply with fourth-phase environmental regulations, we will seek to further improve adoption rates, increase our aftermarket share, and boost sales volumes.

Boost sales volumes and profitability by providing high value-added products while helping to reduce industrial waste and environmental impact.

Air Filter Business

- **Develop HEPA, ULPA filters** Progressing with development of low-cost HEPA and ULPA filters with low pressure drop and high capturing rates
- **Develop nanofiber air filters** Progressing with development of nanofiber air filters with low pressure loss and high capture rates for office buildings, factories, railroad cars, home appliances and other applications

Improve profitability by increasing product added-value while also helping to reduce electricity consumption and reduce the risk of health hazards.

Healthcaw2re

- **Work to increase shares of high performance mask market for general consumers; enter the market for medical use dust masks.**

Contribute both to the resumption of economic activity and reductions in health risks by expanding sales channels to drug stores; expand product lineup by acquiring medical use certifications (N95, FFP, DS2).

Establish other elements within the business portfolio: Promote YAMASHIN Nano Filter™.

- **Apparel business** Expand sales channels and supply products to major apparel manufacturers, both domestic and overseas.

Boost sales volumes while eliminating use of down for use in apparel.

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I Business Performance Results for Q2 FY2020 and Full-Year Forecasts for FY2020

Q2 FY2020 Business Performance (July – September 2020)



		Q2 FY2019 Actual	Q2 FY2020 Actual	YoY change	
		Amount	Amount	Amount	%
(million yen)					
Net sales		3,071	3,705	633	20.6%
	Construction machinery filters*	3,071	2,779	△291	△9.5%
	Air filters	0	624	624	-
	Healthcare	0	301	301	-
Operating income		270	48	△222	△82.1%
	Construction machinery filters*	588	322	△266	△45.2%
	Air filters	0	△7	△7	-
	Healthcare	0	69	69	-
	Corporate expenses*	△317	△336	△19	6.1%
Operating income margin		8.8%	1.3%	△7.5Pt	
Ordinary profit		187	41	△145	△77.9%
Ordinary profit margin		6.1%	1.1%	△5.0Pt	
Net income		125	△69	△195	△155.2%
Net income margin		4.1%	-	-	
Exchange rates (ave.)	USD	107.4	106.9	△0.5	△0.5%
	EUR	119.3	121.3	2.0	1.7%

*"Construction machinery filters" here includes industrial filters and process filters in addition to construction machinery filters.

*As of Q2 FY2020, the Company has changed how it allocates corporate expenses, with the goal of more accurately representing segment results and corporate expenses. Specifically, the head office's general and administrative expenses and other corporate expenses not attributable to individual business segments are no longer allocated to specific segments.

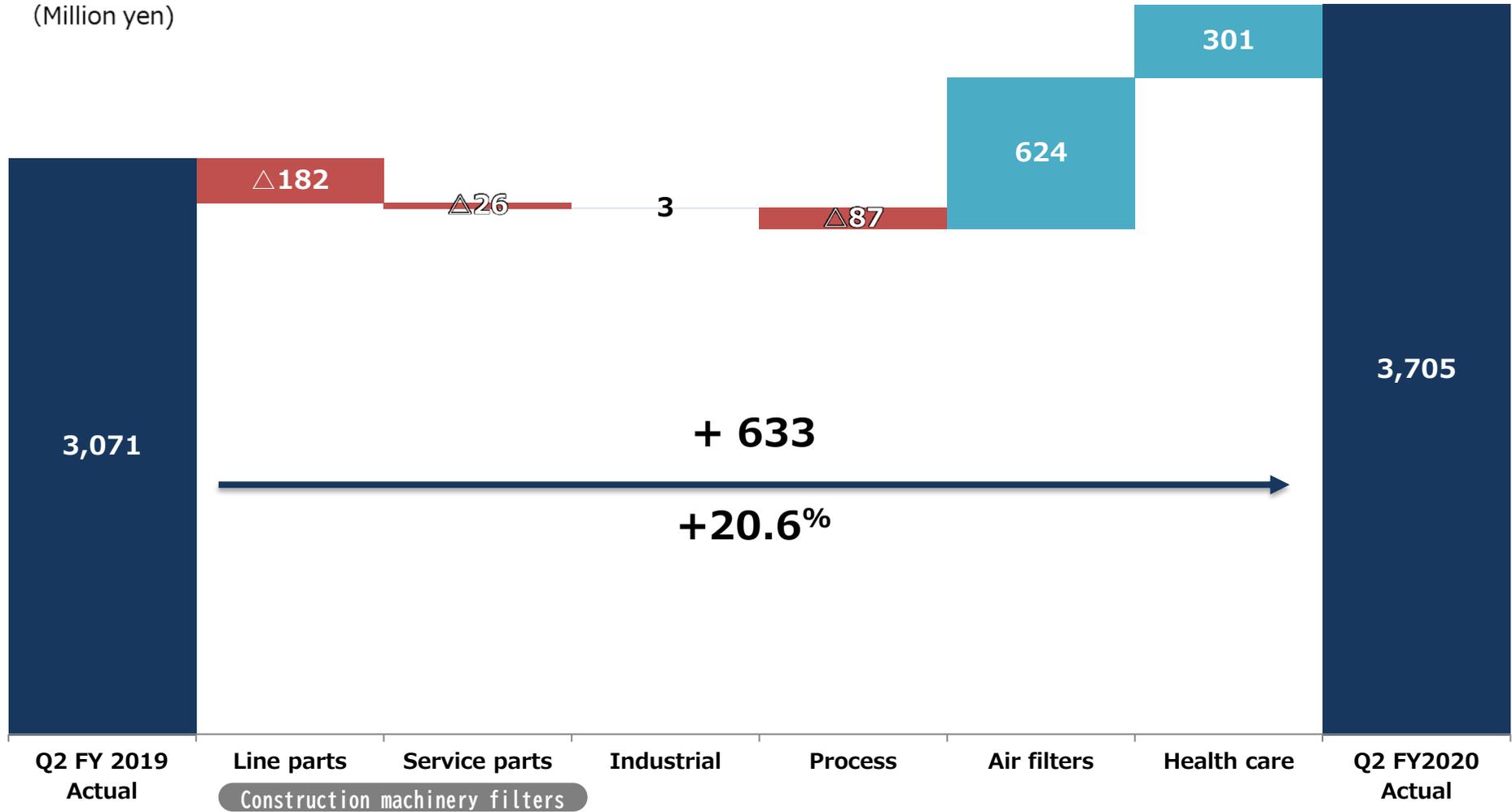
(million yen)		Q2 FY2019 Actual	Q2 FY2020 Actual	YoY change	
		Amount	Amount	Amount	%
Construction machinery filters		2,704	2,495	△208	△7.7%
	Line parts	1,110	928	△182	△16.4%
	Service parts	1,593	1,567	△26	△1.6%
Industrial filters		122	126	3	3.0%
Process filters		244	157	△87	△35.6%
Air filters		0	624	624	-
Healthcare		0	301	301	-
Total sales		3,071	3,705	633	20.6%

(Million yen)	Q2 FY2019 Actual		Q2 FY2020 Actual		YoY change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Construction machinery filters*	3,071	100.0%	2,779	75.1%	△291	△9.5%
Japan	1,463	47.7%	1,173	31.7%	△289	△19.8%
North America	732	23.8%	560	15.1%	△171	△23.5%
China	259	8.5%	351	9.5%	91	35.3%
Other Asian countries	350	11.4%	350	9.5%	0	△0.1%
Europe	263	8.6%	342	9.2%	79	30.1%
Others (Middle East, etc)	1	0.0%	0	0.0%	0	△39.0%
Air filters (Japan)	0	0.0%	624	16.8%	624	-
Healthcare (Japan)	0	0.0%	301	8.1%	301	-
Total sales	3,071	100.0%	3,705	100.0%	633	20.6%

*"Construction machinery filters" here includes industrial filters and process filters in addition to construction machinery filters.

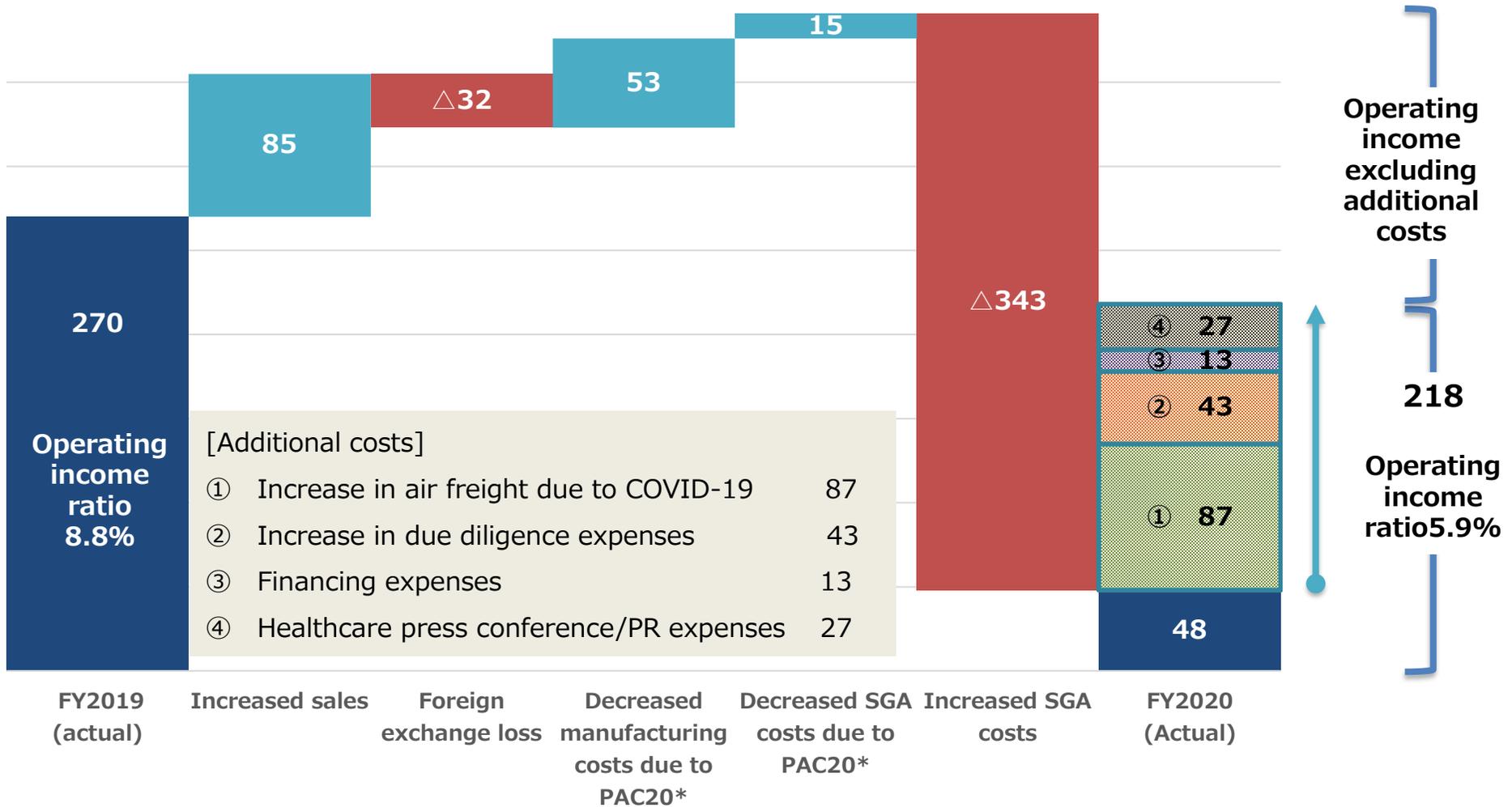
*The amounts of sales by region here are calculated based on the locations of corporations to which invoices are sent. So actual regional market trends may be different from the numbers shown above

(Million yen)



YoY Comparison of Jul - Sep Operating Income

(Million yen)



*PAC (Promptly Activated Cost reduction) Company wide cost reduction project

Q2 FY2020 Business Performance (April – September 2020)



(Million yen)		Q2 FY2019 Actual	Q2 FY2020 Actual	YoY change	
		Amount	Amount	Amount	%
Net sales		5,811	6,563	751	12.9%
	Construction machinery filters*	5,811	4,888	△922	△15.9%
	Air filters	0	1,288	1,288	-
	Healthcare	0	386	386	-
Operating income		388	△50	△438	-
	Construction machinery filters	994	427	△566	△57.0%
	Air filters	0	38	38	-
	Healthcare	0	106	106	-
	Corporate expenses*	△ 605	△622	△16	2.8%
	Operating income margin	6.7%	△0.8%	△7.4Pt	
Ordinary profit		286	△60	△347	-
	Ordinary profit margin	4.9%	△0.9%	△5.9Pt	
Net income		187	△152	△339	-
	Net income margin	3.2%	△2.3%	△5.5Pt	
Exchange rates (ave.)	USD	107.4	106.9	△0.5	△0.5%
	EUR	119.3	121.3	2.0	1.7%

*"Construction machinery filters" here includes industrial filters and process filters in addition to construction machinery filters.

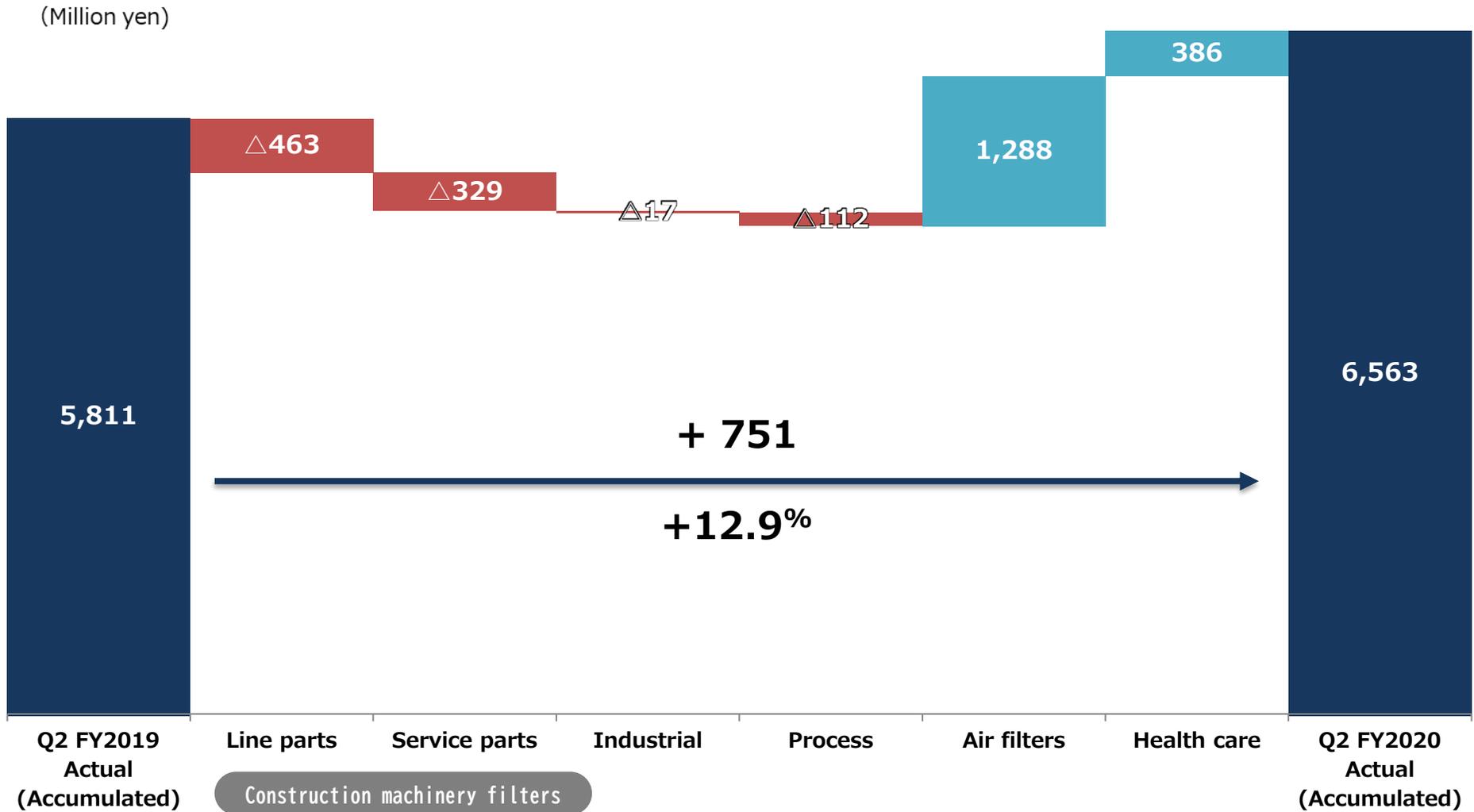
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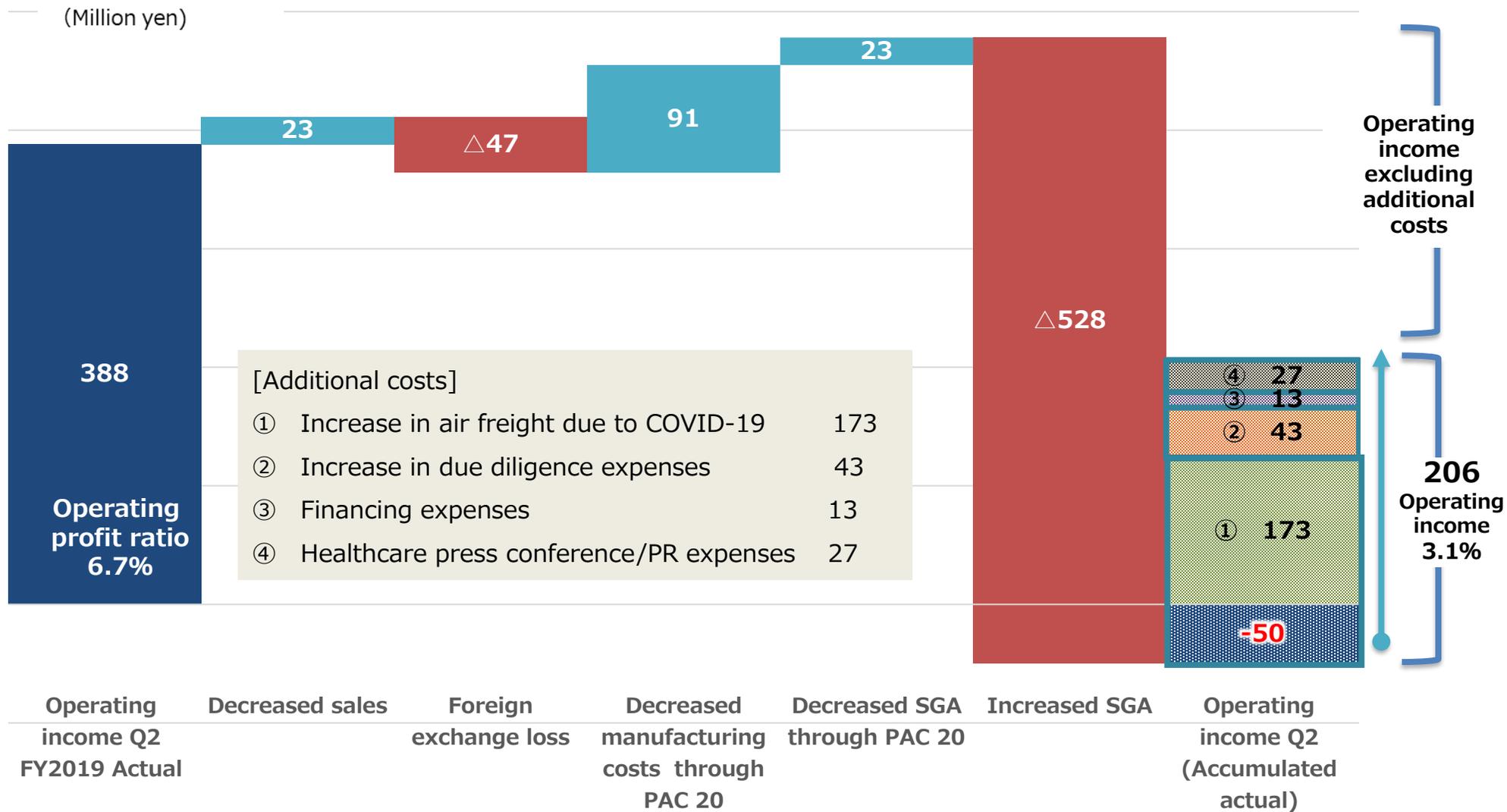
(Million yen)	Q2 FY2019 Actual	Q2 FY2020 Actual	YoY change Actual (Accumulated)	
	Amount	Amount	Amount	Ratio (%)
Construction machinery filters	5,093	4,300	△793	△15.6%
Line parts	2,213	1,750	△463	△20.9%
Service parts	2,879	2,549	△329	△11.4%
Industrial filters	254	237	△17	△6.7%
Process filters	464	351	△112	△24.3
Air filters	0	1,288	1,288	-
Healthcare	0	386	386	-
Total sales	5,811	6,563	751	12.9%

	Q2 FY2019 Actual (Accumulated)		Q2 FY2020 Actual (Accumulated)		YoY change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Construction machinery filters*	5,811	100.0%	4,888	74.5%	△922	△15.9%
Japan	2,821	47.5%	2,174	33.1%	△646	△22.9%
North America	1,195	16.3%	855	13.0%	△339	△28.4%
China	588	13.1%	676	10.3%	87	14.9%
Other Asian countries	676	12.6%	624	9.5%	△51	△7.6%
Europe	527	10.5%	555	8.5%	28	5.4%
Others (Middle East, etc)	2	0.0%	1	0.0%	△1	△47.2%
Air filters (Japan)	-	-	1,288	19.6%	1,288	-
Healthcare (Japan)	-	-	386	5.9%	386	-
Total sales*	5,811	100.0%	6,563	100.0%	751	12.9%

*"Construction machinery filters" here includes industrial filters and process filters in addition to construction machinery filters.

*The amounts of sales by region here are calculated based on the locations of corporations to which invoices are sent. So actual regional market trends may be different from the numbers shown above.

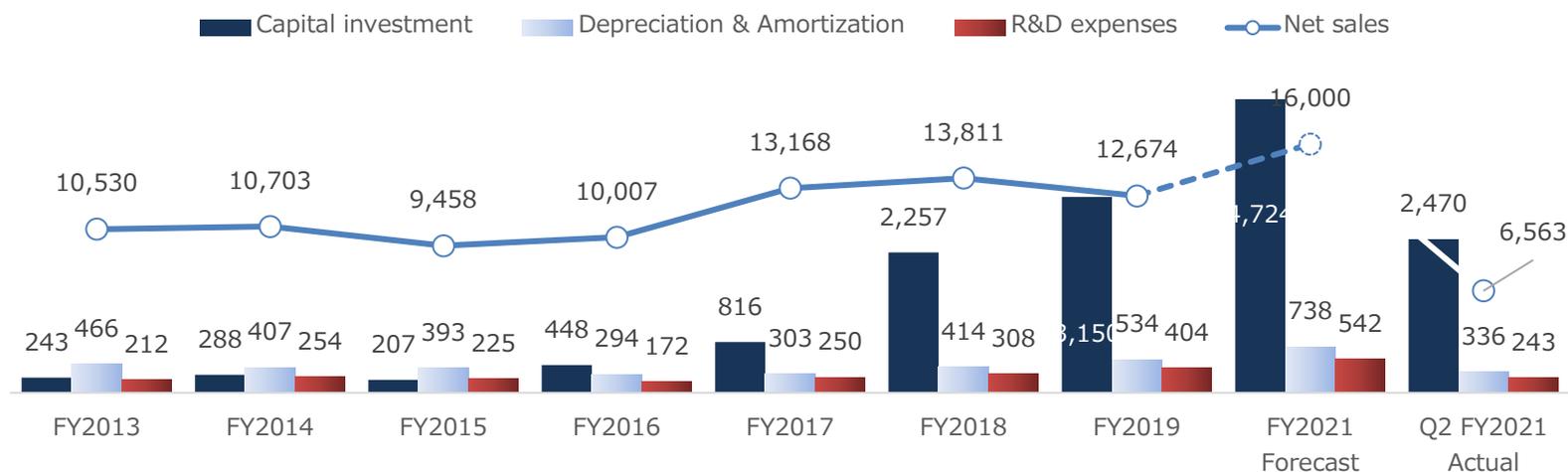




※PAC (Promptly Activated Cost reduction) 全社的なコスト削減プロジェクト

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Q2 FY2020 (Accumulated)
(million yen)	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Actual
Net sales	10,530	10,703	9,458	10,007	13,168	13,811	12,674	16,000	6,563
Capital investment	243	288	207	448	816	2,257	3,150	4,724	2,470
Composition ratio	2.3%	2.7%	2.2%	4.5%	6.2%	16.3%	24.9%	29.5%	37.6%
Depreciation & Amortization	466	407	393	294	303	414	534	738	336
Composition ratio	4.4%	3.8%	4.2%	2.9%	2.3%	3.0%	4.2%	4.6%	5.1%
R&D expenses	212	254	225	172	250	308	404	542	243
Composition ratio	2.0%	2.4%	2.4%	1.7%	1.9%	2.2%	3.2%	3.4%	3.7%

Change in net sales and capital investment and depreciation & amortization



~2020年3月期

2021年3月期

Target figures are set at each department (administrative and other operation departments) to achieve the overall company target for MAVYS.

What is **MAVYS**? (ROIC – WACC)

Maximizing
Added
Value of
Yamashin Filter
Spread

The key goal indicator (KGI), based on which each relevant department sets its KPI and KSF, and works on measures to attain targets, with the goal of maximizing return on invested capital.

Meet the expectations of stakeholders by improving MAVYS (key goal indicator).

Assign KPIs to relevant departments who are responsible for target setting and implementing actions for achieving the targets in a company-wide coordinated effort.

MAVYS: The Big Picture and the Department

Key Goal Indicator (KGI)	Key Performance Indicator (KPI)	Key Success Factor (KSF)	Relevant departments	Targets for FY2020 (action plan)	Q1 FY2020 progress																																																					
MAVYS Prv: -6.6% Cur: -7.8%	Operating income Prv: 6.1% Cur: 4.5%	ROIC Prv: 3.3% Cur: 2.1%	WACC Prv: 9.9% Cur: 9.9%	ROE Prv: 3.3% Cur: 1.8%	Investment capital turnover rate Prv: 0.7 Cur: 0.7	ROA Prv: 2.9% Cur: 1.6%	Gross profit ratio Prv: 43.6% Cur: 44.8%	Sales growth ratio Prv: -8.2% Cur: 2.6%	<ul style="list-style-type: none"> New product development Enhance genuine products market share 	Sales / R&D	<ul style="list-style-type: none"> Accelerate expansion of our market share in China targeting Chinese construction machinery manufacturers Enhance product line and sales propositions due to the addition of air filters to our product lineup Enter the mask-related product market Enter new business domains 	<ul style="list-style-type: none"> Increased adoption by Chinese construction machinery manufacturers for use in new machinery. Progress made on proposals involving hybrid filters Initiated sales of mask-related products; continued mass production and supply Continued to supply to apparel industry (specifically, eliminating use of down) 																																														
													SG&A ratio Prv: 37.4% Cur: 40.3%	Sales cost ratio Prv: 56.4% Cur: 55.2%	<ul style="list-style-type: none"> Enhance purchase capacity Improve yield ratio 	Production / Procurement	<ul style="list-style-type: none"> PAC20, PAC20+ Reform and improve purchasing methods Improve production management 	<ul style="list-style-type: none"> Revised supplier evaluation standards and completed the consolidation process Reduced procurement costs through joint procurement with AQC Improved yields through planned service and maintenance progress in manufacturing cost reduction measures 																																								
																			Personal expense ratio Prv: 15.9% Cur: 18.6%	<ul style="list-style-type: none"> Investment plan 	Management planning / Finance and accounting	<ul style="list-style-type: none"> M&A (for revenue expansion and diversification) Research potential M&A targets Acquire nonwoven manufacturing entities (downstream) Acquire new material development entities (upstream) 	<ul style="list-style-type: none"> Exploring opportunities and gathering data for M&A (domestic and overseas) Enhanced communication (through conference calls) with possible M&A target companies 																																			
																								AR turnover rate Prv: 3.8 Cur: 3.9	<ul style="list-style-type: none"> Narrowing down themes Prioritization 	R&D	<ul style="list-style-type: none"> Develop new materials Actions to achieve IoT Develop aeration and other technologies Expand mask product line 	<ul style="list-style-type: none"> Accelerated the commercialization of nanofiber air filters Supplied various trial sensor products to clients Accelerated new materials development through industrial/academic partnerships Developed high-performance masks and cloth masks 																														
																													Inventory turnover rate Prv: 6.1 Cur: 7.4	<ul style="list-style-type: none"> Optimal staffing 	HR and General Affairs	<ul style="list-style-type: none"> Establish and implement the talent management system 	<ul style="list-style-type: none"> Efforts to identify the next generation of management talent Increase R&D staff for product development Hired specialist staff members to assist in company reorganization and growth 																									
																																		AP turnover rate Prv: 5.8 Cur: 5.4	<ul style="list-style-type: none"> Credit management 	Sales / Finance and accounting	<ul style="list-style-type: none"> Further optimize AR collection 	<ul style="list-style-type: none"> Streamlined and optimized AR collection for improving working capital 																				
																																							Tangible FA turnover rate Prv: 2.5 Cur: 1.6	<ul style="list-style-type: none"> Set appropriate inventory level 	Production / Sales	<ul style="list-style-type: none"> Reduce company-wide inventory asset 	<ul style="list-style-type: none"> Determined suitable inventory levels based on pareto analysis; currently implementing inventory reduction plans 															
																																												Intangible FA turnover rate Prv: 35.5 Cur: 37.3	<ul style="list-style-type: none"> Debt management 	Procurement	<ul style="list-style-type: none"> Improve working capital 	<ul style="list-style-type: none"> Optimized AP turnover ratio for improving working capital 										
																																																	Operating capital turnover rate Prv: 3.0 Cur: 6.0	<ul style="list-style-type: none"> Equipment plan (R&D, production) 	Management planning Administration / Production / R&D	<ul style="list-style-type: none"> Optimize investment recovery effect 	<ul style="list-style-type: none"> Prioritized R&D and capital investments by analyzing the validity of investment return periods 					
																																																						FA turnover rate Prv: 1.9 Cur: 1.6	<ul style="list-style-type: none"> Investment plan Intellectual property strategy 	Management planning/Legal (IP)	<ul style="list-style-type: none"> Formulate IP strategies and action plans 	<ul style="list-style-type: none"> Established strategies, devised action plans, and enhanced training for targeted group Actively applied for patents in Chinese market

- Implement comprehensive improvements in production technology, operation management and systems to strengthen the profit structure.

PAC20 Promptly Activated Cost reduction 2020

Cost of raw materials decreased, through the optimization of the supply chain, the improvement of manufacturing processes, etc.

We will implement further cost reductions (PAC20+) to achieve improved profitability.

PAC20 (initial plan) and PAC20+ (additional) vs Actual Progress

Annual Reduction Target

(Million yen)



[Progress rate]
 Q2 Actual/ Q2 Plan : 70.0 %
 Q2 Actual/Full-year Plan : 29.9%

[Progress rate]
 Q1 Actual/ Q1 Plan : 92.8%
 Q1 Actual/Full-year Plan : 15.1%

	Manu- facturing cost	SG&A	Total
PAC20	293	61	355
PAC20+	100	40	140
Total	393	101	495

Full-year Forecasts for FY2020



**Construction machinery filters
(Existing business line)**

- As countries resume economic activity, production activities by major clients are ramping back up. Demand for our products is expected to recover. Forecasts for net sales remain unchanged.
- Profits have been low due to temporary costs related to COVID-19, including air freight, business restructuring costs, and marketing costs for the new mask business; thus, performance forecasts have been revised.

**Air filters
(Existing business line)**

- Taking into account declining orders due to COVID-19 and other trends in 2Q FY2020, performance forecasts remain unchanged.

**Healthcare business
(New business line)**

- Performance forecasts have been revised upward due to the expected start of full-fledged supply of the Zexeed high performance mask from November 2020 to nationwide drug stores, convenience stores, and other retail outlets.

Risk management

- In order to maintain the health and safety of employees, we have adjusted working arrangements to suit each location (through instigating telecommuting and staggered commuting).
- As a BCP, production and supply systems are being decentralized.

(Million yen)		FY2019 Actual	FY2020 Forecast revised Aug 4	FY2020 Forecast revised Nov. 4	Difference
		Amount	Amount	Amount	Amount
Net sales		12,674	15,000	16,000	1,000
	Construction machinery filters*	11,296	10,000	10,000	0
	Air filters	1,377	3,000	3,000	0
	Healthcare	-	2,000	3,000	1,000
Operating income		777	1,230	1,300	70
	Construction machinery filters*	1,894	1,583	1,353	△230
	Air filters	122	290	290	0
	Healthcare	-	640	910	270
	Corporate expenses*	△1,240	△1,283	△1,253	30
Operating income margin		6.1%	8.2%	8.1%	△0.1Pt
Ordinary profit		603	1,200	1,280	80
Ordinary profit margin		4.8%	8.0%	8.0%	-
Net income		608	790	1,350	560
Net income margin		4.8%	5.3%	8.4%	3.1Pt
Exchange rates (ave.)	USD	108.8	108.0	108.0	0
	EUR	120.83	121.0	121.0	0

*"Construction machinery filters" includes industrial filters and process filters, in addition to construction machinery filters.

*As of Q2 FY2020, the Company has changed how it allocates corporate expenses, with the goal of more accurately representing segment results and corporate expenses. Specifically, the head office's general and administrative expenses and other corporate expenses not attributable to individual business segments are no longer allocated to specific segments.

Sales Forecast by Segment (Product Category)

(Million yen)	FY2019 Actual		FY2020 Forecast Revised Aug 4		FY2020 Forecast Revised Nov. 4		Difference	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
Construction machinery filters	9,866	77.8%	8,673	57.8%	8,673	54.2%	0	0%
Line parts	4,129	32.6%	3,665	24.4%	3,665	22.9%	0	0%
Service parts	5,737	45.3%	5,008	33.4%	5,008	31.3%	0	0%
Industrial filters	492	3.9%	420	2.8%	420	2.6%	0	0%
Process filters	937	7.4%	905	6.0%	905	5.7%	0	0%
Total of existing businesses	11,296	89.1%	10,000	66.7%	10,000	62.5%	0	0%
Air filters	1,377	10.9%	3,000	20.0%	3,000	18.8%	0	0%
Healthcare	0	0.0%	2,000	13.3%	3,000	18.8%	1,000	50.0%
Total sales	12,674	100.0%	15,000	100.0%	16,000	100.0%	1,000	6.7%

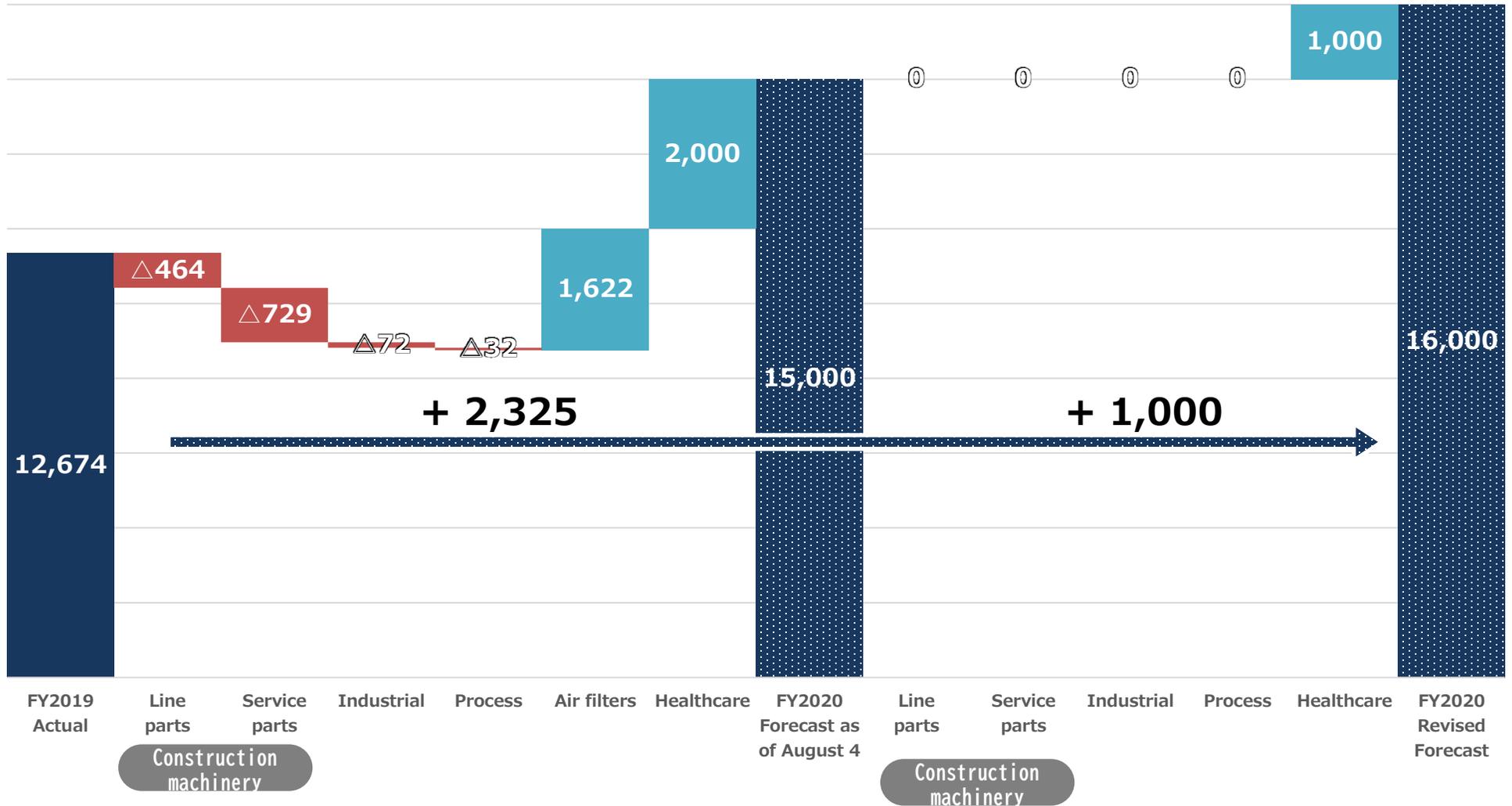
Sales Forecast by Segment (Region)

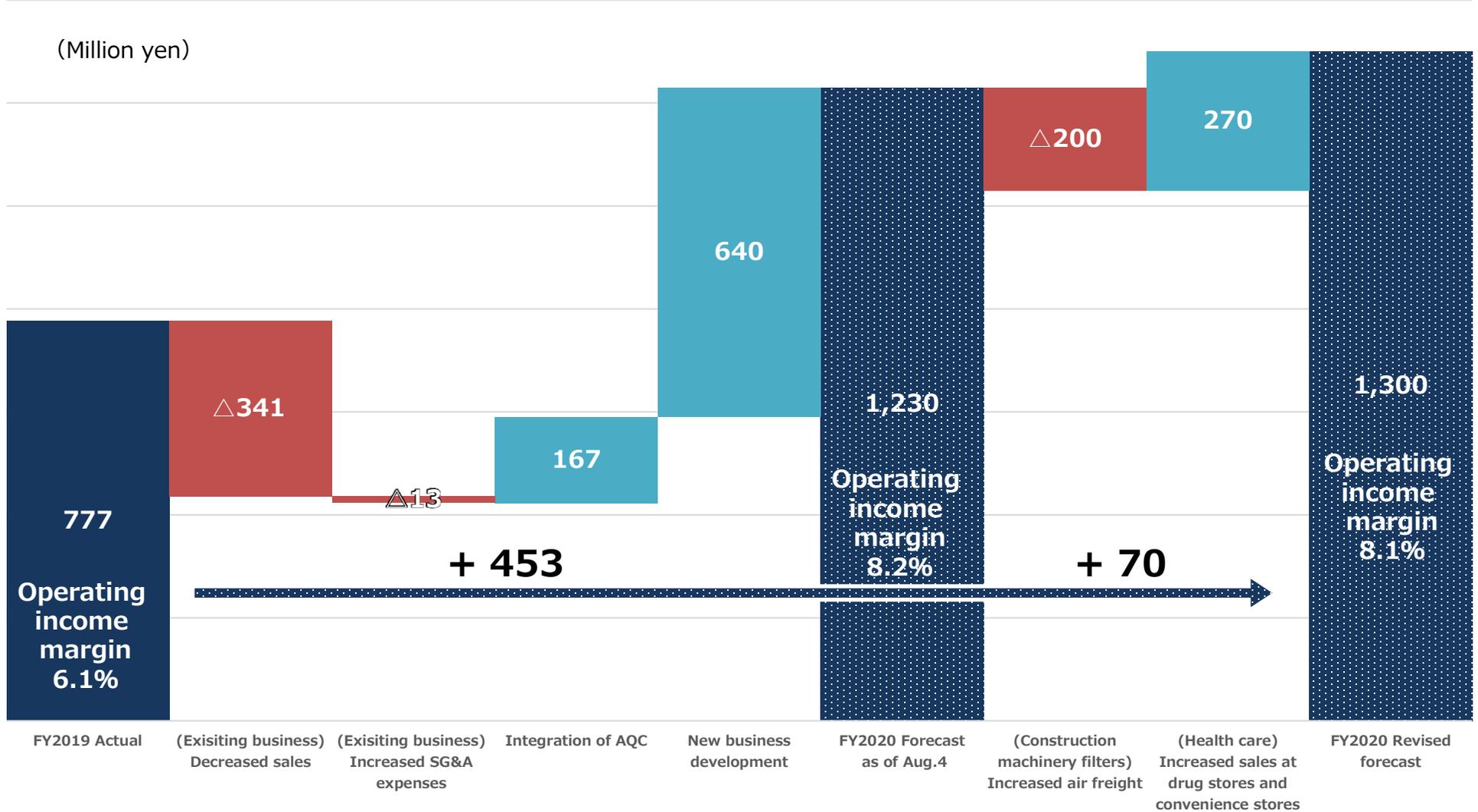
(Million yen)	FY2019 Actual		FY2020 Forecast Revised Aug 4		FY2020 Forecast Revised		Difference	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Amount	%
Construction machinery filters*	11,296	89.1%	10,000	66.7%	10,000	62.6%	0	0%
Japan	5,420	42.8%	4,587	30.6%	4,587	28.8%	0	0%
North America	2,313	18.3%	2,081	13.9%	2,081	13.0%	0	0%
China	1,173	9.3%	1,212	8.1%	1,212	7.6%	0	0%
Other Asian countries	1,319	10.4%	1,250	8.3%	1,250	7.8%	0	0%
Europe	1,065	8.4%	845	5.6%	845	5.3%	0	0%
Construction machinery filters	4	0.0%	23	0.2%	23	0.1%	0	0%
Air filters (Japan)	1,377	10.9%	3,000	20.0%	3,000	18.7%	0	0%
Healthcare (Japan)	0	0.0%	2,000	13.3%	3,000	18.7%	1,000	50.0%
Total sales*	12,674	100.0%	15,000	100.0%	16,000	100.0%	1,000	6.7%

* "Construction machinery filters" includes industrial filters and process filters, in addition to construction machinery filters.

* The amounts of sales by region here are calculated based on the locations of corporations to which invoices are sent. So actual regional market trends may be different from the numbers shown above.

(Million yen)





Operational hedge “marry and netting” was continuously conducted, achieving a foreign exchange sensitivity of 0.7%.



80% of transaction currency is JPY.

Operational hedge “marry and netting” was conducted for USD

- 1-yen appreciation of the yen would increase operating income about 0 million yen.

The annual dividend, including the interim dividend of 3.0 yen and the year-end dividend of 3.0 yen, will remain unchanged at 6.0 yen per share.

	FY2017	FY2018	FY2019	FY2020 Forecast
Dividend per share	3.6yen* ¹	6.0yen	6.0yen	6.0yen
DOE* ²	1.9%	2.4%	2.3%	2.0%
Total return ratio * ³	21.6%	31.9%	72.3%	38.0%

*1. The Company conducted a 5-for-1 stock split that became effective on December 1, 2017, and the dividend for FY2017 is calculated based on the stock split.

*2. DOE (Dividend on equity) = (Annual dividend ÷ Shareholders' equity) × 100 = (ROE × Dividend payout ratio)

*3 Total return ratio = (Total dividend + Treasury stock acquired + Shareholder benefit) ÷ Net income



II Market Conditions

“Conditions in the Construction Machinery Market”



Overview of the External Conditions in the Construction Market

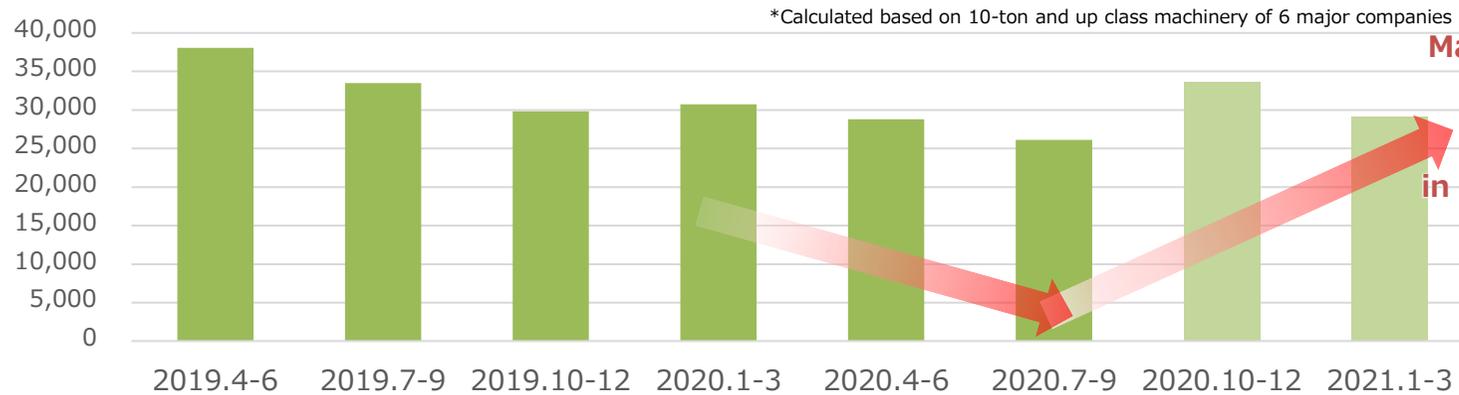
- Indications emerged in 2Q FY2020 of the resumption of economic activity in various countries after stagnating due to COVID 19. However, construction machinery demand decreased in the Japan/US/Europe/Asia market; the outlook remains unclear. Demand is expected to recover as economic activity resumes.
- In China, the world's largest construction machinery market, demand for construction machinery is expected to grow, due to planned large-scale public works investment led by the government.

	2020/3 Q4	2021/3 Q1	Future outlook
China	<ul style="list-style-type: none"> • Implementation of large-scale government-led public works investments • Positive new machinery sales year on year 	<ul style="list-style-type: none"> • Measures taken to promote large-scale government-led public works investments • Major growth in new machinery sales year on year 	Large-scale government-led public works investment is expected to continue. New machinery demand is expected to increase in response to Tier 4 environmental regulations.
South-eastern Asia	The demand for construction machinery dropped due to the suspension of economic activities.	Demand for construction machinery declined due to anti-government demonstrations and stagnating economic activity.	The outlook remains uncertain but demand is expected to recover thanks to infrastructure construction demand, etc.
North America	While economic activity resumed gradually, demand for construction machinery declined.	Economic activity resumed gradually. Demand for construction machinery also showed signs of recovery.	The outlook remains uncertain, but demand is expected to recover.
Japan	While economic activity resumed gradually, demand for construction machinery declined.	Economic activity resumed gradually. Demand for construction machinery also showed signs of recovery.	The outlook remains uncertain, but demand is expected to recover.
Europe	While economic activity resumed gradually, demand for construction machinery declined.	Economic activity resumed; demand for construction machinery also began recovering. However, there are fears of another lockdown caused by the second wave of COVID-19.	The outlook remains uncertain, but demand is expected to recover.

Total Production and Plans of

Major Construction Machinery Manufacturers (Quarterly)

(Unit: Machines)



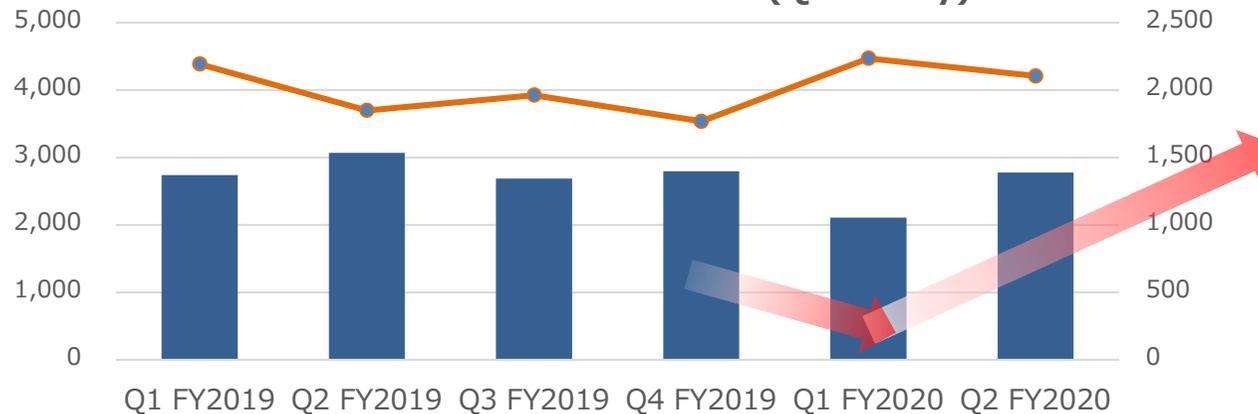
Manufacturers of construction machinery plan to boost production after hitting bottom in the July-September quarter.

YAMASHIN Construction Machinery Filter Sales

and Confirmed Orders (Quarterly)

(Unit: Millions of yen)

(Unit: Millions of yen)



Recovering production at major customers
↓
Expected demand recovery for YAMASHIN products

Position high value-added filter products (long-life, IoT) as strategic products; expand product lineup; pursue sales activities.

To increase share

Develop proprietary filter materials to target demand created by construction machinery upgrades and provide optimal filter performance.

Leveraging **resin nanofiber filter materials**

Higher precision

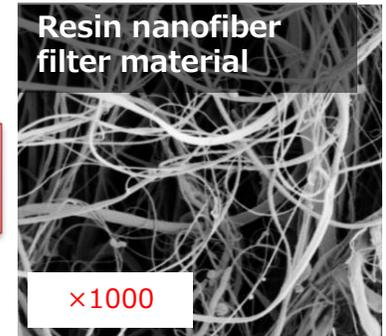
Longer life (replace after 3,000 hours)

Higher functionality

Trend toward more compact construction machinery
Increased fuel economy

Help to prevent global warming.
Reduce **Environmental impact.**

Reduce used filter volumes.
Reduce waste volumes



Fiber diameter 200nm-20µm Adjustable fiber diameter
Filtering precision 0.5-20µm Small fiber diameter, high porosity
Thickness 0.5-0.8mm Low airflow resistance

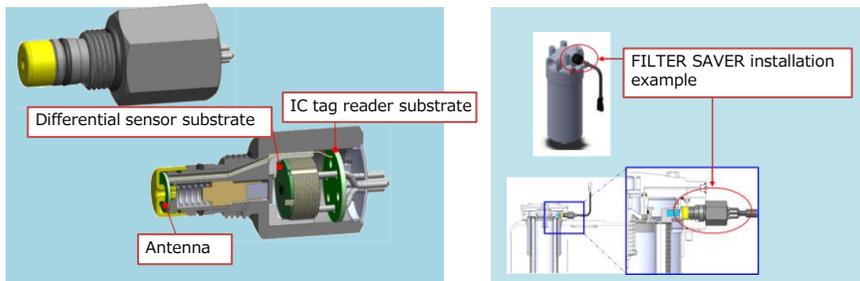
FILTER SAVER Patent pending (IC tag reader incorporating integrated differential pressure sensor)		SWIFTROCK *SWIFT Real time Oil Checker (Contamination level sensor)
Dual-function sensor		Sensor that identifies the concentrations of particles in hydraulic fluid
【IC tag reader】	【Differential pressure sensor】	Works with various types of fluid.
Identifies the use of genuine products.	Predictive monitoring of filter lifespan	Detects contamination levels in hydraulic fluid in real time; constantly monitors construction machinery status to enable failure forecasts.

Help cut costs for construction machinery manufacturers and users.

Eliminate use of third-party products/increase sales of genuine YAMASHIN products.

FILTER SAVER

(IC tag reader incorporating integrated differential pressure sensor)



User Benefits

Integrated sensors and real-time monitoring reduces user burdens, boosts satisfaction.

Overwhelming assurance

- Makes the most of machine asset value.
- Reduces risk of machine failure.
- Cuts costs by switching from scheduled periodic replacement to replacement as needed

Distributor Benefits

Making filter status clearly visible makes distributor activities more efficient.

- Increased efficiency** Improves grasp of order planning requirements.
- Improved cost-effectiveness** Ensures users are supplied genuine parts
- Increases efficiency of sale rep activities.**

Increases efficiency of sale rep activities.

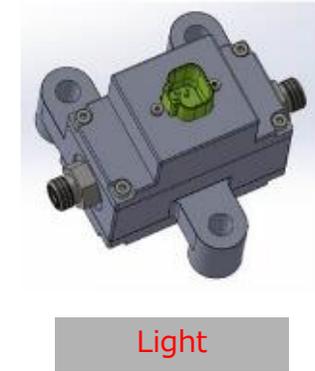
Integrated sensors meet a wide range of needs, from user service improvements to parts management.

Higher quality

- Monitors status in real time.
- Improves precision of distributor activity management.
- Monitors for use of unauthorized third-party products.

SWIFTROCK Light

(Contamination level sensor)



Contamination monitoring specifically targets solid particles like wear debris, the most common cause of failure in hydraulic lubricators, while disregarding air bubbles in the lubricant. As a strong partner in the age of IoT, SWIFTROCK Light detects abnormal wear debris and where it originates to maintain reliable operations and productivity.

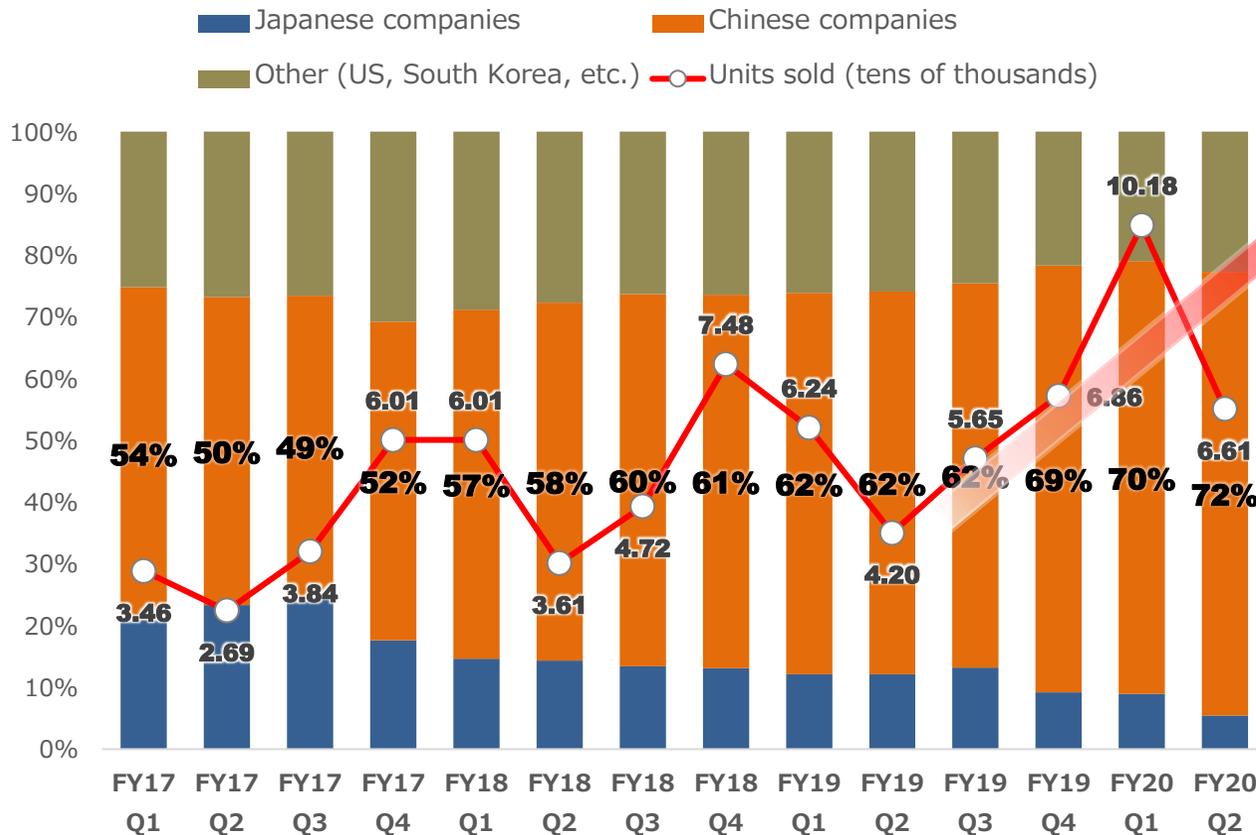
Six Strengths

- 01** Reduce initial costs.
- 02** Countermeasure to air bubbles
- 03** Accommodates flow level fluctuations
- 04** Accommodates flow level fluctuations
- 05** Heat resistant
- 06** Constant real-time monitoring

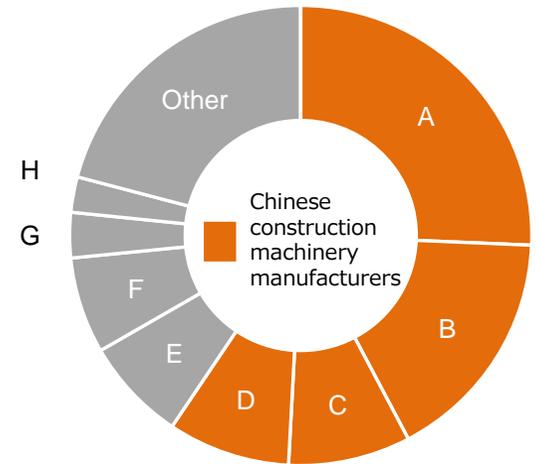
- Continued strong demand for construction machinery in China underpinned by large-scale public investment
- Continuing market share growth in Chinese construction machinery manufacturers: more than 70%
- Expected further growth in new machinery demand due to Tier 4 environmental regulations

Focusing on proposals to Chinese construction machinery manufacturers
Working to rapidly increase our market share

Quarterly change in Units Sold and Share in Chinese Market



Share of Major Construction Machinery Manufacturers in Chinese Market (September 30, 2020)



Strengthen initiatives to increase adoption ratio of our filters for new machine.

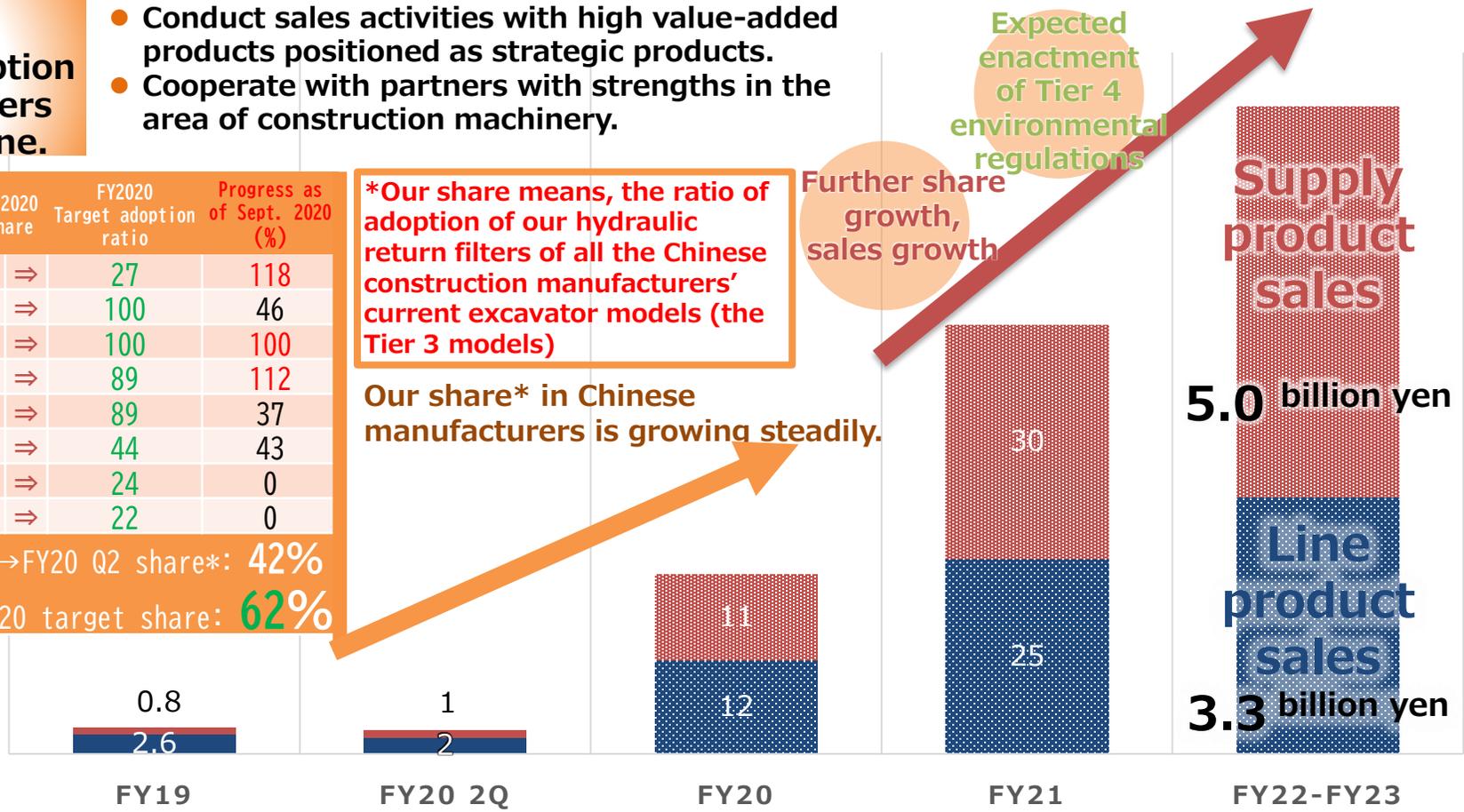
- Conduct sales activities with high value-added products positioned as strategic products.
- Cooperate with partners with strengths in the area of construction machinery.

Chinese manufacturers	Mar. 2020 Our share	Sept. 2020 Our share	FY2020 Target adoption ratio	Progress as of Sept. 2020 (%)
a	0 ⇒	32 ⇒	27	118
b	0 ⇒	46 ⇒	100	46
c	25 ⇒	100 ⇒	100	100
d	0 ⇒	100 ⇒	89	112
e	20 ⇒	33 ⇒	89	37
f	0 ⇒	19 ⇒	44	43
g	24 ⇒	0 ⇒	24	0
h	0 ⇒	0 ⇒	22	0

***Our share means, the ratio of adoption of our hydraulic return filters of all the Chinese construction manufacturers' current excavator models (the Tier 3 models)**

Our share* in Chinese manufacturers is growing steadily.

FY19 Q4 share: 9% → FY20 Q2 share*: 42%
→ FY20 target share: 62%



Line parts

<Growth plan>

Service parts (Supply parts)

Product lineup expansion and pricing strategy

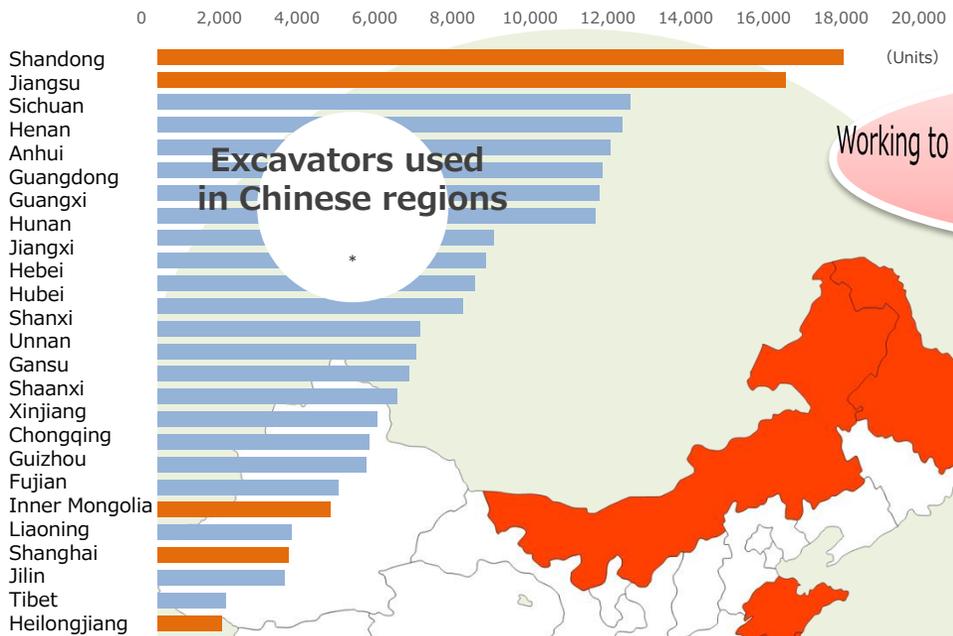
- Supply of high value-added products (long life, IoT)
- Development of pricing strategy to expand sales of existing products

Development of sales strategy leveraging our brand

- Direct transactions with distribution agents after expiration of construction machinery manufacturers' warranty period

Development of distributor channel

Partners that cover regions with extensive excavator ownership selected as partners



Excavators used in Chinese regions

Working to expand sales area in the service parts (supply parts) market, where demand is growing

Development of parts trading company channel

25 Chinese parts trading companies with networks of distributors selected as partners



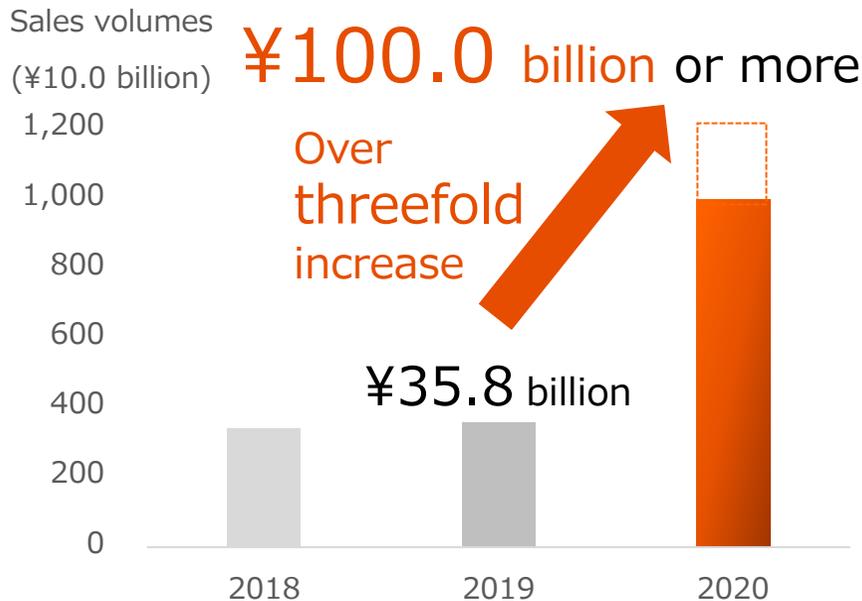
“Conditions in the Mask Market”



Business Conditions

- Consistent growth in mask demand due to COVID-19
- As there is no prospects for containing the virus in the immediate future, we now **have the opportunity to expand business in the air filter and healthcare fields.**

Trends in (nonwoven) mask market for general consumers



*2019 Fuji Keizai data

YAMASHIN's Initiatives This Term

Commercialized mask using synthetic polymer nanofibers YAMASHIN Nano Filter™

- Launched online sales of high performance YAMASHIN masks and mask inner sheets
- Launched sales of YAMASHIN masks, including the world's first premium mask for general consumers with performance equivalent to medical use masks
- Full-fledged supply to drug stores and other outlets



Future Targets and Strategies

Our target:

50% of domestic mask market (**sales of ¥50.0 billion**)

Medium-term (FY2023) target

Strategy:

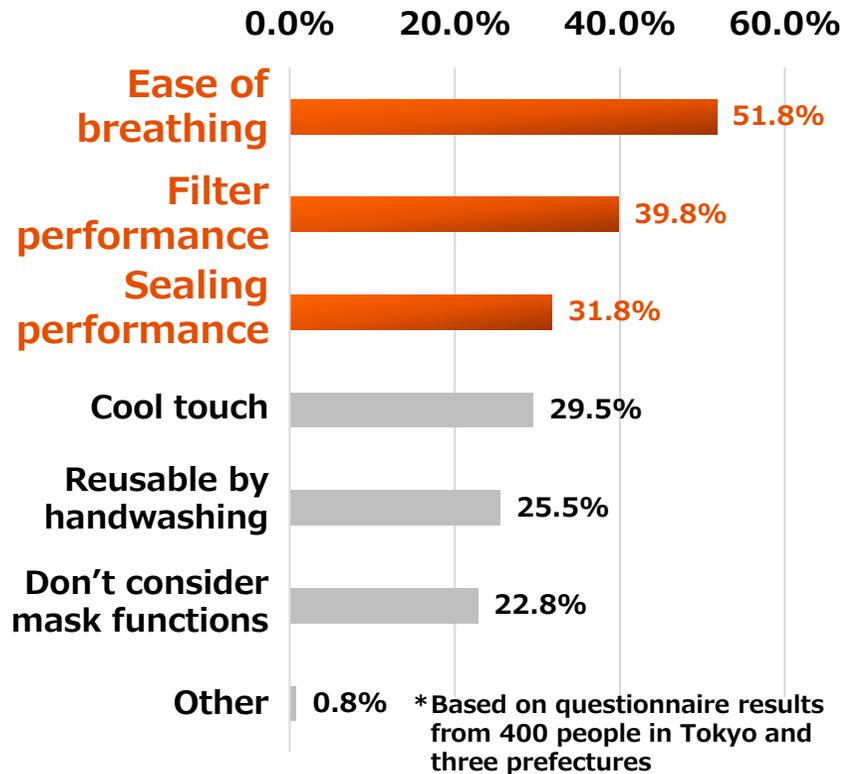
- Acquire leading share of domestic high performance mask market
- Enter medical use dust mask market

Tactics:

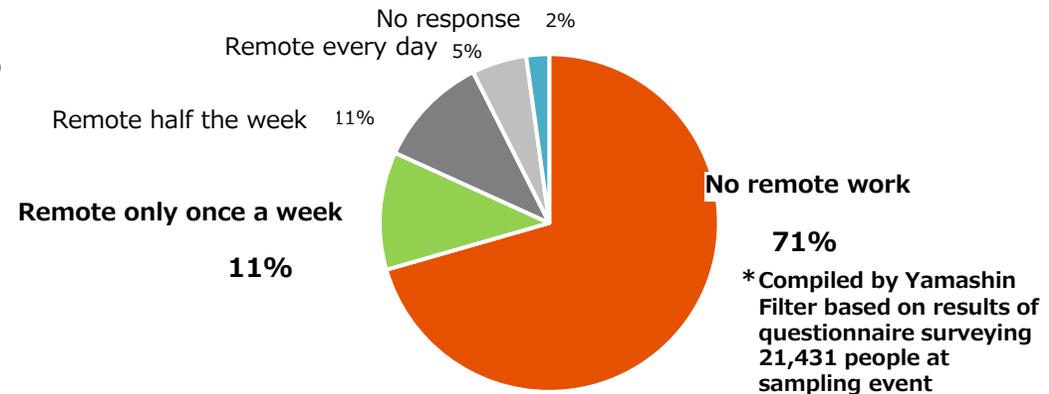
- Expand high performance mask lineup for general consumers; expand sales channels to drug stores, convenience stores; establish presence on major online retail sites).
- Acquire certification for medical use (expected in April 2021).

Buyers are increasingly prioritizing mask performance when making purchasing decisions ; there still remains a widespread need to wear masks for work and school, etc.

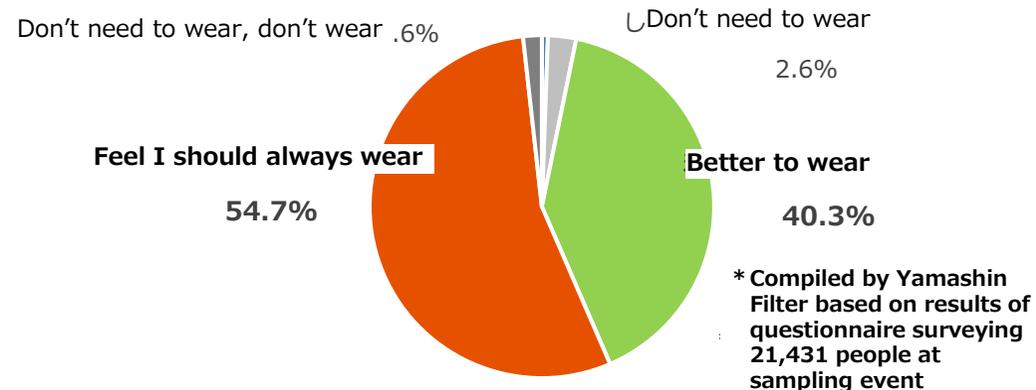
Functions prioritized when general consumers purchase masks



Remote work/class frequency

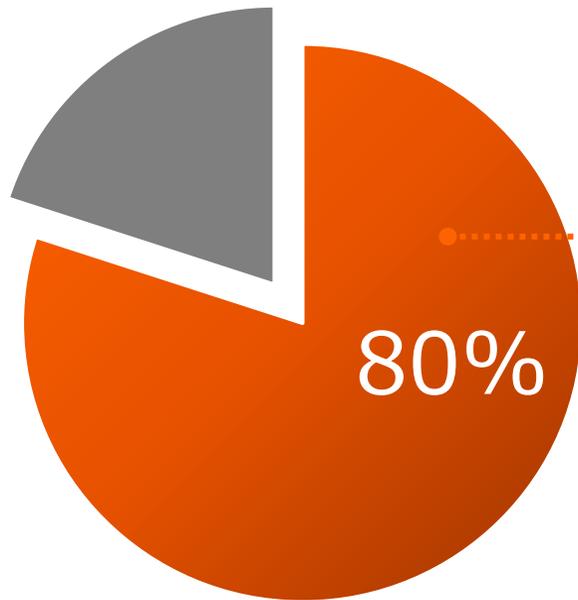


マスク着用の必要性



Emergence of new growth market due to changing consumer need: high-performance masks for general consumers

Breakdown of Japanese mask market

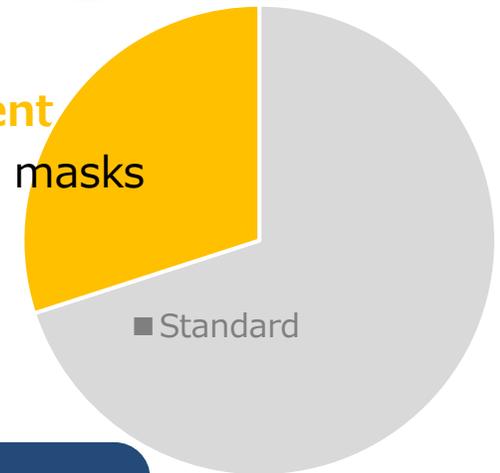


● Masks made in Japan for general consumers

■ **High-performance segment**

High-performance segment masks
30% of the total

*High-performance segment masks defined
as price per mask of 80 yen or more



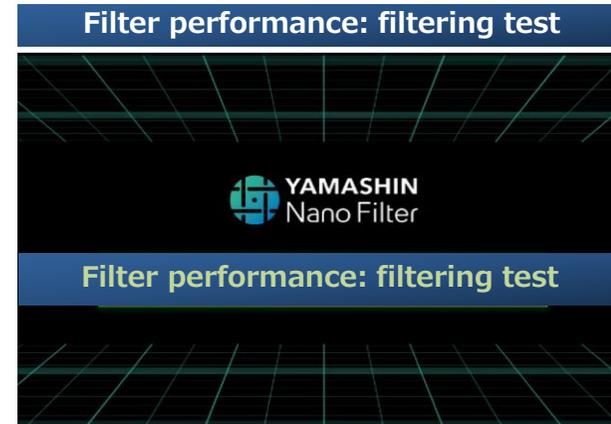
Masks manufactured by
YAMASHIN belong to the
high-performance segment.

■ Masks for general consumers ■ Medical use dust masks

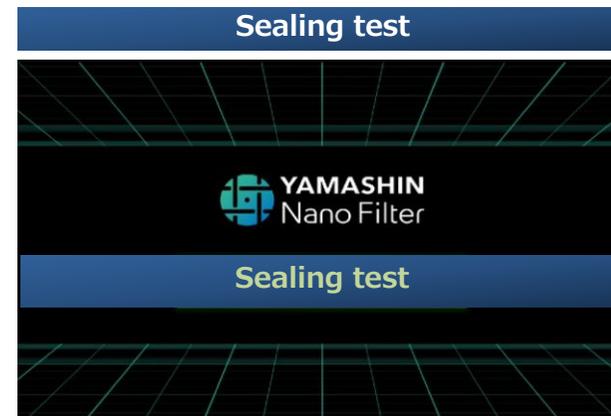
Zexeed flagship model uses YAMASHIN NANO FILTER™ and unique 3D form to achieve outstanding performance and overwhelming product differentiation.

[Product name] **Zexeed**

Zexeed



https://youtu.be/WH64FEN_Xv4

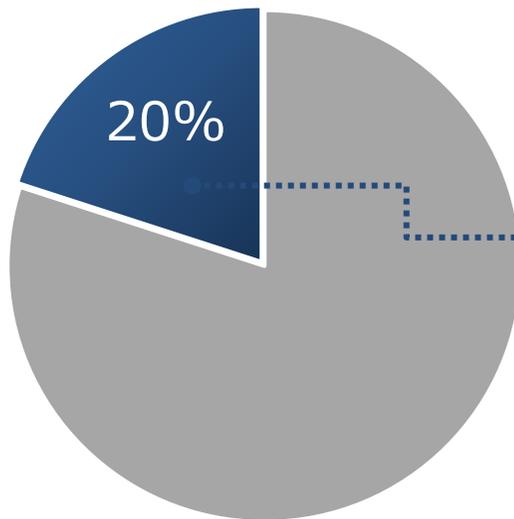


https://youtu.be/3xSkN6_x7hg

[Click on the images to jump to video pages.](#)

Leveraging products offering high sealing performance and ease of breathing even when worn for extended periods, YAMASHIN will begin marketing medical use dust masks from January 2021.

Breakdown of Japanese mask market



■ Masks for general consumers ■ Medical use dust masks

【Release of medical use mask (MEDICALEAD-6240)】

Leveraging proprietary technologies and distinctive shape to achieve market differentiation, this mask meets the high performance standards of medical professionals and demanding applications; scheduled to acquire certification in January 2021 (certifications in Japan, U.S., and Europe*).

*National testing standard in Japan (DS), NIOSH standard in US (N95), EN standard in Europe (FFP)

- (1) High filter performance (equivalent to N95)
 - (2) Secure fit and sealing (Leakage amount to equivalent to N95)
 - (3) Ease of breathing
- Dominant differentiation in all three**



General supervision:
Professor Kazunari Onishi
Graduate School of Public
Health, St. Luke's
International University

Leveraging filtration technologies developed and refined for construction machinery by Yamashin to target 50% share of Japanese mask market and sales of ¥50.0 billion by fiscal 2023.



Measures to expand sales channels

Expand lineup high performance masks for general consumers; acquire certification for medical use, expand sales channels (drug stores, convenience stores, Amazon, Rakuten, etc.)

Targeting 50% of domestic mask market and sales of ¥50.0 billion by FY2023



III Future Strategies

Corporate Principle

Rokajini tsukafuru

(contributing
to society through
filtration activities)



Emergence of
various societal issues

Climate change

Waste
processing

Declining
biodiversity

Spread of
COVID-19

Realizing *Rokajini tsukafuru*

**Working to solve societal problems
through filter design and manufacture**

Corporate Principle: Realizing *Rokajini tsukafuru* (contributing to society through filtration activities)

Business Conditions

Societal issues

- Climate change
- Waste processing
 - Declining biodiversity
 - Spread of infectious disease

3 Themes of YAMASHIN Initiatives



Solving societal problems through filter design and manufacture

Business Model

Construction machinery filter business *Line parts, service parts*

- Fully implement policy of selling supply products only to construction machinery manufacturers.
- Acquire leading share by providing reliable and high-quality products.
- Provide long-life and environmentally-friendly products.
- Provide high value-added products via IoT management.

Air filter business

- Provide high performance filters that safeguard against health risks.

Healthcare business

- Provide high performance mask equivalent to medical use products.

YAMASHIN Nano Filter™ industrial subsidiary material

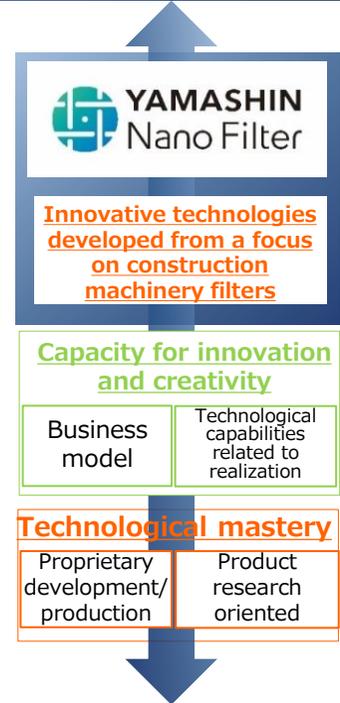
Non-financial capital supporting value creation

- Human capital (active promotion of exceptional personnel)
- Manufacturing capital (robust supply chain system)

- Intellectual capital (34 patents acquired)
- Social capital (strong trust among customers)

Corporate governance

YAMASHIN's Strengths



Created Value

Our goal:
To be a comprehensive Filter Manufacturer

Externally directed value



Manufacturing masks that limit the spread of communicable and infectious diseases



Reducing use of heating fuel through high-insulation agricultural sheets based on nanofibers



Reducing waste by extending filter life through nanofiber technologies



Increased share of renewable energy in electricity use through electricity derived from renewable energy



Protecting waterfowl (sourced for down) by promoting alternatives to natural down through nanofiber manufacturing technologies

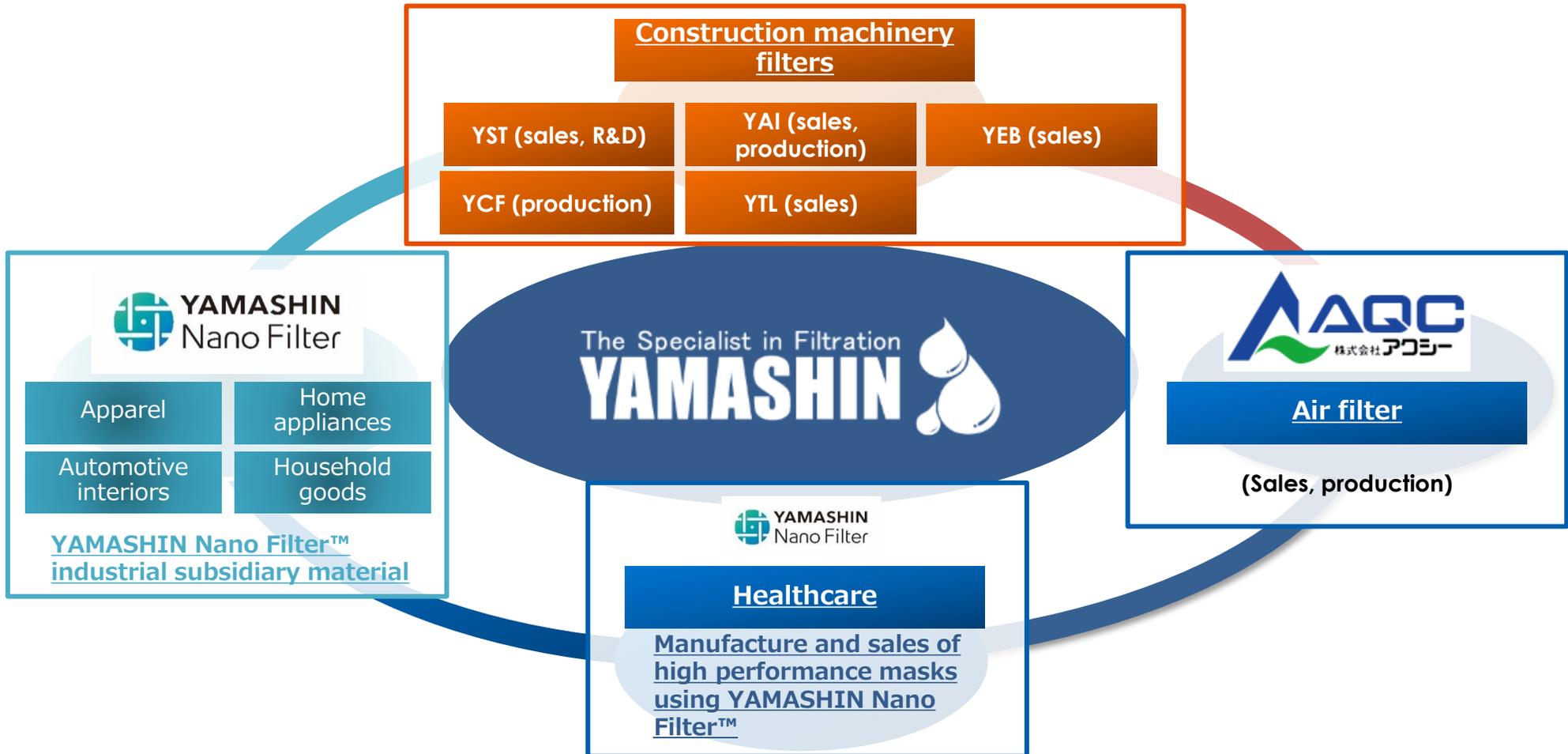
*For specific reduction KPIs, refer to the reference materials.

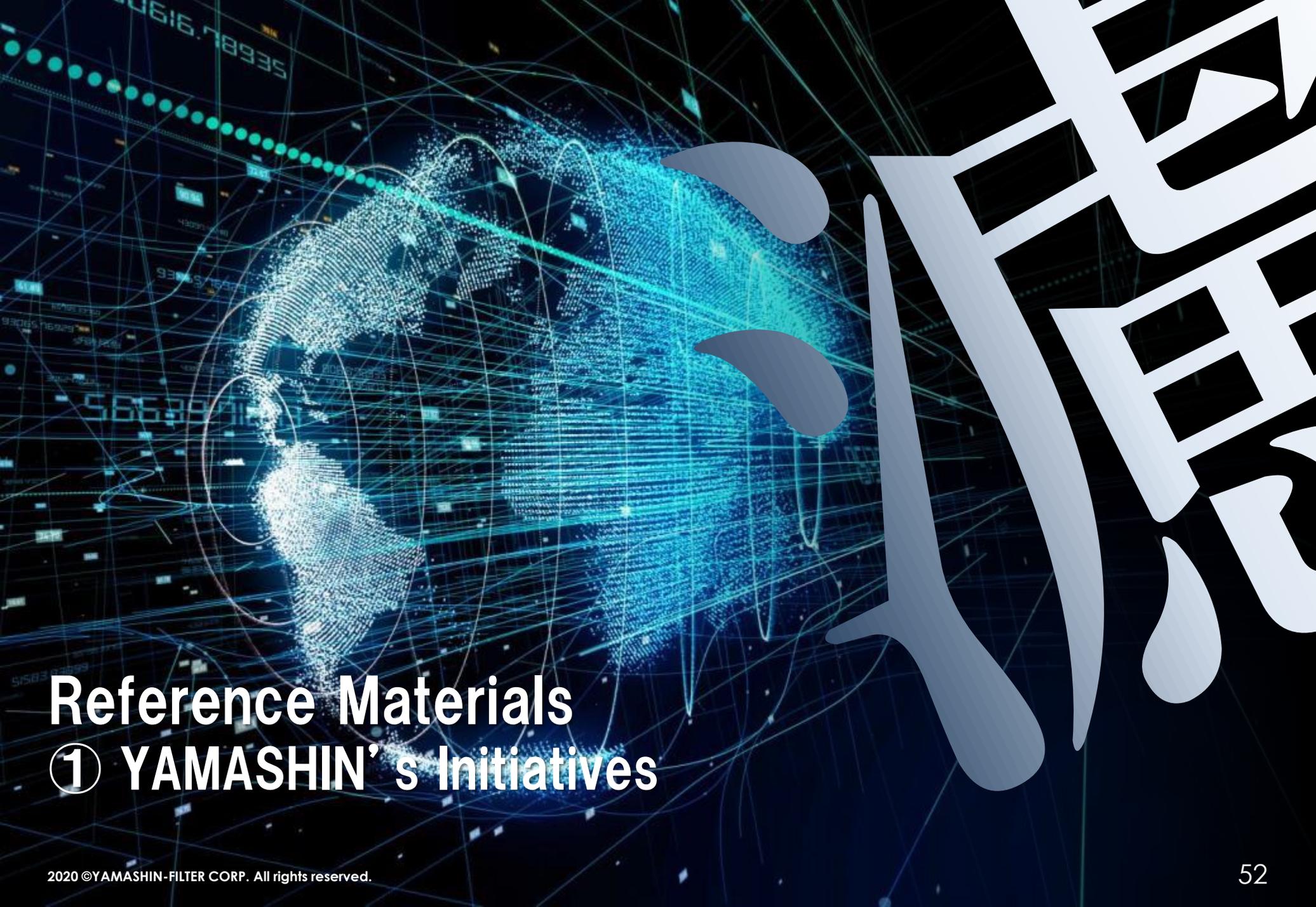
Working to Reduce CO₂ by Approx. 25,000 Tons through the project.

Impacts Created by Sustainability Project

Project outputs	Outcomes		Impact	
				Impact indicator (annual)
Purchasing electricity from renewable energy	YAMASHIN	Increased share of renewable energy in electric power	Renewable energy	632t CO₂
Purchasing solar power systems				
<u>Augmentation of production facilities for YAMASHIN Nano Filter™</u>	Users (construction machinery)	Reduced waste from longer life hydraulic filters for construction machinery	Reduced waste for helping to reduce pollution	4,000 tons
	Manufacturers (apparel, bedding)	Reduced use of natural down through use of synthetic down	Reduced natural down for protecting land and sea life diversity	23 tons
	Users (agriculture)	Reduced fuel consumption through high-insulation agricultural sheets	Energy efficiency	24,440t co₂
<u>Introducing recycling facilities for YAMASHIN Nano Filter™</u>	Users (e.g., construction machinery)	Reduced waste from various filters	Pollution prevention and control	(Qualitative assessments)
Augmentation of manufacturing machinery for masks for general consumers	Users (general consumers)	Increased production of masks for general consumers	Help consumers to access to necessary services to the extent possible	230 million masks
Augmentation of manufacturing machinery for medical use masks	Users (medical professionals)	Increased production of masks for medical use	Help consumers to access to necessary services to the extent possible	(Qualitative assessment)
<u>R&D on YAMASHIN Nano Filter™ technology</u>	Users (general consumers)	Spread and expansion of fuel cells from separator development	Clean transport	(Qualitative assessments)
	Manufacturers and users	<u>Achieving even higher performance for YAMASHIN Nano Filter™ (finer, added features)</u>	Broad social/environmental implications	

Accelerating the transition from dedicated manufacturer of construction machinery filters to comprehensive filter manufacturer





Reference Materials

① YAMASHIN's Initiatives



We aim to create the demand for our products, by developing environmentally friendly products using our proprietary technologies including the nano material.

To increase our share in the construction machinery market

Decrease machinery failures and lengthen the lifespans of construction machinery by adding values to our products



Reduction in environmental impact

Useful life increases 3 times

Hybrid filter

Glass fiber × nanofiber



Failure prediction with IoT

Cleanliness level sensor

- Measurement of oil and water cleanliness levels
- Low costs
- Compact design

Lifespan sensor

To monitor how much filters are clogged in a stepwise manner

In the Chinese market, we will acquire new clients by providing solutions to address environmental issues



To help reduce CO₂ emissions with high-quality filters

To further meet the demand for new machinery in preparation for the Tier 4 environmental regulations

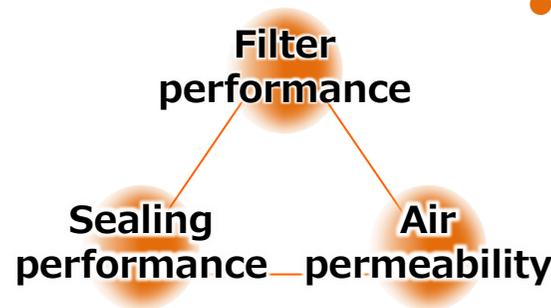


Began manufacturing and sales of high performance medical-grade masks, the development of which could only be achieved by YAMASHIN as a comprehensive filter manufacturer.

Three Features of YAMASHIN Masks

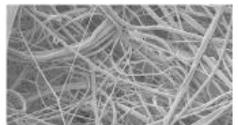
- Nanostructure traps viruses.
- Minor decline in performance, even with long-term use
- Construction of safe and secure domestic production and supply system

Filtration theory applied for new YAMASHIN mask standard



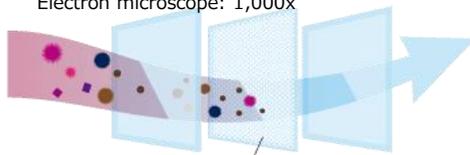
- Zexeed next-generation mask with premium performance released to address three factors: high filter performance, secure sealing, and air permeability (for ease of breathing)

YAMASHIN Filter Mask/Filter Sheets



Traps viruses and other particles with a 3D multi-layer nanofiber filter featuring extremely small pores.

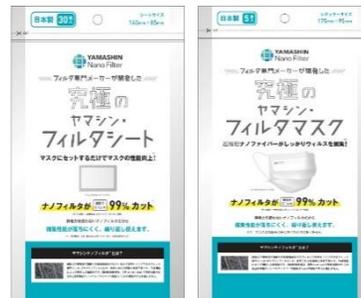
Electron microscope: 1,000x



YAMASHIN nanofilter based on nanofibers

Entry model

Sales launched at nationwide drug stores on September 4



Flagship model

Began taking presale orders on online retail sites on September 1



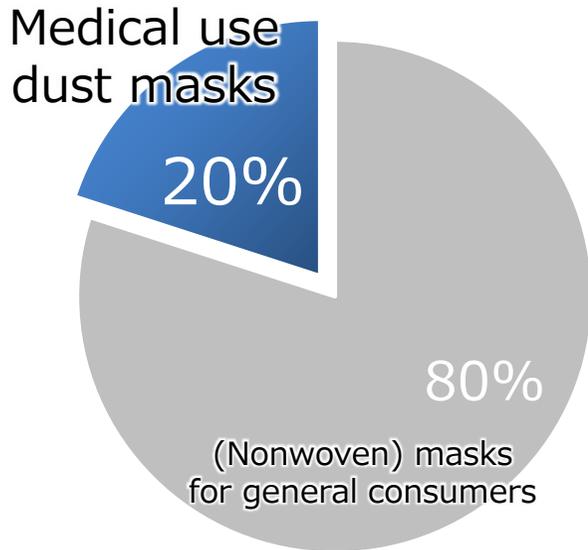


Plans to acquire certification for medical use dust mask.
Will work to increase shares in this segment and continue development.

**Development policy going forward:
Expand lineup**

Further plans to acquire certification for high performance masks needed at medical facilities, etc. (certifications in Japan, US, Europe*)

In the market for general consumers, we will differentiate our products by utilizing proprietary technologies and unique pleated mask shapes as we continue to develop higher performance masks.



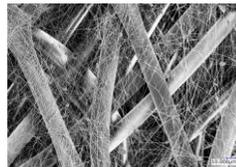
- (1) Filter performance (equivalent to N95)
- (2) Leakage amount (equivalent to N95)
- (3) Ease of breathing

In these aspects, achieve overwhelming differentiation surpassing competitors.

* National testing standard in Japan (DS), NIOSH standard in US (N95), EN standard in Europe (FFP)

- (Nonwoven) masks for general consumers
- Medical use dust masks

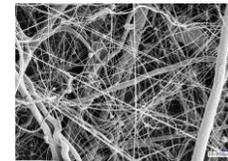
Nano fiber filter by Electrospinning method



Characteristics:
Very thin, planer, uniform fibers

* Captured with electron microscope (2,000x)

YAMASHIN Nano Filter



YAMASHIN's proprietary patented technology

Characteristics: 3D, multi-layer fiber mix



To help prevent atmospheric pollution by entering and growing the air filter business and using our filtration technologies to reduce emissions and gases.

Business environment

There is a risk of worsening atmospheric pollution, caused by the economic growth in emerging countries.

Estimated per year average growth rate
of the air filter market

The air filter market is expected to keep growing.

3.5% (until 2050)

Contributions we can make



As a manufacturer specializing in filters, we help to reduce health hazards by supplying highly functional air filters.

We could help to curtail maintenance costs by extending the life-span of each product.

Pursuing equity finance sustainability project to help solve environmental and societal problems

Procured ¥11.0 billion through equity financing to facilitate both sustained, medium-term business growth, and active ESG initiatives

Second-party opinion on selection grounds

Impacts of Sustainability Project

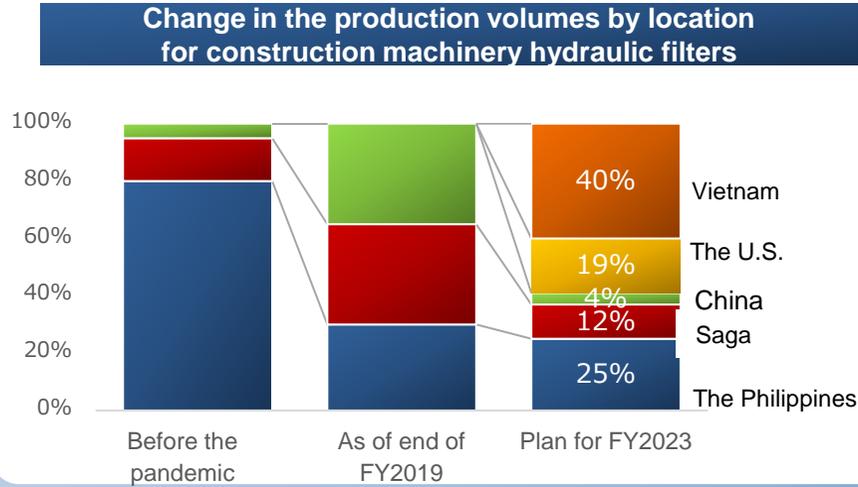
Product outputs	Outcomes		Impact	Impact indicator (annual)
Purchasing electricity from renewable energy	Yamashin	Increased share of renewable energy in electric power	Renewable energy	632 tCO2
Introducing solar power systems				
Augmentation of production facilities for nanofibers	Users (construction machinery)	Reduced waste from longer life hydraulic filters for construction machinery	Pollution prevention and control	4,000 tons
	Manufacturers (apparel, bedding)	Reduced use of natural down through use of synthetic down	Protecting land and sea life diversity	23 tons
	Users (agriculture)	Reduced fuel consumption through high-insulation agricultural sheets	Energy efficiency	24,440 tCO2
Introducing recycling facilities for nanofibers	Users (e.g., construction machinery)	Reduced waste from various filters	Pollution prevention and control	(Qualitative assessments)
Augmentation of manufacturing machinery for masks for general consumers	Users (general consumers)	Increased production of masks for general consumers	Access to necessary services to the extent possible	230 million masks
Augmentation of manufacturing machinery for medical use masks	Users (medical professionals)	Increased production of masks for medical use	Access to necessary services to the extent possible	(Qualitative assessments)
R&D on YAMASHIN Nano Filter™ technology	Users (general consumers)	Spread and expansion of fuel cells from separator development	Clean transport	(Qualitative assessments)
	Manufacturers and users	Achieving even higher performance for nanofibers (finer, added features)	Broad social/environmental implications	

- Continuing contribution to the environmental compatibility, etc. of construction machinery through provision of filters to construction machinery based on development of technology and materials
- Led the way in conducting work style reforms like zero overtime for all employees

Points of improvement/focus going forward

- Promotion of ESG initiatives on the value chain, including promotion of CSR procurement, and disclosure of ESG information

Impact on production structure



- The lockdown affected the production in the Philippines.
- Accordingly, a production quota is allocated to each of the other production sites, to maintain stable supply.

Review and restructuring of production system



YAMASHIN is restructuring its production system as part of our BCP **to achieve stable, efficient production.**

For that end, a new factory will be built in Vietnam in 2021.

For finance, we signed a loan agreement (for 4 billion yen) in Feb. 2020.

We hold a world-leading share in the construction machinery filter market.

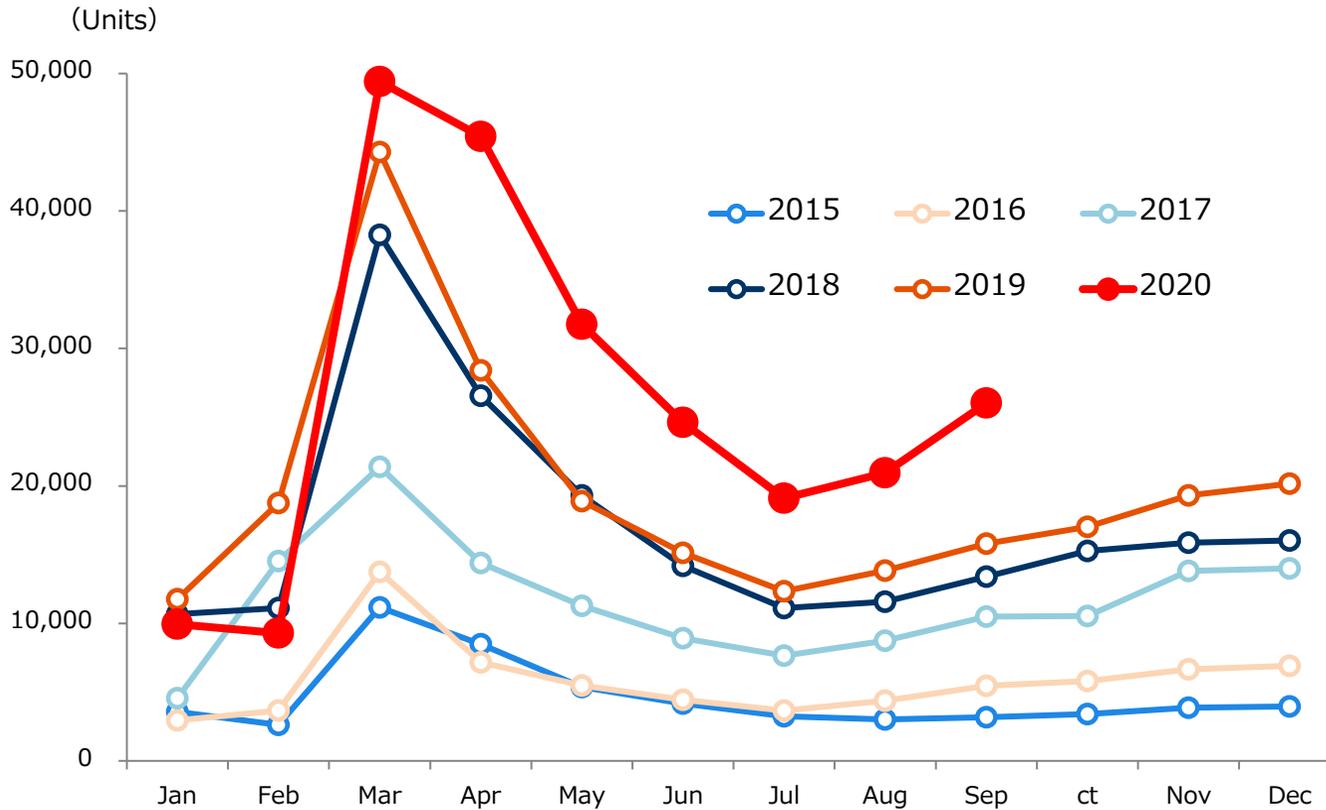
Due to an uptake in infrastructure investment in several markets and our strong position in after-sales market, we expect sustained growth in our construction machinery filter business.

New business is expected to make significant contributions to both sales and profits.

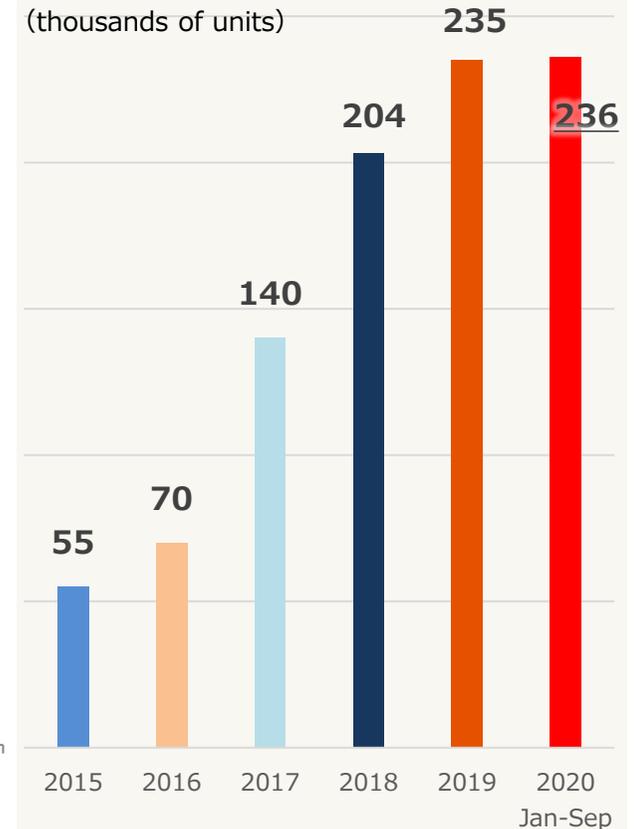
YAMASHIN Nano Filters will drive growth, with use for diverse applications.

Strong demand for construction machinery in China underpinned by large-scale public investment

Monthly Sales units by fiscal year



Annual sales units

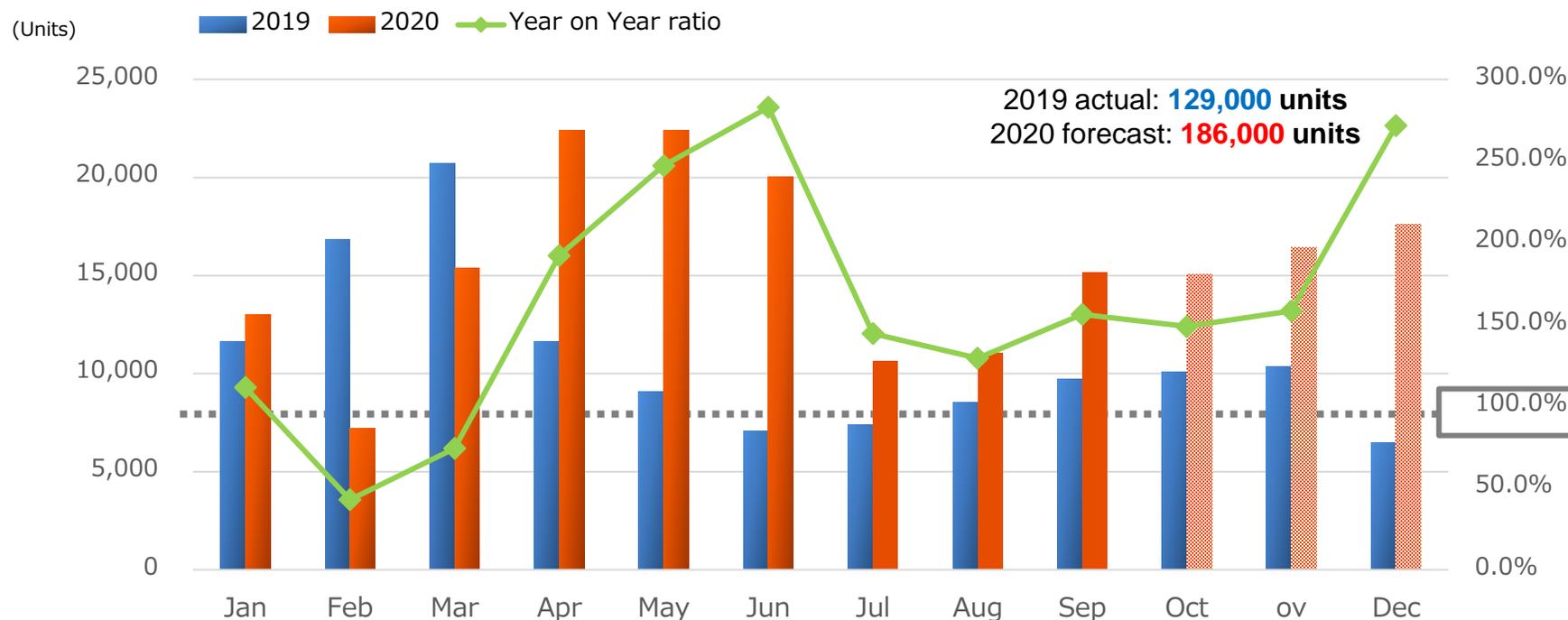


(YAMASHIN's estimates based on the data published by construction machinery manufacturers and industry associations)

Chinese construction machinery manufacturers expected to increase production in 2020.

Trend of production plans of leading Chinese construction machinery manufacturers

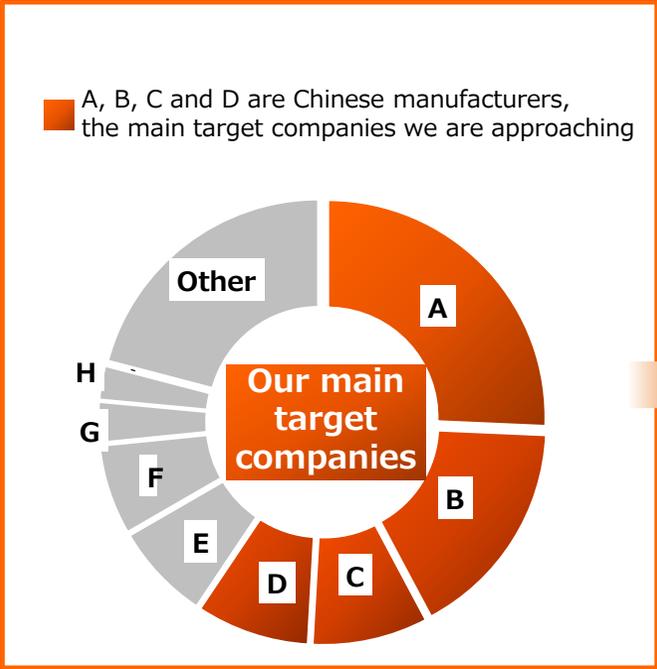
- Production was delayed than planned, due to the extension of the Chinese New Year holidays and the spread of the COVID-19.
- In 2020, the production output of Chinese manufacturers is estimated to grow **+43.9%** from 2019.



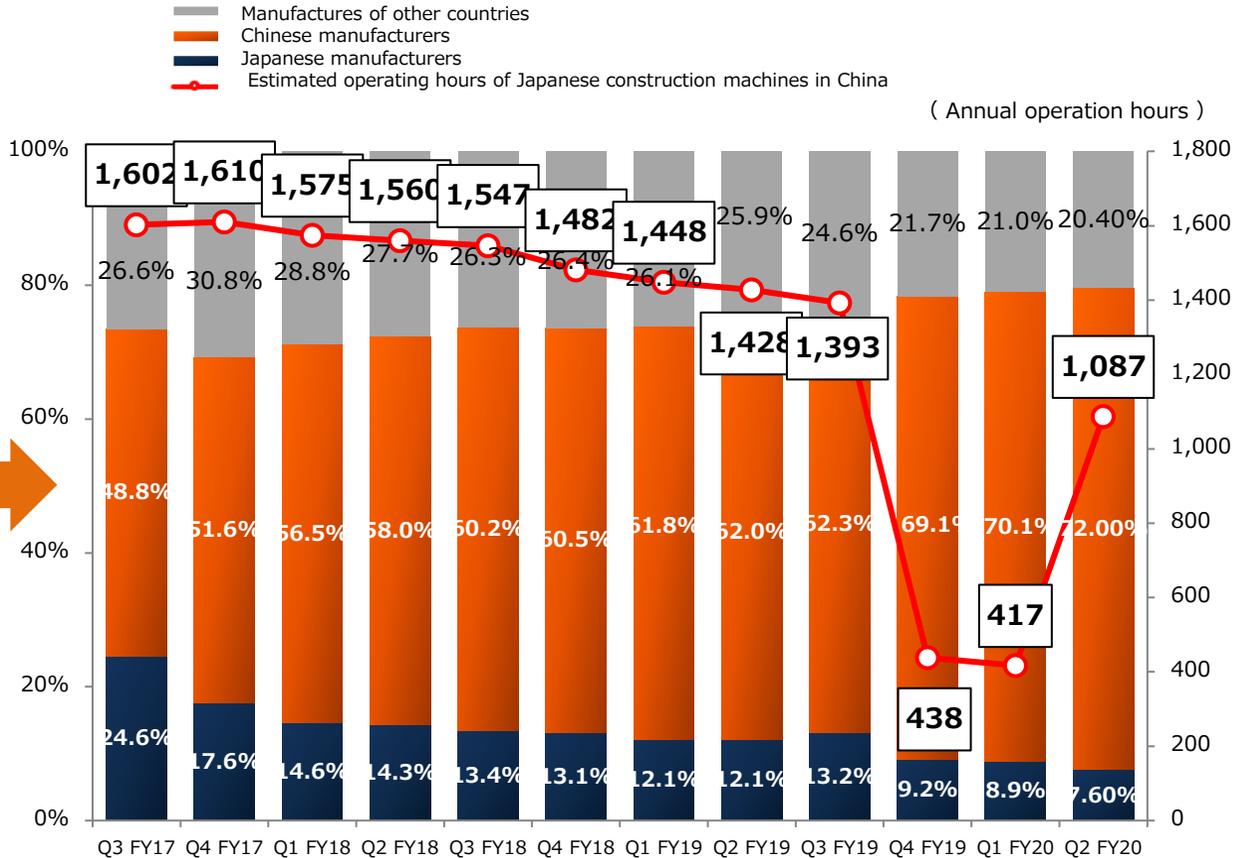
(YAMASHIN's estimates based on the data published by construction machinery manufacturers and industry associations)

Construction machinery operating hours declined substantially due to the extension of the Chinese New Year holidays and COVID-19.

Our main construction machinery customers' market shares in China



Change in market shares in China by manufacturers' country



Increase proposals to Chinese construction machinery manufacturers to grow our market share.

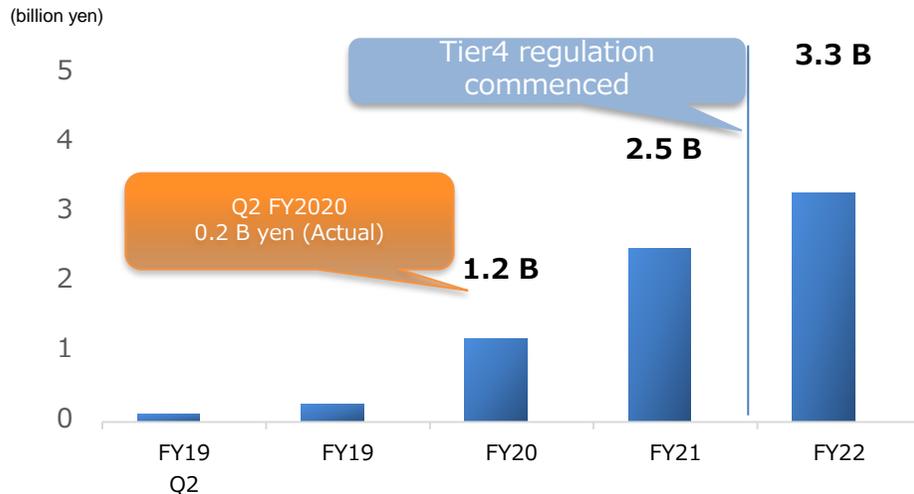
Market environment

- Trend continues on expanding infrastructure investment by the Chinese government.
- Increased need for our proprietary technologies in conjunction with 4th-phase environmental regulations
- Priorities of end users are changing from price to quality.
- Significant expansion of after-sales market following an increase in the cumulative number of new machines sold
- Increased need for global suppliers as Chinese construction machinery manufacturers are entering overseas market

Plan for expanding sales of line parts (for new machine)

Add more product lines and improve pricing strategy

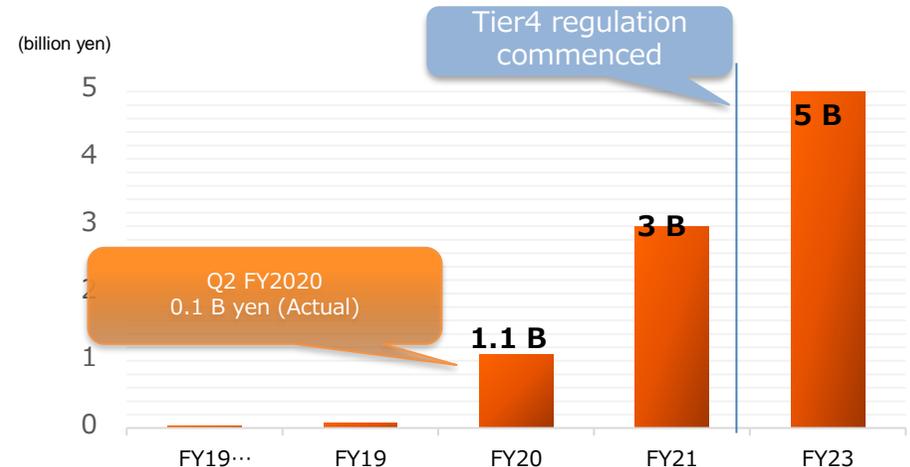
- Supply products with high value (longer life-span and IoT)
- Deploy pricing strategies to sell more existing products



Plan for expanding sales of service parts (replacement parts)

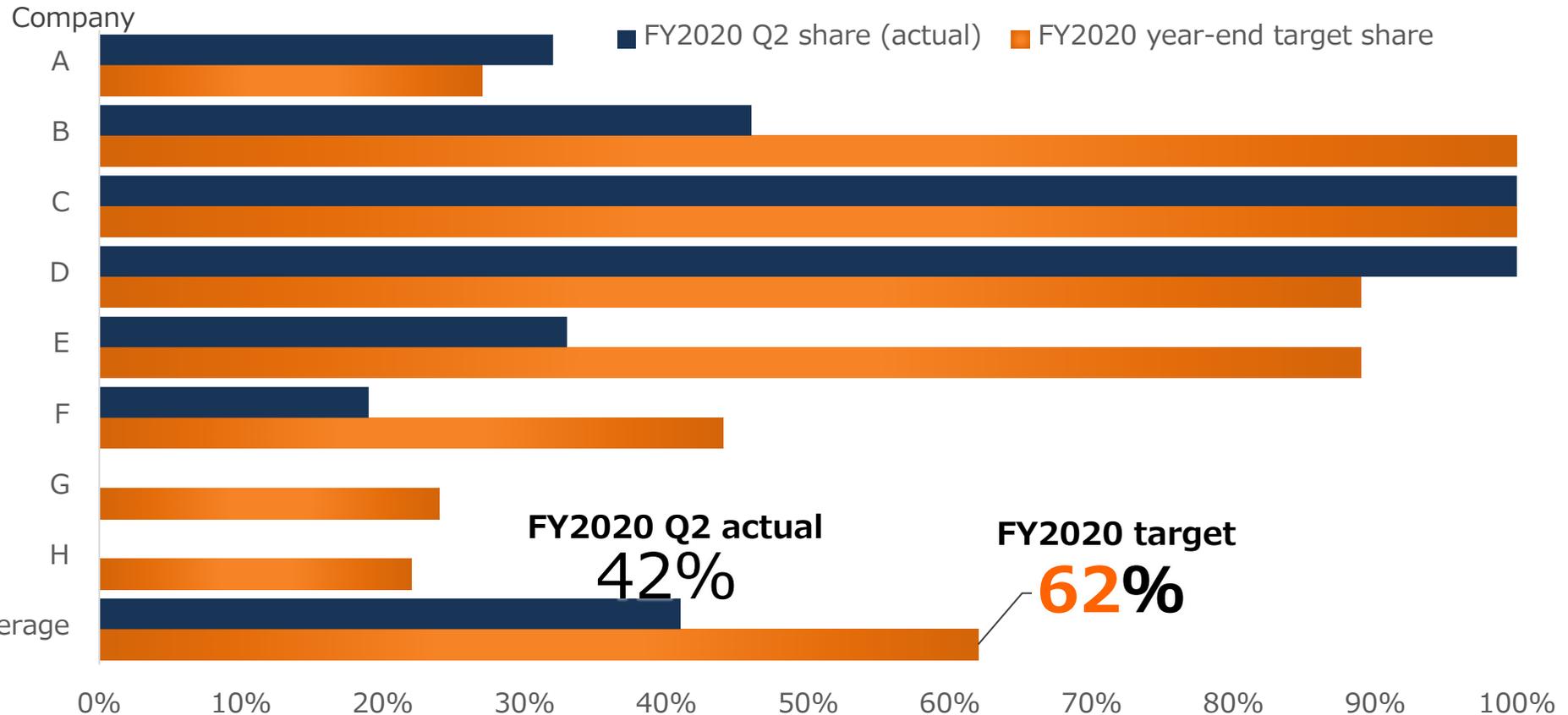
Deploy market strategies taking advantage of our brand value

After the construction machinery manufacturers' warranty periods end, we will directly trade with agencies.



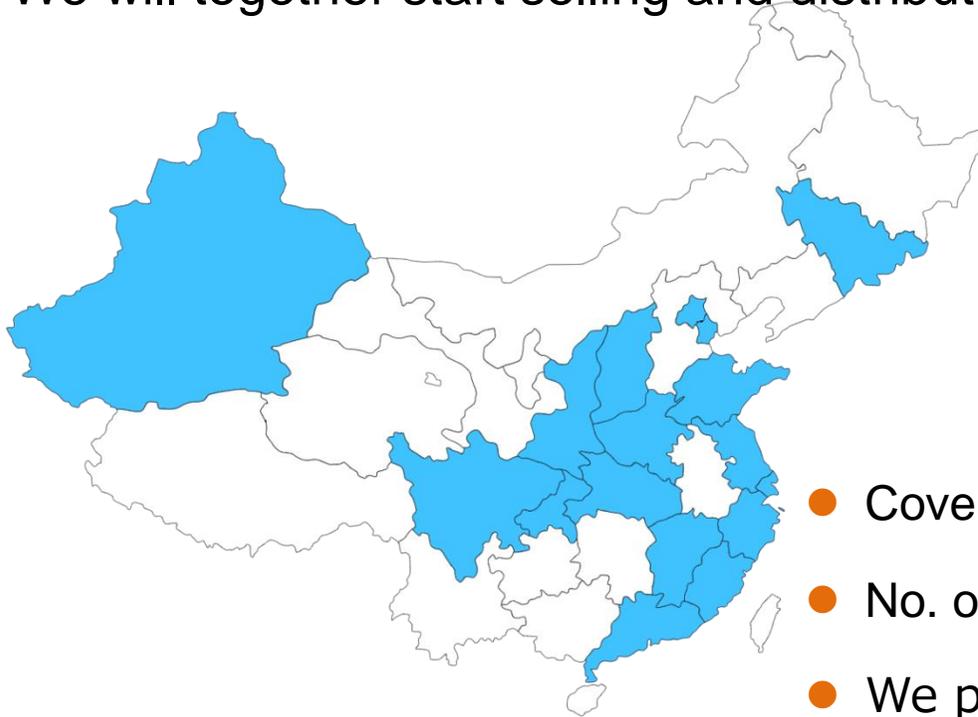
YAMASHIN will conduct marketing and sales activities for our flagship return filters, focusing on our high value-added products (as strategic products), in Chinese and other Asian markets.

Expansion targets of our flagship products, return filters



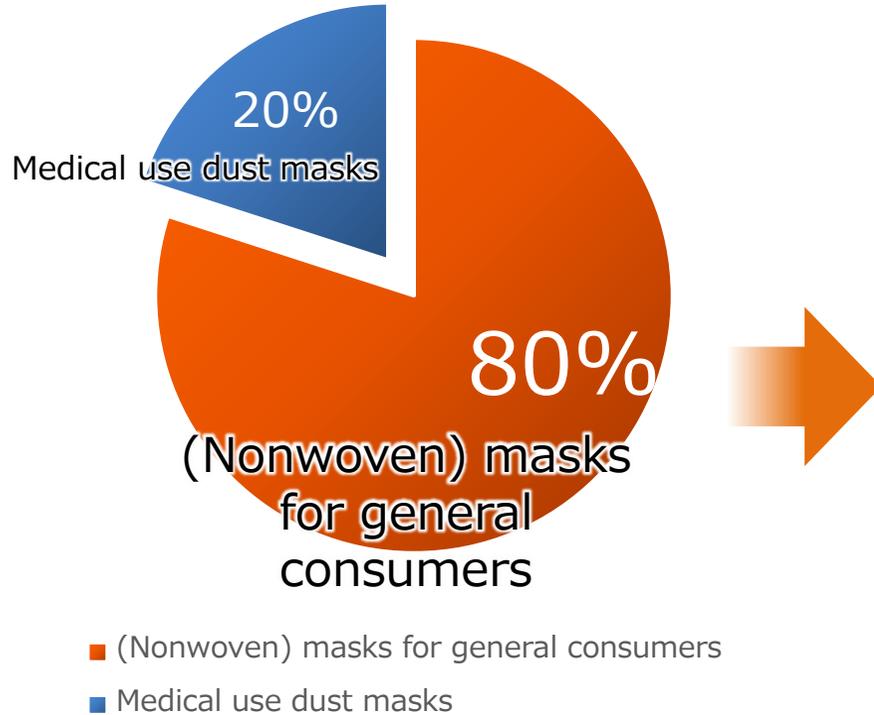
Alliance with sales partners who are experienced in the construction machinery field has been established.

We will together start selling and distributing service parts from June.

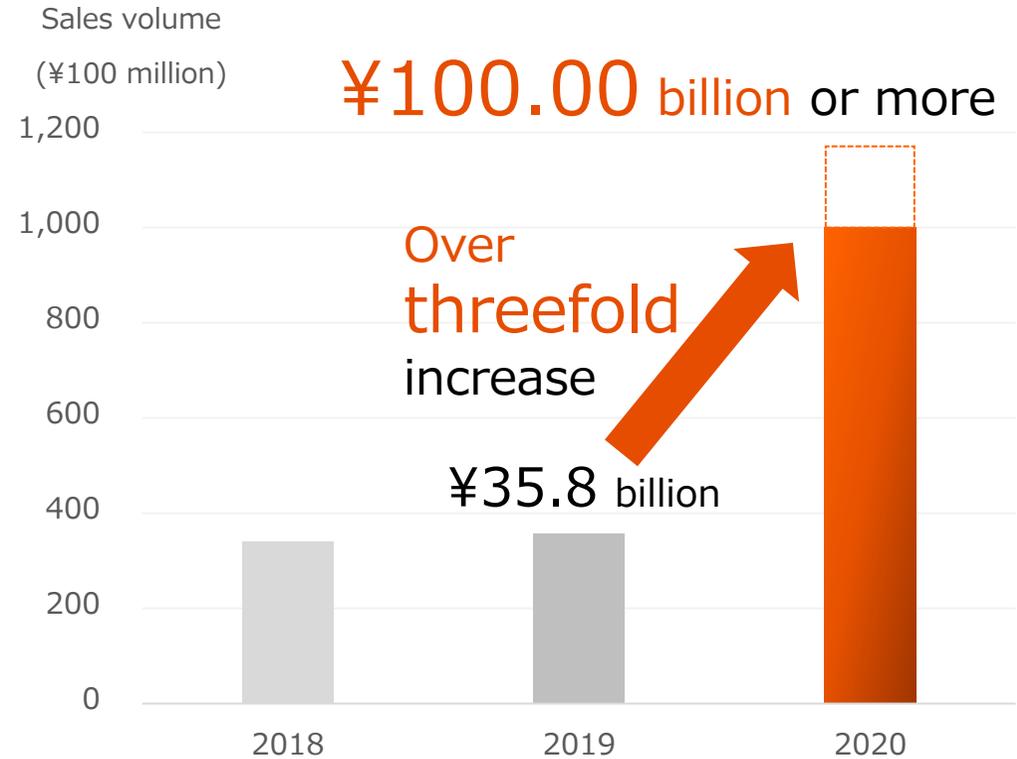


- Covering 16 out of 34 administrative regions
- No. of sales partners: 20
- We plan to add new sales partners and continue expanding the coverage of our sales area.

Domestic Mask Breakdown



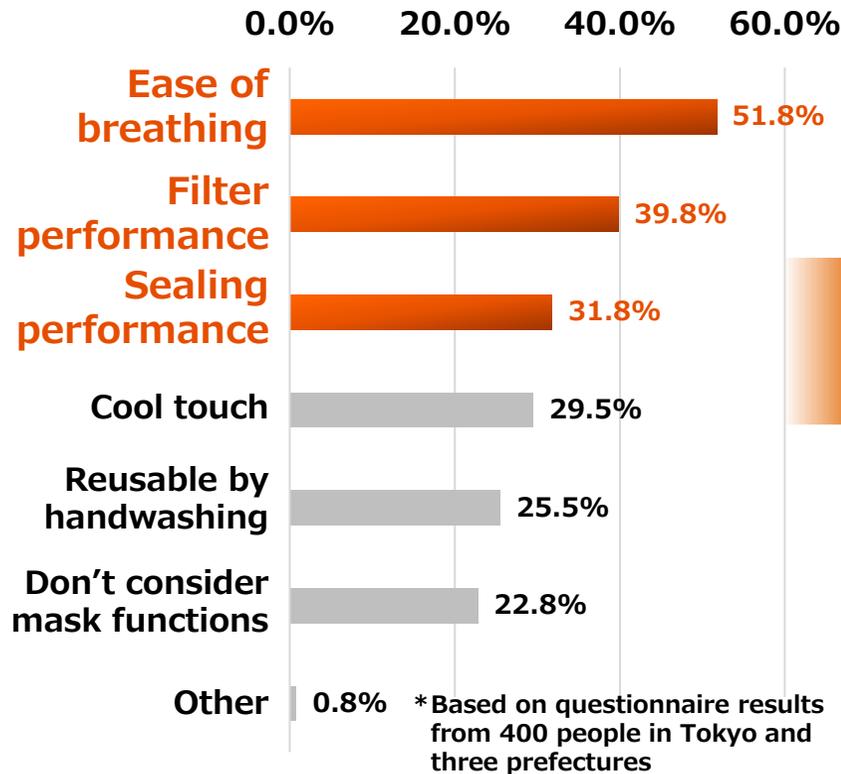
Trends in (Nonwoven) Mask Market for General Consumers



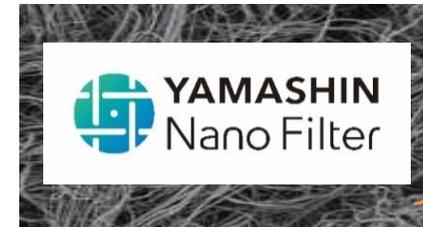
*2019 Fuji Keizai data
2020 Nikkei newspaper information (statement from chairman of Mask Industry Association)

There is a high correlation between the knowhow required for mask filters and that of construction machinery filters.

Functions prioritized by general consumers when purchasing masks



High performance masks developed by YAMASHIN as comprehensive filter manufacturer



Application of modified melt-blown manufacturing method, a mass production technology cultivated for construction machinery filters

- Nanostructure traps viruses.
- Minor decline in performance, even with long-term use

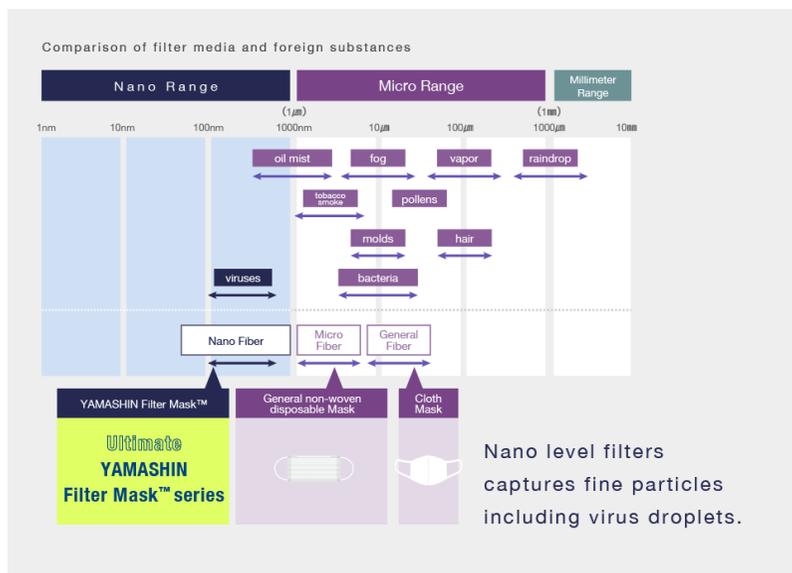
For more than 60 years as a dedicated manufacturer of construction machinery filters, YAMASHIN has refined its filtration technologies and accumulated know-how.

YAMASHIN Nano Filter™, created by a mass production technology developed through our expertise, traps foreign substances within the small pores of extremely fine fibers. The material maintains its characteristics for long-term high performance, making the technology ideal for and easily applicable to masks.

Our masks made with YAMASHIN Nano Filter™ sustains high filtration performance even after hand-washing.

High filtration performance

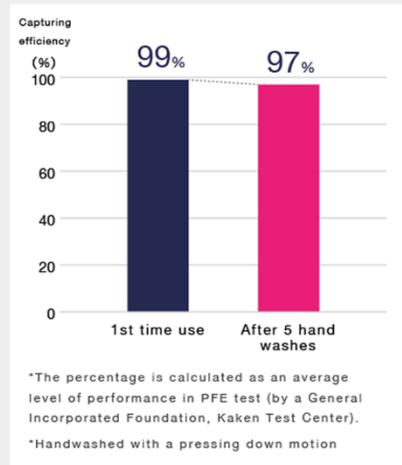
General non-woven masks rely on static electricity for capturing dust and airborne particles, whereas YAMASHIN masks capture fine particles by its physical structure, achieving high filtration performance for extended periods.



Sustained performance

Our masks made with YAMASHIN Nano Filter™ showed little degradation in filtration performance and maintained 97.6% filtration efficiency even after 5 hand washes

High performance filter made of nanofibers maintained high capturing efficiency even after 5 hand washes.



■ PFE test* (Particle filtration efficiency test)

Handwashing	Before	After
YAMASHIN Filter Mask	99.8%	97.6%
Zexeed	99.9%	98.9%
General non-woven masks*	99.0%	60.0%

*The test was conducted by the Kaken Test Center

*General non-woven masks are for comparison purposes only.

Line-up of our mask products, all are made with YAMASHIN Nano Filter™, our proprietary nanofiber filter (non-woven material of nanofibers intertwined three dimensionally).

Masks for general consumers



YAMASHIN Filter Sheet™
30 pieces in a pack
JPY 980 (tax excluded)

High performance mask inner sheet for use with cloth masks and general non-woven masks



Standard model of YAMASHIN Filter Mask™ series
5 pieces in a pack
JPY 980 (tax excluded)

High performance filter mask, reusable after handwashing

Zexeed™



Premium model of YAMASHIN Filter Mask™ series
3 pieces in a pack
JPY 750 (tax excluded)

Medical grade filter is used (equivalent to N95 mask). The unique 3D pleated mask provides secure sealing and ease of breathing in addition to high filtration performance.

Masks for medical use

Medicalead.6240



10 pieces in a pack
JPY 3,000 (tax excluded)

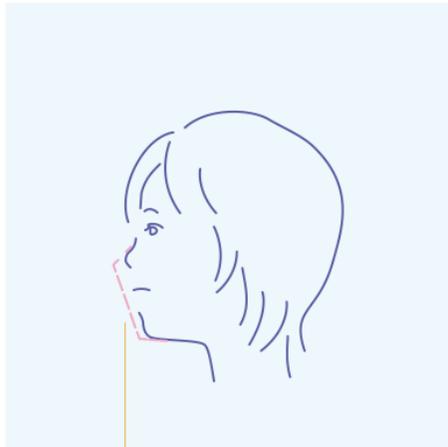
Plan to acquire DS2 standards
Will be available for sale in Jan. 2021

Unique three-dimensional pleated shape achieves secure fit and sealing and ease of breathing for extended use.

Shape and design for comfort

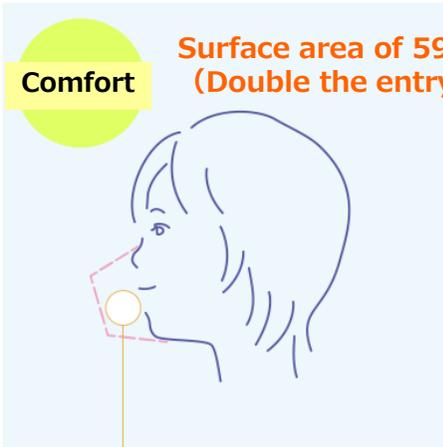
General pleated non-woven masks don't provide sufficient room around the nose and mouth, and not easy to breathe in. Whereas MEDICALEAD-6240 has a unique three dimensional pleated shape, which provides sufficient room around the mouth and increased filtration area, achieving easy breathing for comfort.

General non-woven



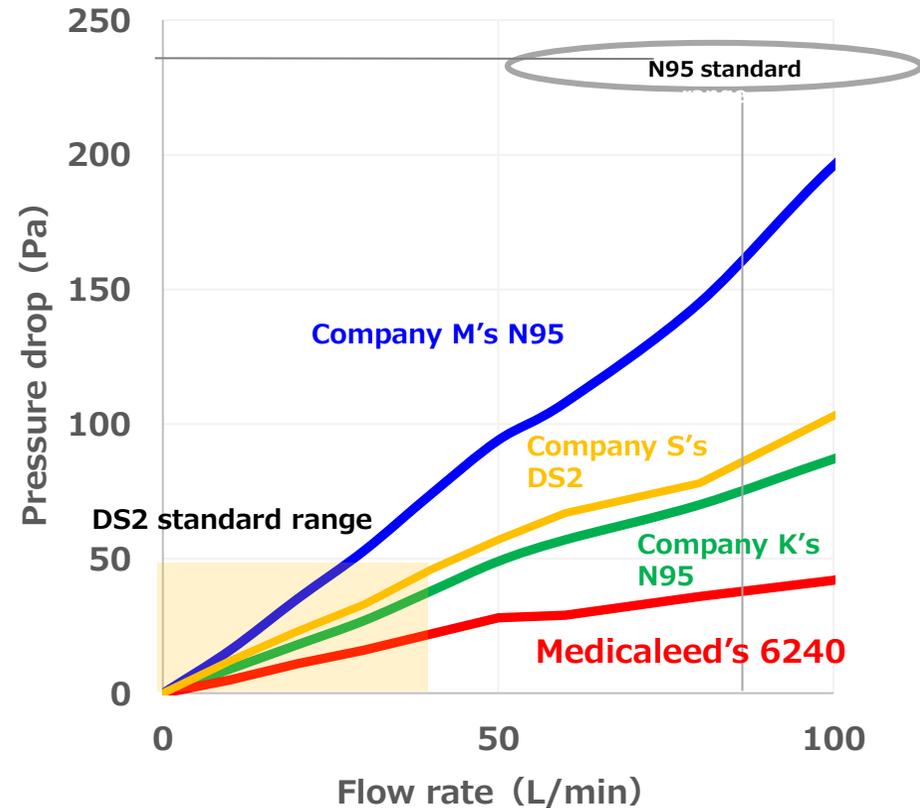
There isn't sufficient room around the mouth, often creating a stuffy sensation for the user.

Medicalead's.6240



Comfort Surface area of 590cm²
(Double the entry model)

The unique three-dimensional pleated shape provides sufficient space for ease of breathing.



Ultimate
YAMASHIN
Filter Mask:
Zexeed



Ultimate
YAMASHIN
Filter Mask



Announcement of the new product, Zexeed, and joint strategy announcement with PIP Co., Ltd.

ヤマシンのフィルタマスクとフィルタシート 好評発売中!
Zexeedは10月中旬より発売!
お求めは全国ドラッグストア、ECサイトにて

Collaborative nanofiber mask campaign with Keikyu Corp.

10/15 (Thur.): Ad campaign starts
(1) Ad posters hung in train aisles
*All Sotetsu Line train cars
(2) Instagram (3) Sounyan blog (4) Sotetsu website
10/24 (Sat.): Mask sales launch
Sales channels: Sotetsu merchandise stores, FamilyMart in train stations, etc.

Adoption of Nanofiber masks by Central Japan Railway Company Club

Product rendering Package rendering Example of use

Launched sales of mask with original design featuring the new JR Central N700S train model

10/14 (Wed.): Launch of sales on JR Central's website
10/16 (Fri.): Launch of store sales at kiosks of main JR Central Shinkansen stations, Nagoya Marriott Associa Hotel, etc.

The Specialist in Filtration YAMASHIN **Aiming to establish YAMASHIN brand by raising awareness and promoting the brand image**



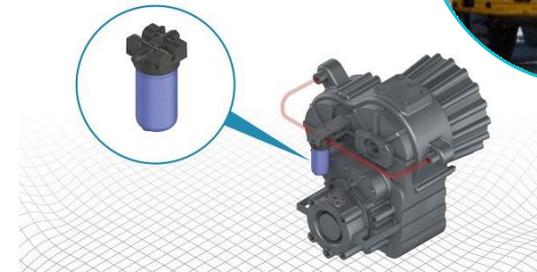
Reference Materials

② Basic Company Information

YAMASHIN Group has manufactured filters for construction machinery (hydraulic), various industrial fields other than construction machinery (hydraulic), and manufacturing processes (water) by purchasing glass-fiber and non-woven fabrics to produce filter media (the key component of any filter), resin products and processed metal for filter components. From April 2020, the group started to sell filter masks and mask inner sheets and added a new Healthcare segment to our business.

Field	Products	Product image	Composition ratio (As of March 2021)
Hydraulic filters for construction machinery	A construction machinery filter is used to filter the fluid used in the hydraulic circuits central to the operation of construction machinery. Applications : Various types of construction machinery		
Hydraulic filters for various industrial fields	An industrial filter is a filter used for filtrating operating fluid and lubricants of hydraulic units applied in various industries other than the construction machinery industry. Applications : machine tools, refrigerating compressors, agricultural machinery, vessels, railway vehicles, airplanes, and helicopters.		
Filters for process lines	A process filter is used for filtration and separation in processes for manufacturing customer products Applications : Production lines for electronic parts, precision parts, liquid crystal displays, and food.		
Air filters	Air filters used for dust removal and medium-to-high performance air filters Applications : general buildings, hotels and factories.		
Healthcare	High performance masks and replacement inner sheets that apply high filtration performance, sealing performance, and air permeability, all characteristics of synthetic polymer nanofiber Applications: For general consumers in Japan and around the world		

YAMASHIN provides an extensive product line of filters essential to operating construction machinery.

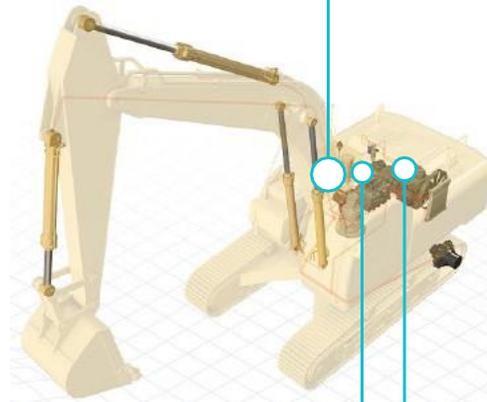
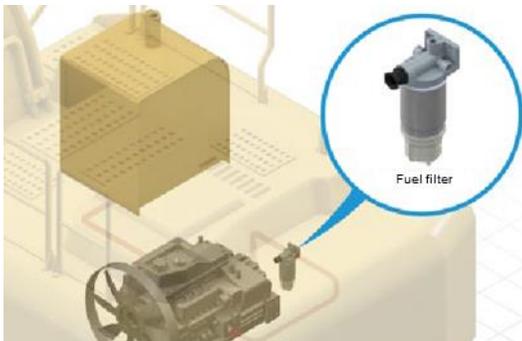


For hydraulic systems

These filters are installed at several locations of each piece of construction machinery to protect hydraulic equipment, including cylinders. Some 70% of all malfunctions affecting construction machinery are believed to be caused by dust in oil, the presence of which leads to mechanical breakdowns. We provide filters ideal for every need based on the know-how cultivated since our founding

For fuel

Fuel filters remove particulates from diesel fuel. Increasingly stringent regulations worldwide have strengthened purity requirements for fuel. Demand for this filter is expected to grow, particularly in emerging nations, where fuel quality tends to be lower..

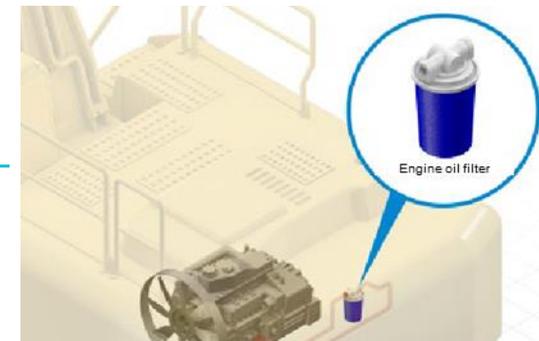


For transmissions

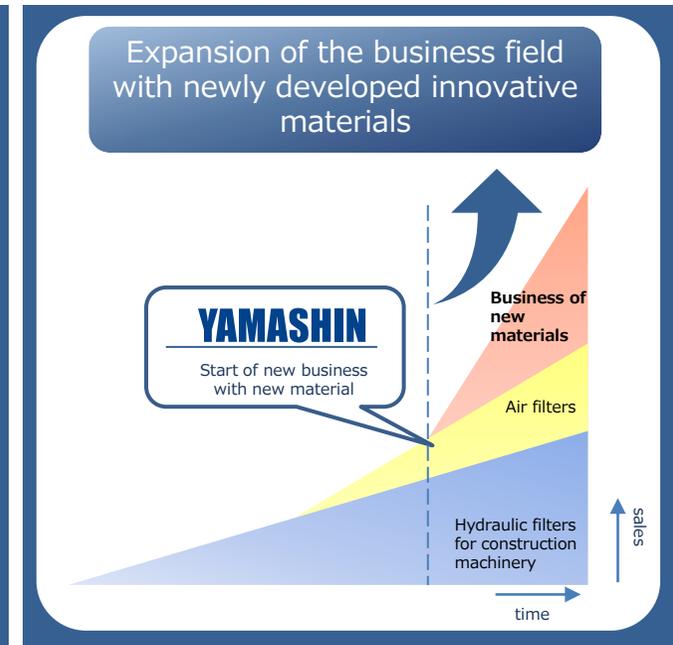
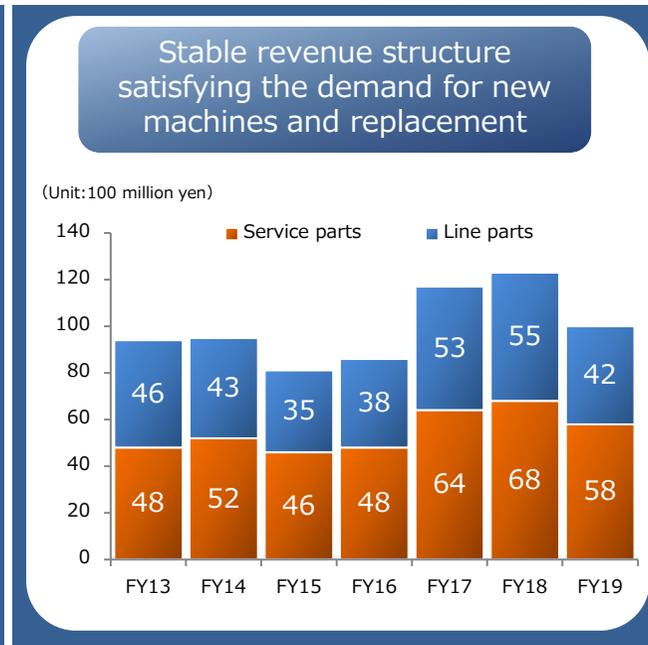
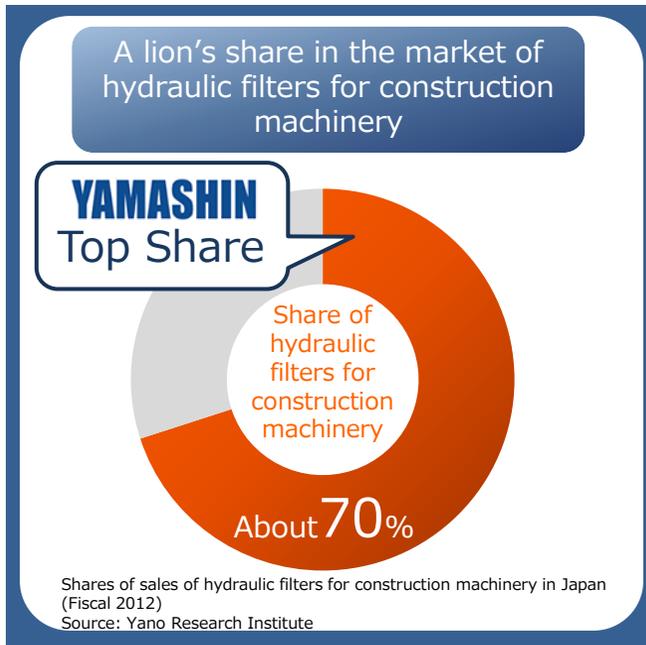
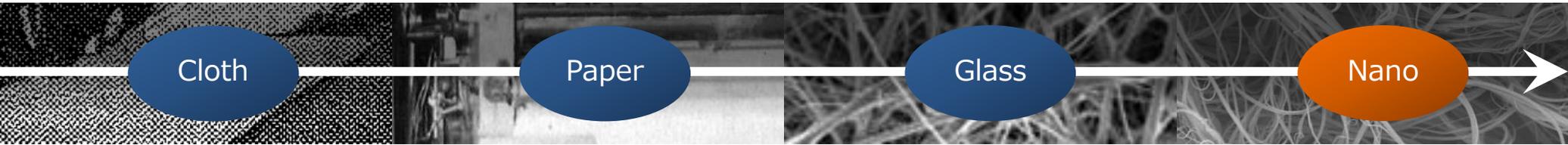
These filters are found in the transmissions of construction machinery. Transmissions are composed of multiple gears. Friction between these gears produces metal powder and particulates. Our company's filters employ proprietary filter elements and materials to remove these particulates and minimize equipment wear.

For engine oil

These filters are in various construction machinery engines. Engines contain pistons and other components moving at high speed that generate power. The engine oil filter removes the metal powders and sludge (sediment), caused by abrasion, that accumulate in engine oil during power generation, mitigating the risk of damage and impaired performance.



Capability of researching and developing innovative filter media in line with the evolution of construction machinery.



- Our company has contributed to the development of efficient infrastructure.
- As we handle high-quality products and have plenty of experience, many products have been adopted by leading construction machinery manufacturers in Japan, Europe, the U.S., and China, which operate business globally.

Segments and KPI

- Filters for construction machinery are classified as “line parts” or “service parts” (supply parts)
- Line parts refer to filters installed in new construction machines.
The primary indicator is “the number of new construction machines in demand”
- Service parts refer to replacement filters. The primary indicator is “the number of units in operation” × “hours of operation”.

Sales format, Regional trends, and Cost reduction measures

- **Sales format**
Filters for construction machinery are all sold to construction machinery makers (100%). In principle, we do not sell the products directly to end users.
- **Regional trends**
Sales calculations are based on invoice destinations. Our data may differ from the actual regional market trends
- **PAC20 (Promptly Activated Cost reduction 2020)**
Our company-wide cost reduction project

Term	Formula
MAVYS	ROIC - WACC
ROIC	$\text{NOPAT} \div \text{Capital investment}$
Rate of return on capital investment	$(\text{Ordinary income} + \text{Interests paid}) \div \text{Capital investment}$
Turnover rate of working capital	$\text{Net sales} \div (\text{Accounts receivable} + \text{Inventory asset} - \text{Accounts payable})$
Turnover rate of fixed assets	$\text{Net sales} \div \text{Fixed assets}$
Turnover rate of accounts receivable	$\text{Net sales} \div \text{Accounts receivable}$
Turnover rate of inventory asset	$\text{Net sales} \div \text{Inventory asset}$
Turnover rate of accounts payable	$\text{Sales cost} \div \text{Accounts payable}$
Turnover rate of tangible fixed assets	$\text{Net sales} \div \text{Tangible fixed assets}$
Turnover rate of intangible fixed assets	$\text{Net sales} \div \text{Intangible fixed assets}$

*The figures in the balance sheet are the averages of the initial and term-end figures.

STRENGTH

- Overwhelming share of market for construction machinery filters
- **Continuing expansion of market share by utilizing new materials to enhance product performance**
- Advanced R&D capabilities
- Robust operation management based on PAC and MAVY's

OPPORTUNITIES

- To increase our share in the growing Chinese market
- To enhance our presence in the markets for process/industrial filters
- **To expand business portfolio and evolve into a "comprehensive multi-field filter manufacturer" (Main focus areas are air filters, YAMASHIN Nano Filter™ markets, and healthcare)**

WEAKNESS

- About 70% of net sales are from construction machinery filters
- Concern over the shortage of human resources

Overcome these issues to evolve into a comprehensive filter manufacturer

THREAT

- Decrease in our market share, due to the proliferation of counterfeit filter products for construction machinery
- Changes in the construction machinery market in China
- Sluggish sales growth of process/industrial filters
- **Delays in commercialization of new material products**

Eliminate counterfeits by using the higher performance new material

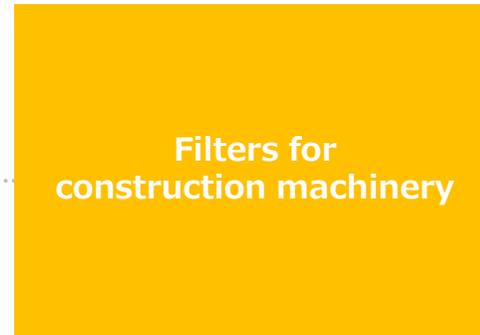
New business line to grow



Business area for further growth



Core business (stretch)



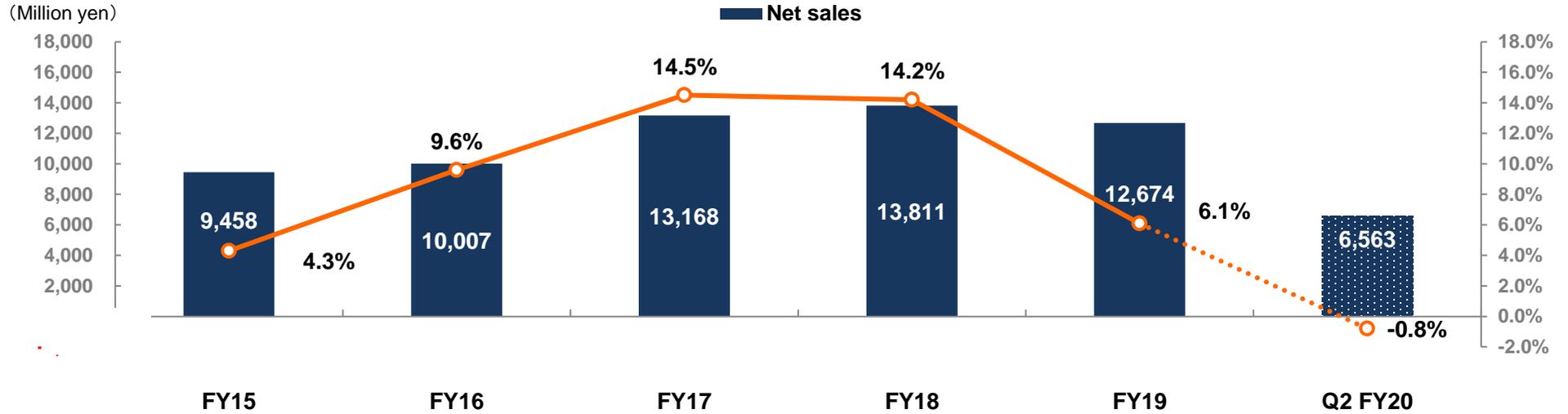
Core business (stable)



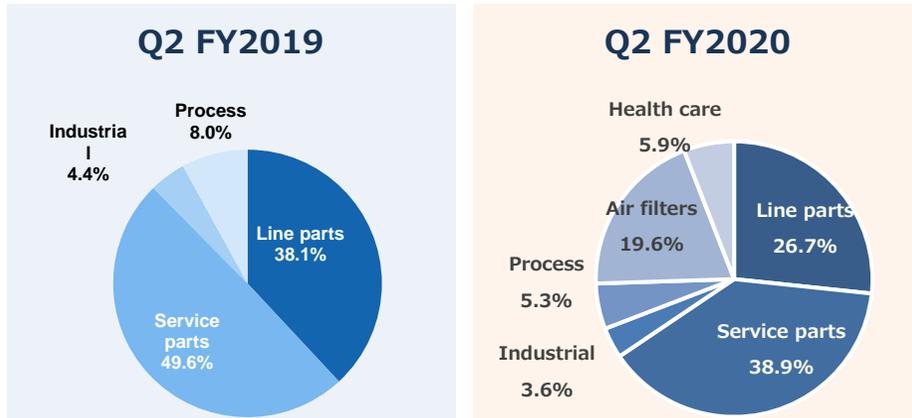
Reference Materials

③ Financial Highlights

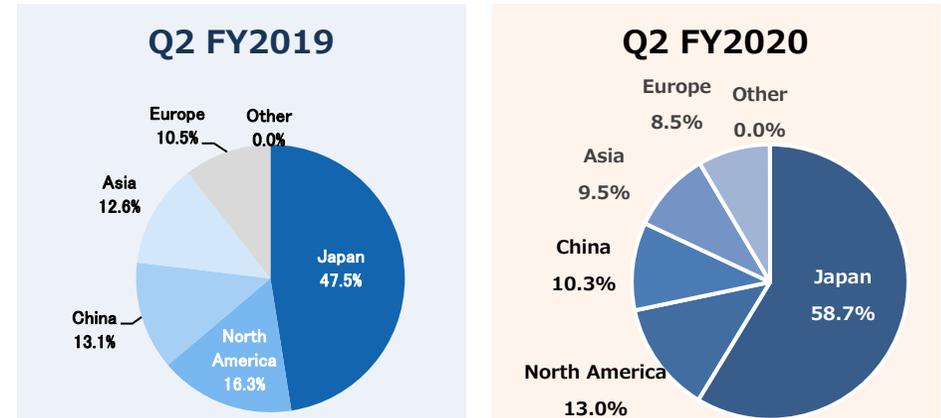
Net sales, Operating income



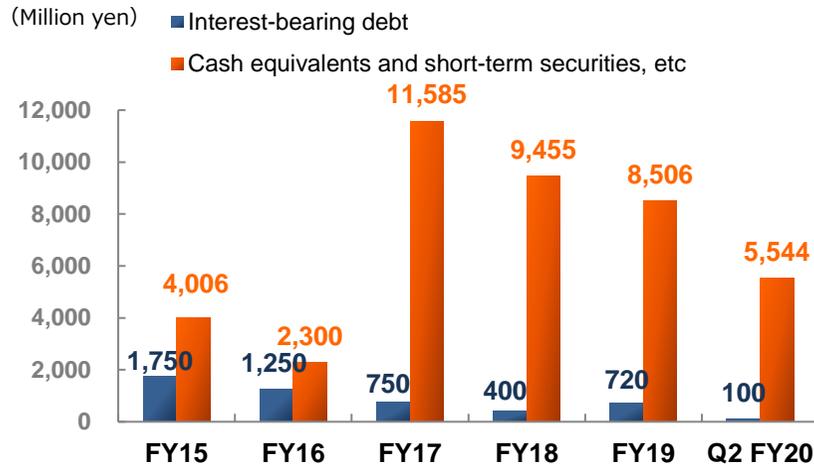
Sales by product category



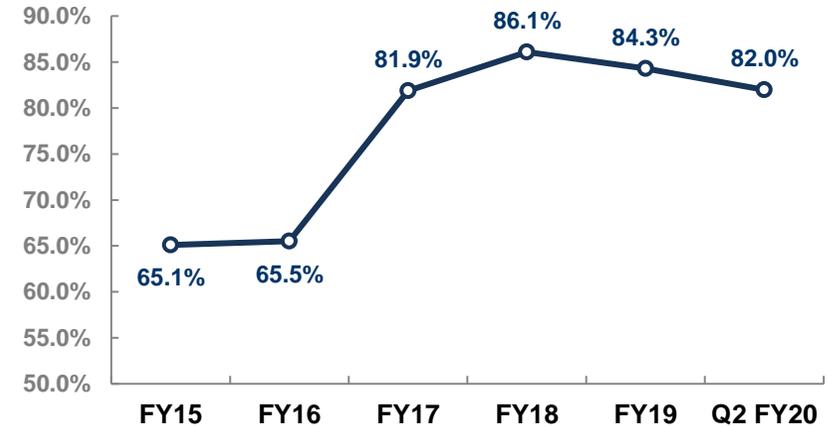
Sales by region



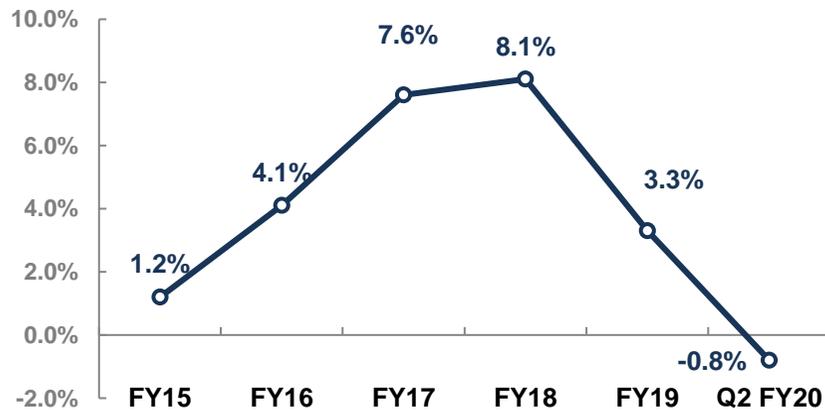
Interest-bearing debt, Cash equivalents, Short-term securities, etc.



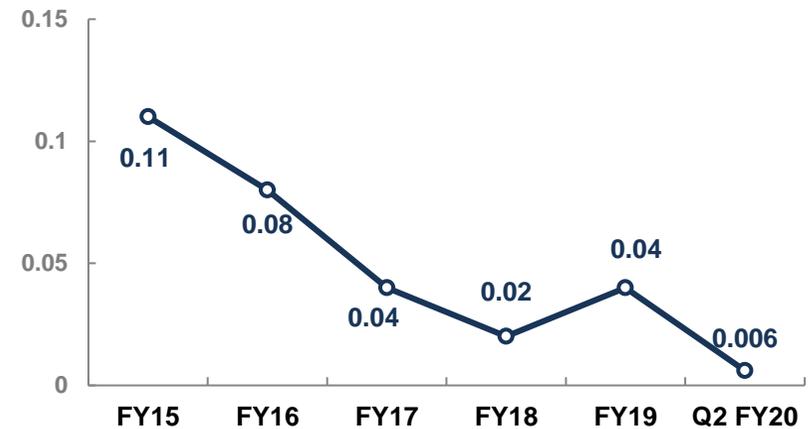
Shareholders' equity ratio



ROE



D/E ratio



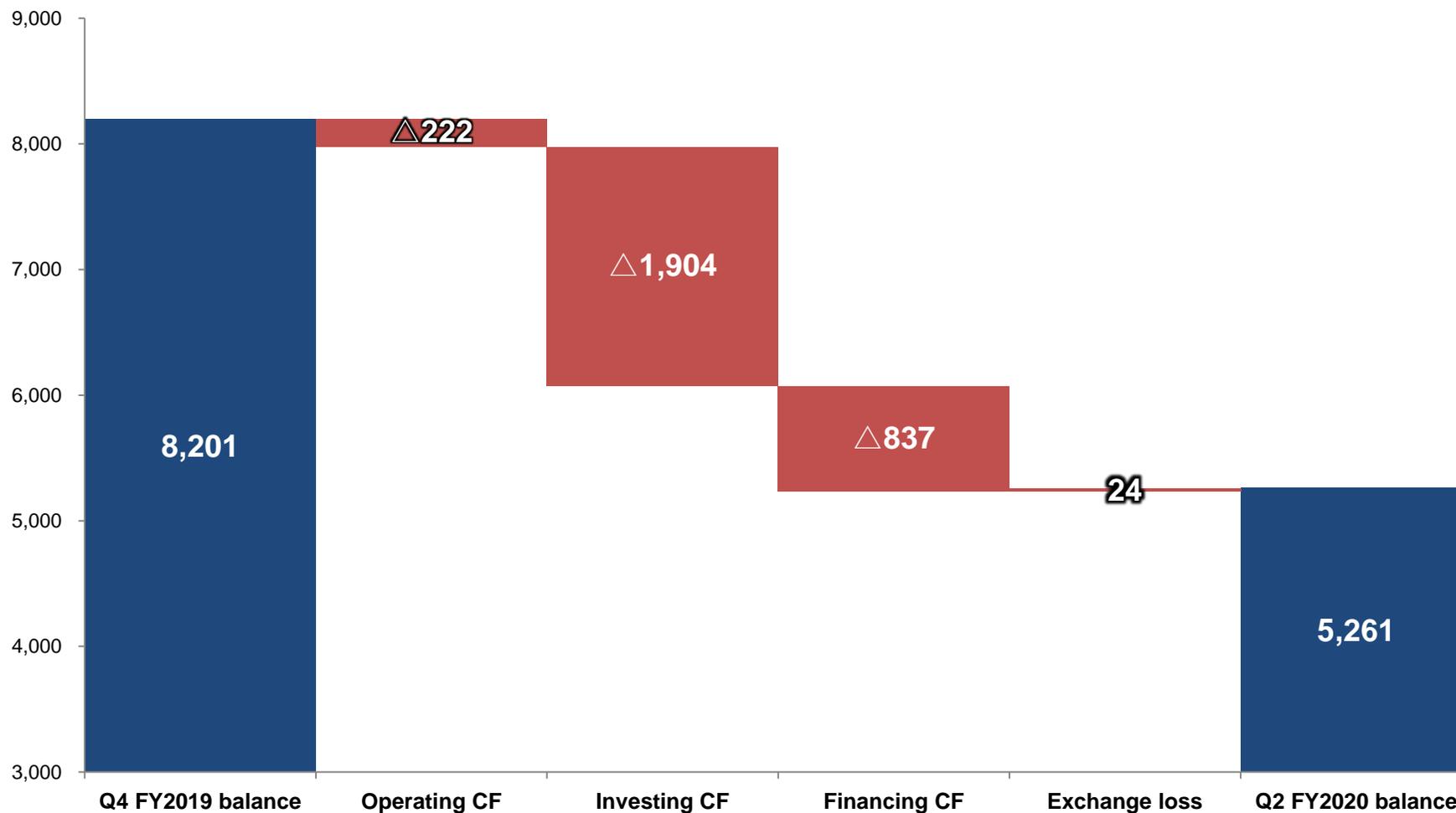
*Calculated based on the assumption that the capital increase through third-party allotment in FY2017 was implemented from the previous fiscal year.

(Million yen)	Q2 FY2019	Q2 FY2020	Change in amount	Change in ratio
Current assets	16,175	11,930	△4,245	△26.2%
Cash and deposits	10,103	5,544	△4,559	△45.1%
Notes and accounts receivable-trade	3,657	3,662	4	0.1%
Merchandise and finished goods, Raw materials and Supplies	2,167	2,280	112	5.2%
Other	246	442	196	80.0%
Fixed assets	4,926	9,876	4,950	100.5%
Tangible fixed assets	4,156	8,833	4,677	112.5%
Intangible fixed assets	340	331	△8	△2.6%
Investments and other	429	711	282	65.7%
Total assets	21,101	21,806	705	3.3%

	Q2 FY2019	Q2 FY2020	Change in amount	Change in ratio
Current liabilities	2,475	3,303	827	33.4%
Notes and accounts payable-trade	1,324	1,549	224	16.9%
Short-term loans payable, Current portion of long term loans payable and corporate bonds	200	100	△100	△50.0%
Other	950	1,653	703	74.0%
Fixed liabilities	627	586	△40	△6.5%
Corporate bonds	100	0	△100	△100.0 %
Net defined benefits Liability	224	206	△17	△8.0%
Other	302	379	77	25.6%
Total net assets	17,998	17,917	△81	△0.5%
Total of liabilities and net assets	21,101	21,806	705	3.3%

* Shareholders' equity ratio 85.4% 84.4%

(Million yen)



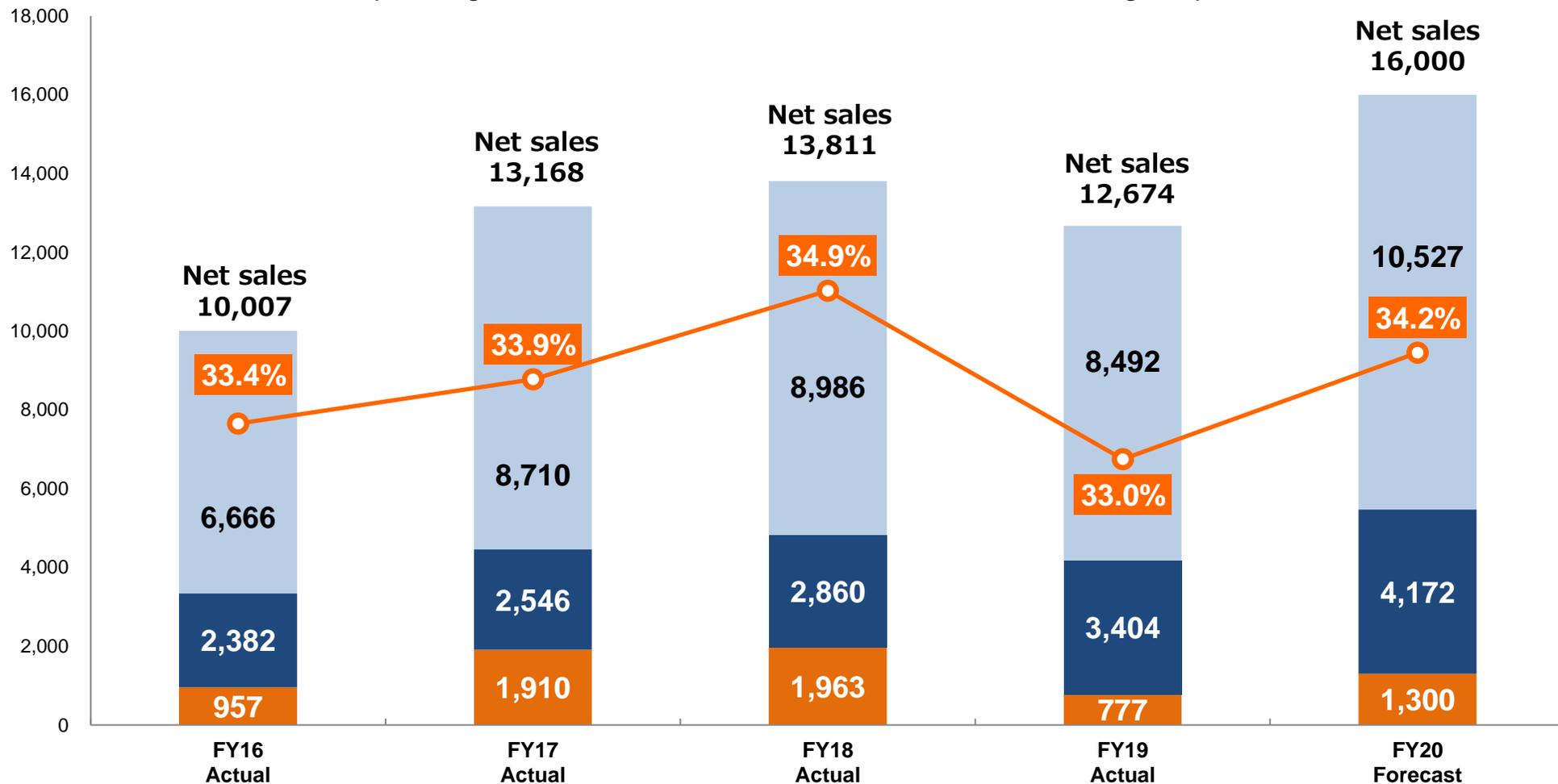
Conditions of Operational Hedge - "Marry and Netting" and foreign exchange sensitivity

(million yen)

Currency	Incoming		Outgoing		Net	Average rate during the term (JPY)	In case of yen appreciation (10%)			In case of yen depreciation (10%)		
	Amount by currency	Composition ratio	Amount by currency	Composition ratio			Amount by currency	If yen is appreciated ▲10% (JPY)	Difference	Affected amount (QTD)	If yen is depreciated +10% (JPY)	Difference
JPY	¥7,000.0	77%	¥9,500.0	77%	¥-2,500.0	-	-	-	-	-	-	-
USD	\$17.2	20%	\$19.8	17%	-\$2.6	¥106.9	¥96.23	¥-10.69	¥27.80	¥117.61	¥10.69	¥-27.80
EUR	€ 1.6	2%	€ 1.4	1%	€ 0.2	¥121.3	¥109.17	¥-12.1	¥-2.43	¥133.43	¥12.13	¥2.43
PHP	PP0.0	0%	PP227.9	4%	PP-227.9	¥2.2	¥1.94	¥-0.2	¥49.23	¥2.38	¥0.22	¥-49.23
THB	฿34.00	1%	฿17.20	0%	฿16.80	¥3.4	¥3.04	¥-0.3	¥-5.68	¥3.72	¥0.34	¥5.68
Total	-	100%	-	100%	-	-	-	-	¥68.92	-	-	¥-68.92

(million yen)

Operating income Fixed cost Variable Cost Marginal profit ratio





この資料に記載されている業績の見通し等将来に関する情報は、現在入手可能な情報に基づいて作成しております
実際の業績は市場動向や業績情勢等の様々な要因等によって異なる可能性があります

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