

YAMASHIN-FILTER CORP. Financial Results for the First Quarter of the Fiscal Year Ending March 2017

**Under the sluggish market environment,
efforts for strengthening the profit structure are
progressing steadily.**

**August 4, 2016
(Stock code:6240)**

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Characteristics of our business and financial statements

Segments and KPI

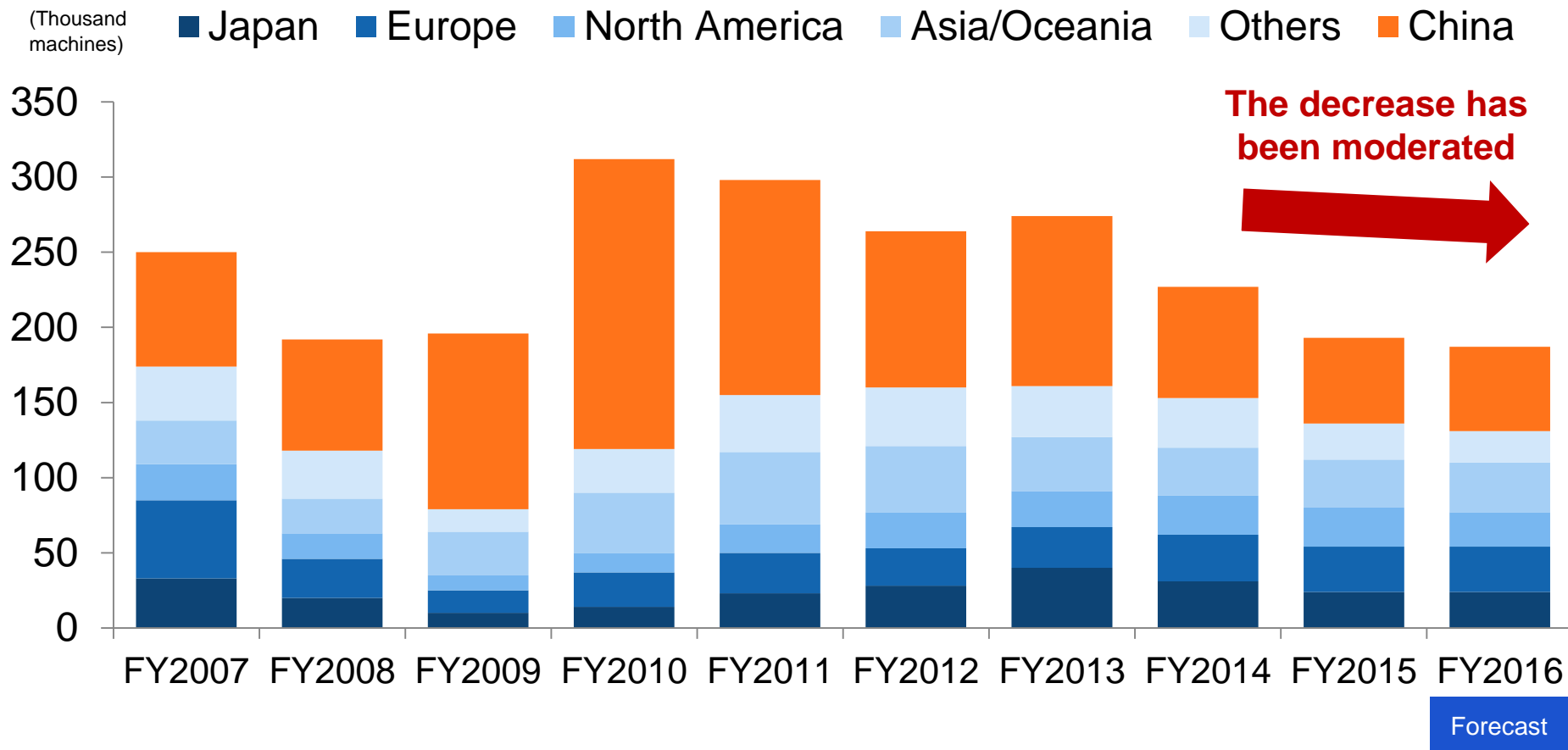
- Filters for construction machinery are classified into “line parts” and “service parts .”
- Line parts are the filters for new construction machines
 - The primary indicator is the number of new construction machines in demand.
- Service parts are the filters for replacement
 - The primary indicator is “the number of units in operation” × “operation hours.”

Selling methods and regional trends

- The filters for construction machinery are sold to construction machinery makers (100%).
- In principle, we do not sell the products to end users directly.
- Sales are calculated based on the destinations of our invoices, and so our data may differ from the actual regional market trends.
- From this quarter’s financial results material, the item of “consolidation adjustments” is included in construction machinery filters (as per the standards for disclosing securities report)

Business environment / Demand for new excavators

■ The forecasted demand in FY2016 has not changed since the previous announcement (May 23, 2016).

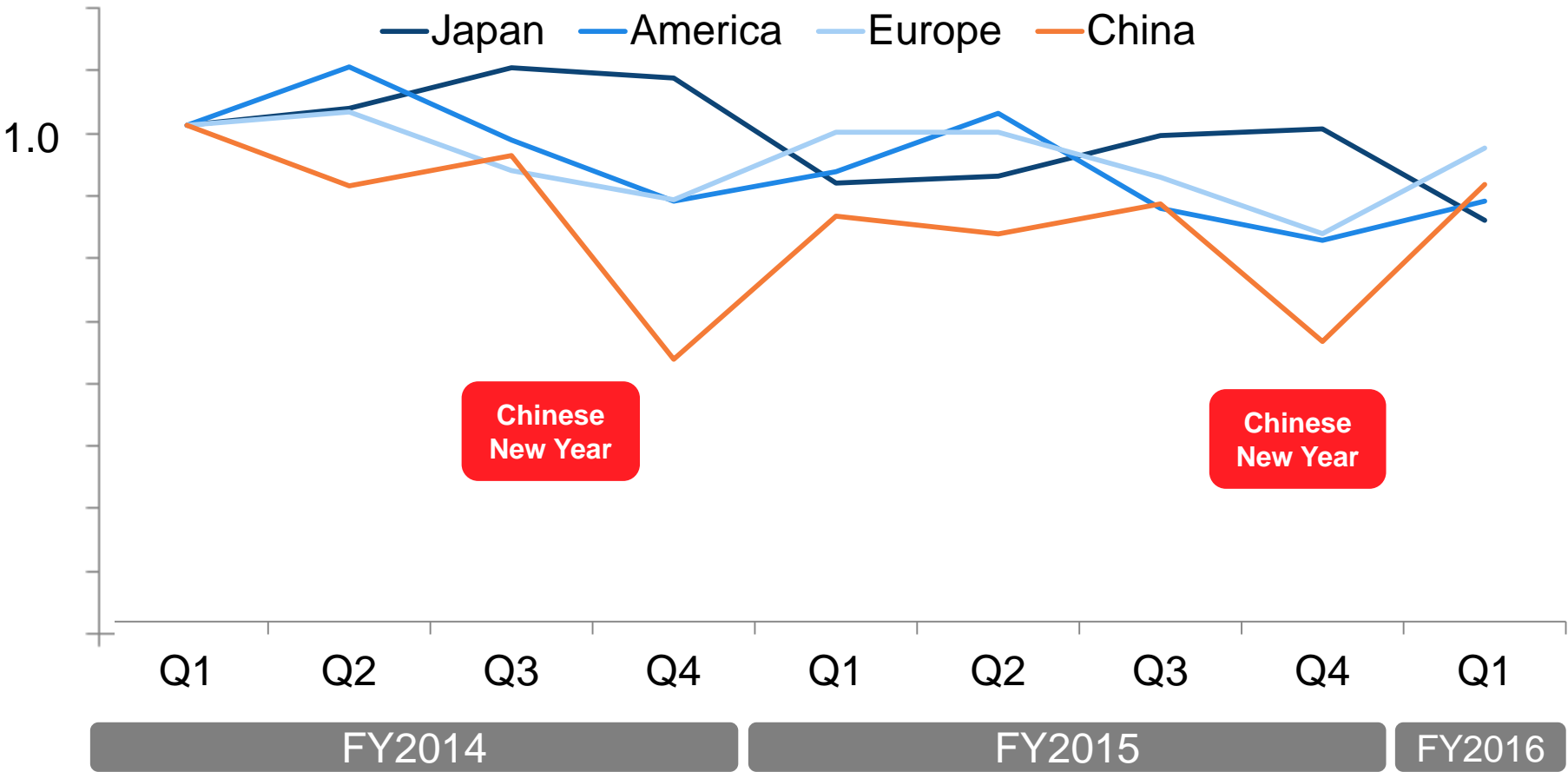


*Figures are estimated by YAMASHIN-FILTER based on data from construction machinery manufacturers and industry associations

Construction machinery operating hours

■ It is decreasing moderately, but it is recovering in some regions.

(Quarterly changes are shown in the graph below with the value of the quarter from Apr. to Jun. 2014 being set to 1.0. for indexation purposes)



(Reference) Prepared by YAMASHIN-FILTER based on the Nomura Securities analyst report

I . FY2016 Q1 Results

**The demand is still sluggish, but
there are some signs of recovery.**

FY2016 Q1 Results Summary

- Due to the downturn of the construction machinery market, sales decreased YOY
- Profit margin has improved thanks to the efforts of *PAC16

	FY2015 Q1	FY2016 Q1	FY2016 Q1	Increase/decrease YoY	
	Actual	Forecast	Actual	Amount	%
(Million yen)					
Net sales	2,558	2,156	2,347	△211	△8.3%
Operating income	88	81	192	104	118.3%
Net income	64	45	159	95	147.1%

*PAC16: Promptly Activated Cost reduction 2016

Company-wide cost reduction project amid the downturn of demand

Sales by product

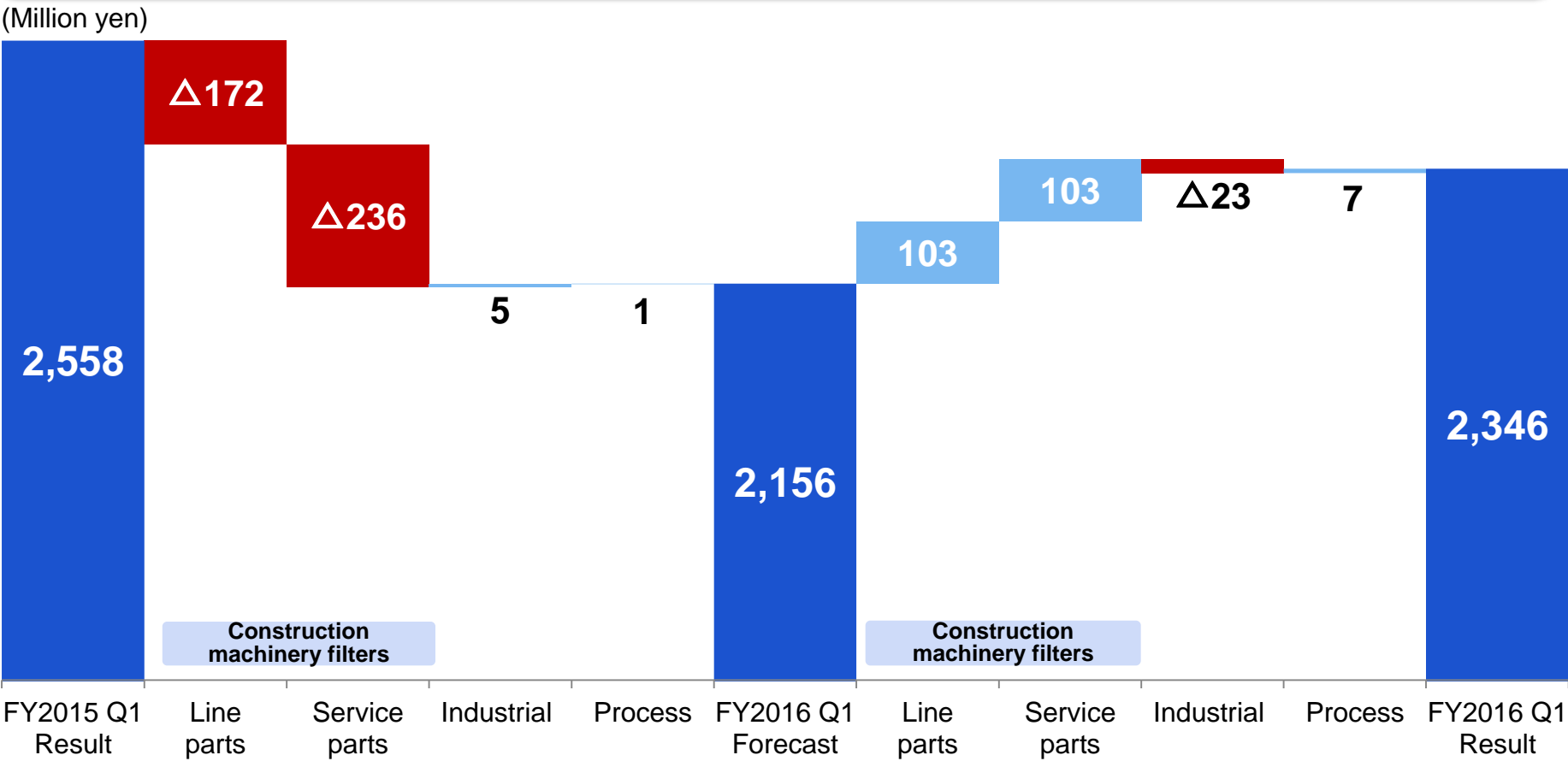
- Due to the downturn of the construction machinery market, the sales of line parts and service parts decreased from the corresponding period of the previous fiscal year.
- However, as the output of line parts was larger than the forecast, and sales of the service parts gradually increased after the inventory adjustments, the total sales exceeded the forecast.

	FY2015 Q1	FY2016 Q1	FY2016 Q1	Increase/decrease YoY	
	Actual	Forecast	Actual	Amount	%
(Million yen)					
Construction machinery filters	2,253	1,845	2,052	△201	△8.9%
Line parts	969	797	900	△68	△7.1%
Service parts	1,284	1,048	1,151	△132	△10.3%
Industrial filters	115	121	97	△18	△15.7%
Process filters	189	189	197	8	4.2%
Total of sales	2,558	2,156	2,347	△211	△8.3%

* The item of consolidation adjustments is included in “Construction machinery filters”, as per the standards for disclosing securities report

Factors for increase/decrease in sales

- Due to the downturn of the construction machinery market, the sales of line parts and service parts declined from the corresponding period of the previous fiscal year.
- However, as the output of line parts was larger than the forecast, and sales of the service parts gradually increased after the inventory adjustments, the total sales exceeded the forecast.



Sales by region

- Sales decreased in all regions except China.

Note: Since sales are calculated based on the destinations of our invoices, our data may differ from actual regional market trends.

(Million yen)

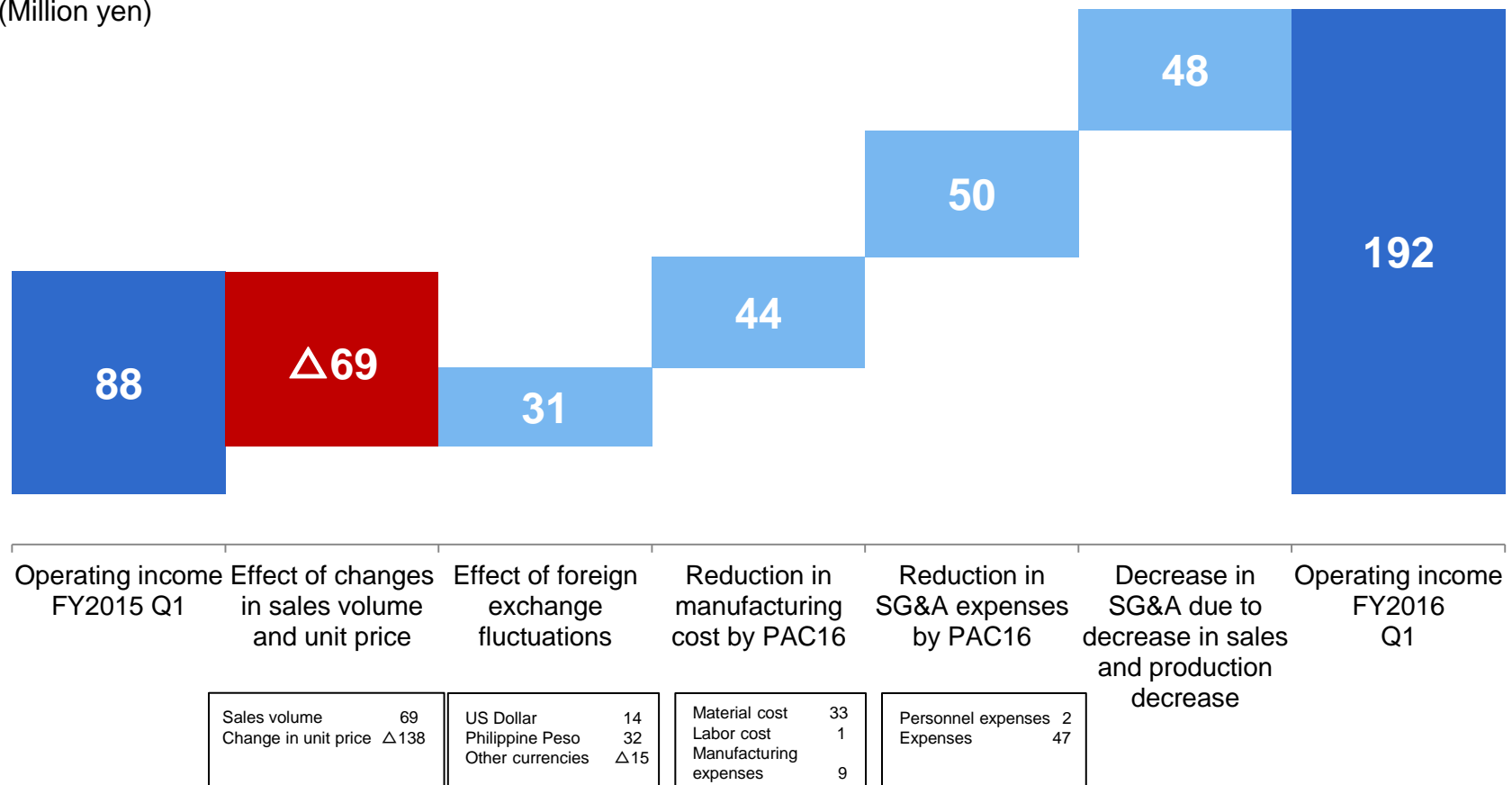
	FY2015 Q1 Results		FY2016 Q1 Results		Increase/Decrease YoY	
	Amount	%	Amount	%	Amount	%
Japan	1,309	51.2%	1,195	50.9%	△114	△8.7%
North America	506	19.8%	376	16.0%	△130	△25.7%
China	87	3.4%	185	7.9%	98	112.7%
Asia	314	12.3%	259	11.1%	△54	△17.3%
Europe	300	11.7%	290	12.4%	△9	△3.2%
Others (Middle East etc.)	41	1.6%	39	1.7%	△1	△4.2%
Total of sales	2,558	100.0%	2,347	100.0%	△211	△8.3%

* The item of consolidation adjustments is included in "Others."

Factors for increase/decrease in operating income The Specialist in Filtration **YAMASHIN**

- Although sales dropped due to the downturn of the construction machinery market, we succeeded in increasing profit YoY, by improving yield rate and cost reduction, etc.

(Million yen)



Balance Sheet

■ Investments and other assets increased through the acquisition of securities, etc.

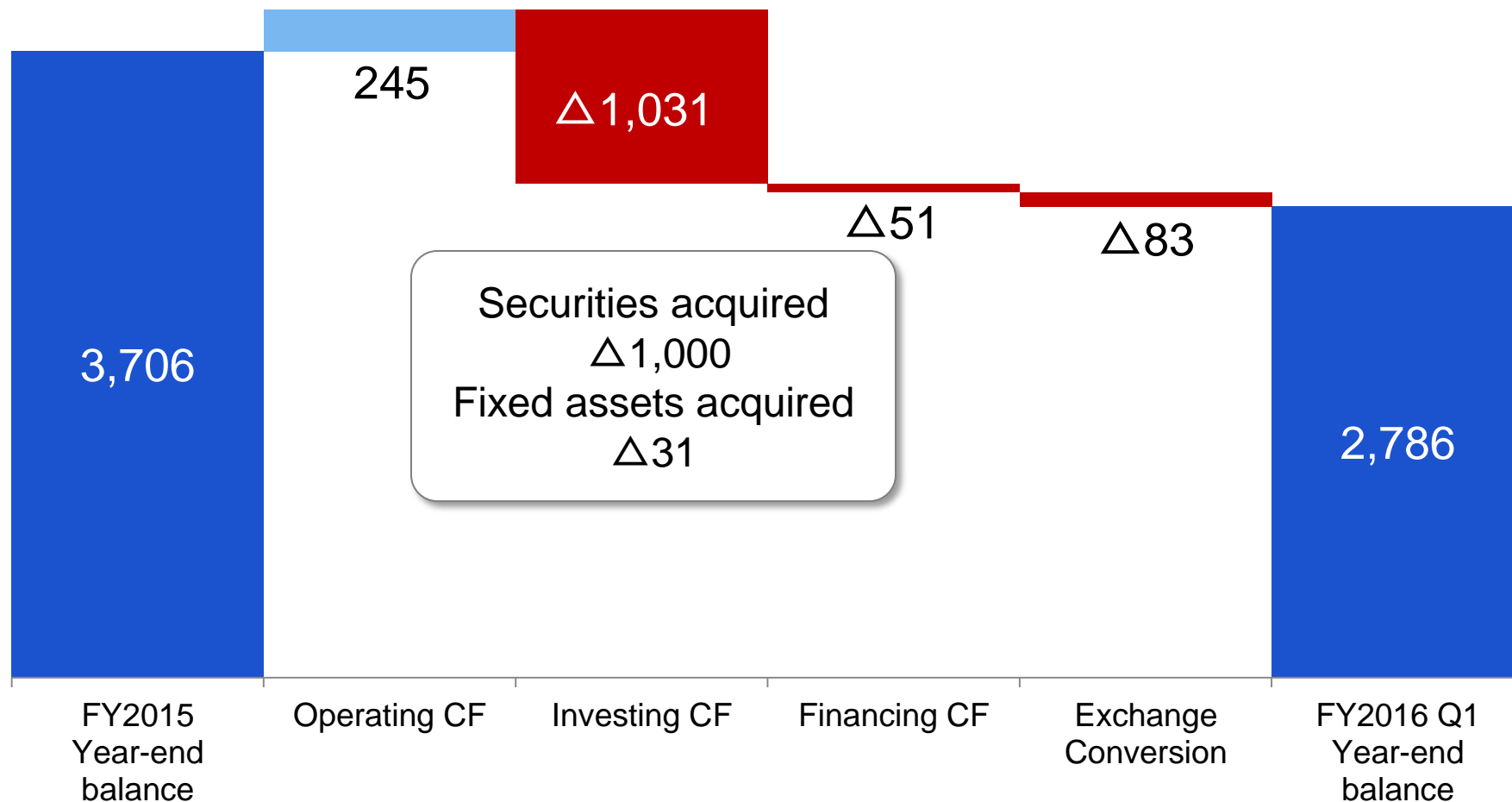
(Million yen)	End-FY2015	End-FY2016 Q1	Change		End-FY2015	End-FY2016 Q1	Change
Current assets	7,604	6,757	△ 846	Current liabilities	1,704	1,919	215
Cash and deposits	3,806	2,886	△ 919	Notes and accounts payable-trade	796	921	124
Notes and accounts receivable-trade	1,880	1,989	108	Short-term loans payable, Current portion of long-term loans payable and corporate bonds	500	500	-
Merchandise and finished goods, Raw materials and supplies	1,465	1,384	△ 80	Others	407	498	91
Others	452	496	44	Fixed liabilities	1,617	1,628	10
Fixed assets	1,919	2,947	1,028	Corporate bonds	800	800	-
Tangible fixed assets	1,322	1,269	△ 53	Long-term loans payable	450	450	-
Intangible fixed assets	97	171	74	Net defined benefits liability	164	170	5
Investments and other assets	499	1,505	1,006	Others	203	207	4
Total assets	9,523	9,704	181	Total net assets	6,201	6,156	△44
				Total of liabilities and net assets	9,523	9,704	181

*Shareholders' equity ratio 65.1% 63.4%

Factors for increase/decrease in cash flows

■ Balance of cash and cash equivalents decreased compared to the previous fiscal year

(Million yen)



Ⅱ . FY2016 Forecasts

**-To assess the future demand and
exchange trends carefully-**

FY2016 Full-year business forecasts

- We will make efforts to secure high profit rate, amid the downturn of demand

(Million yen)	FY2015	FY2016	Increase/Decrease YoY	
	Results	Forecast	Amount	%
Net sales	9,458	8,670	△787	△8.3%
Operating income	407	344	△63	△15.5%
Net income	183	181	△2	△1.7%
ROE (%)	3%	3%	—	—

*Exchange rate used in the forecasts: 1USD = 120JPY, 1EUR = 130JPY

FY2016 Full-year sales forecasts by product

- For both line parts and service parts, sales have been recovering, but it is estimated that sales will be lower than the previous fiscal year

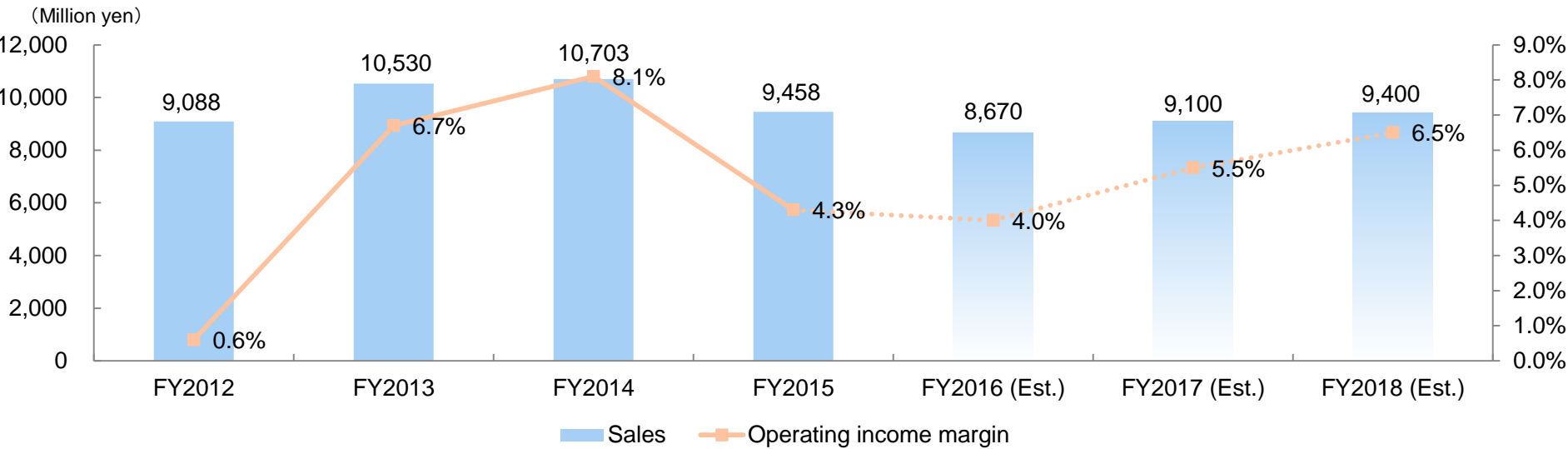
(Million yen)	FY2015	FY2016	Increase/Decrease YoY	
	Results	Forecast	Amount	%
Construction machinery filters	8,167	7,403	△770	△9.4%
Line parts	3,549	3,062	△490	△13.8%
Service parts	4,617	4,340	△279	△6.1%
Industrial filters	468	483	15	3.3%
Process filters	815	783	△32	△4.0%
Total of sales	9,458	8,670	△787	△8.3%

* The item of consolidation adjustments is included in construction machinery filters and indicated. (Standards for disclosing securities report)

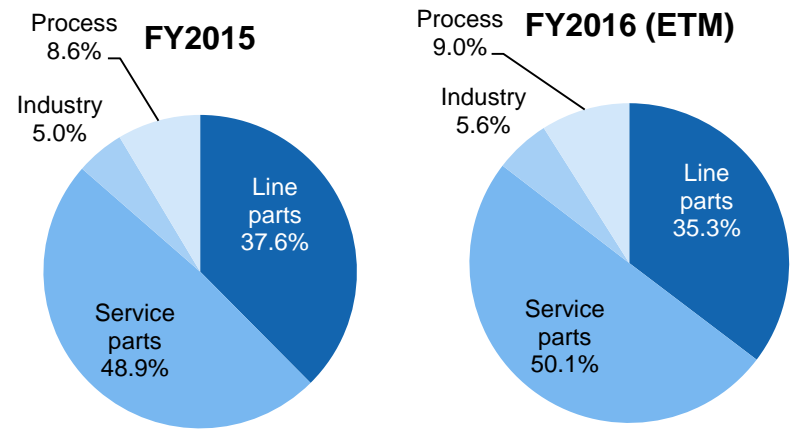
Reference materials

Financial highlights

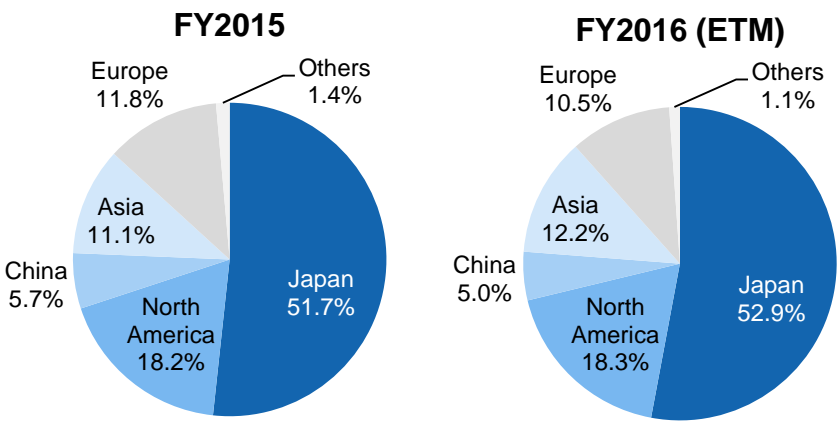
Changes in sales and operating income margin



Sales by product



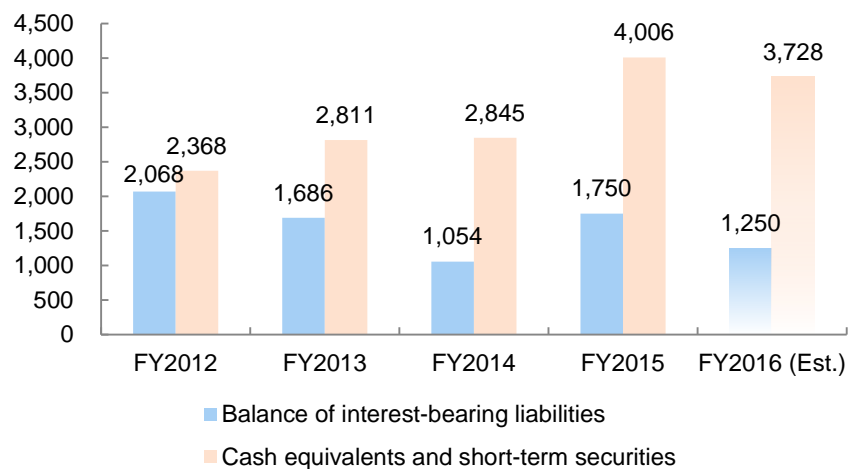
Sales by region



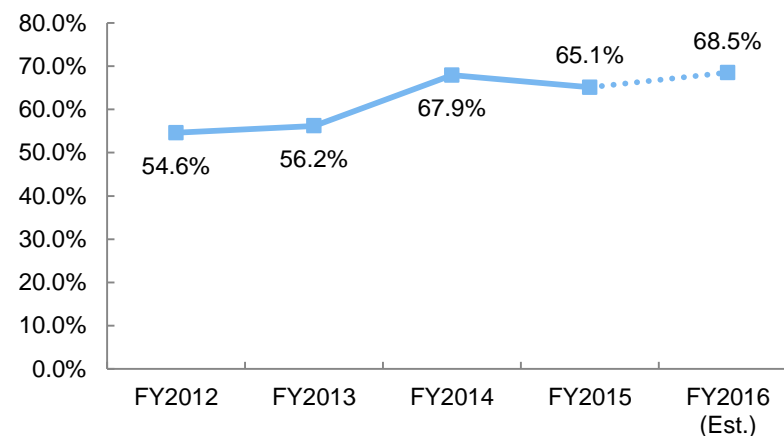
Financial highlights

Balances of interest-bearing liabilities, cash equivalents, and short-term securities

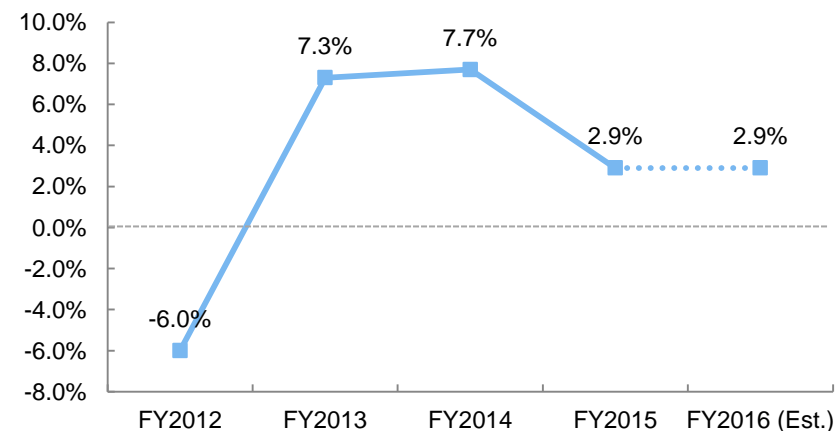
(Million yen)



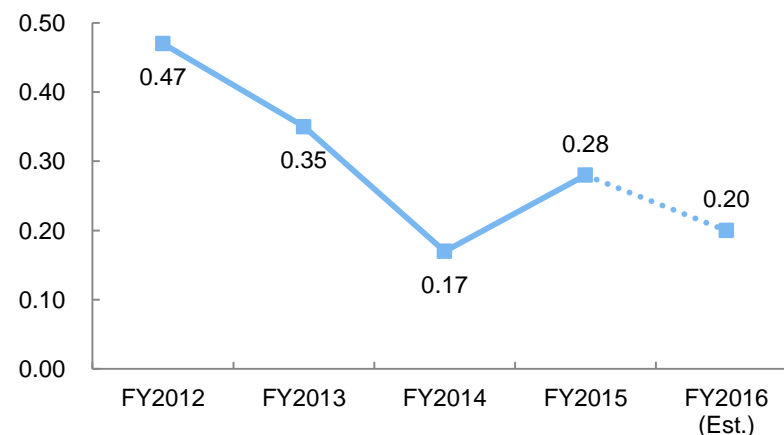
Ratio of shareholders' equity



ROE



D/E ratio



Forecasts regarding future performance presented in this material are based on information that was available at the time this material was released. Actual results may differ from the forecasts due to various factors such as market trends and business conditions etc.,

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