

# **YAMASHIN-FILTER CORP. Financial Results for the Third Quarter of the Fiscal Year Ending March 2016**

Ensuring profits is our top priority  
amid the challenging external environment

**February 4, 2016  
(Code:6240)**

# Results Briefing Summary

- In FY2014, amid sluggish Chinese market, there was a surge in demand prior to the exhaust gas regulations
- In FY2015 Q3, the performance was affected more than expected by the weaker market conditions in China and other Asian countries.
- For FY2015, although there are some signs of a pickup in demand, a full recovery will still take time

## FY2014

**Sales and profits  
increased YoY,  
There was a special  
demand**

## FY2015 Q3

**Sales and profits  
decreased YoY,  
Remarkable decrease  
in sales of line parts**

## FY2015 Forecast

**Revisions made to  
business forecasts,  
Top priority to ensure  
profits**

Made downward revisions to the FY2015 forecasts because of the sluggish Chinese market  
Making preparations for the next fiscal year by ensuring profits

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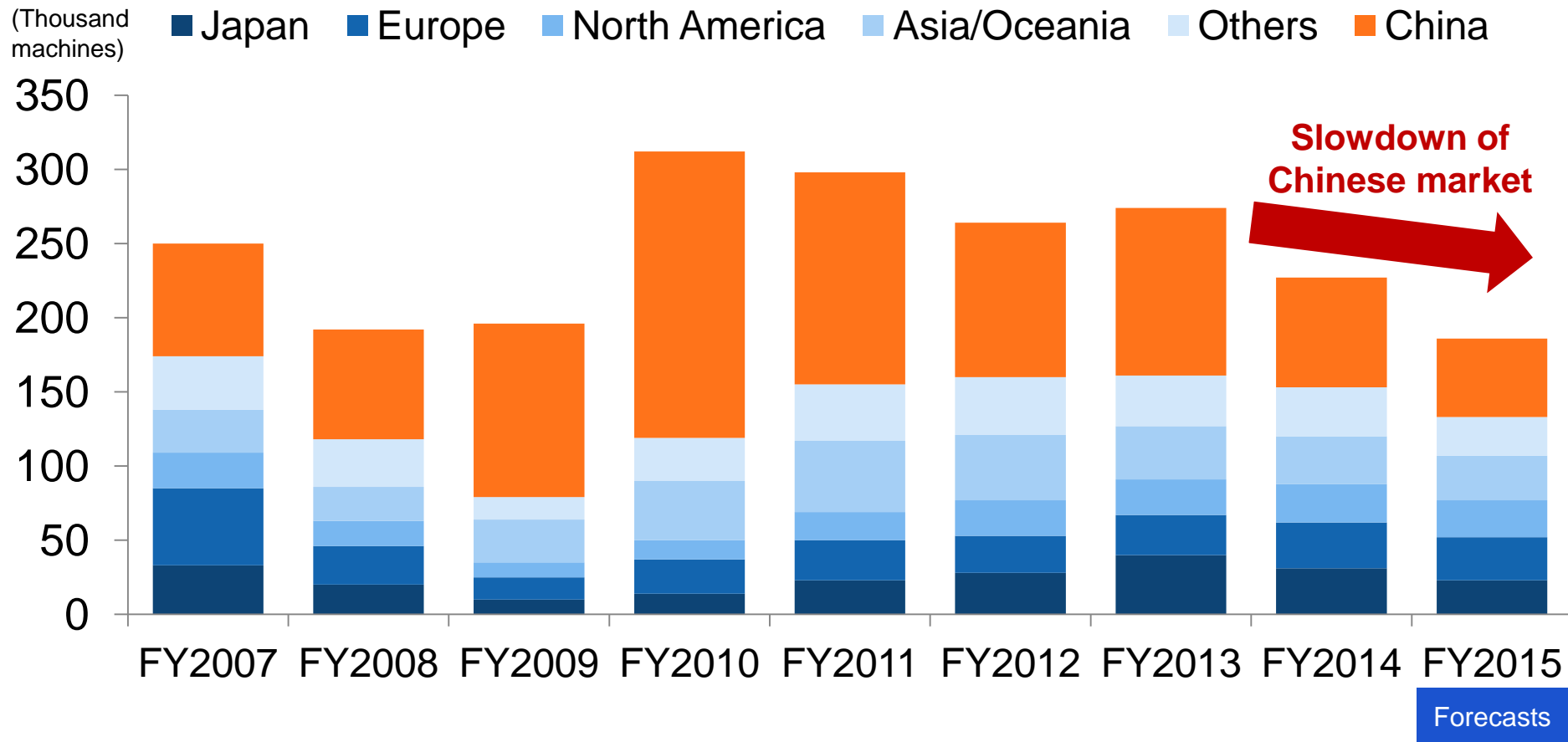
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# **I . Market Condition**

-Turnaround in demand will  
need further time-

# Business environment/ Demand for new excavators

■ Demands for new machines largely decreased due to the sluggish Chinese market

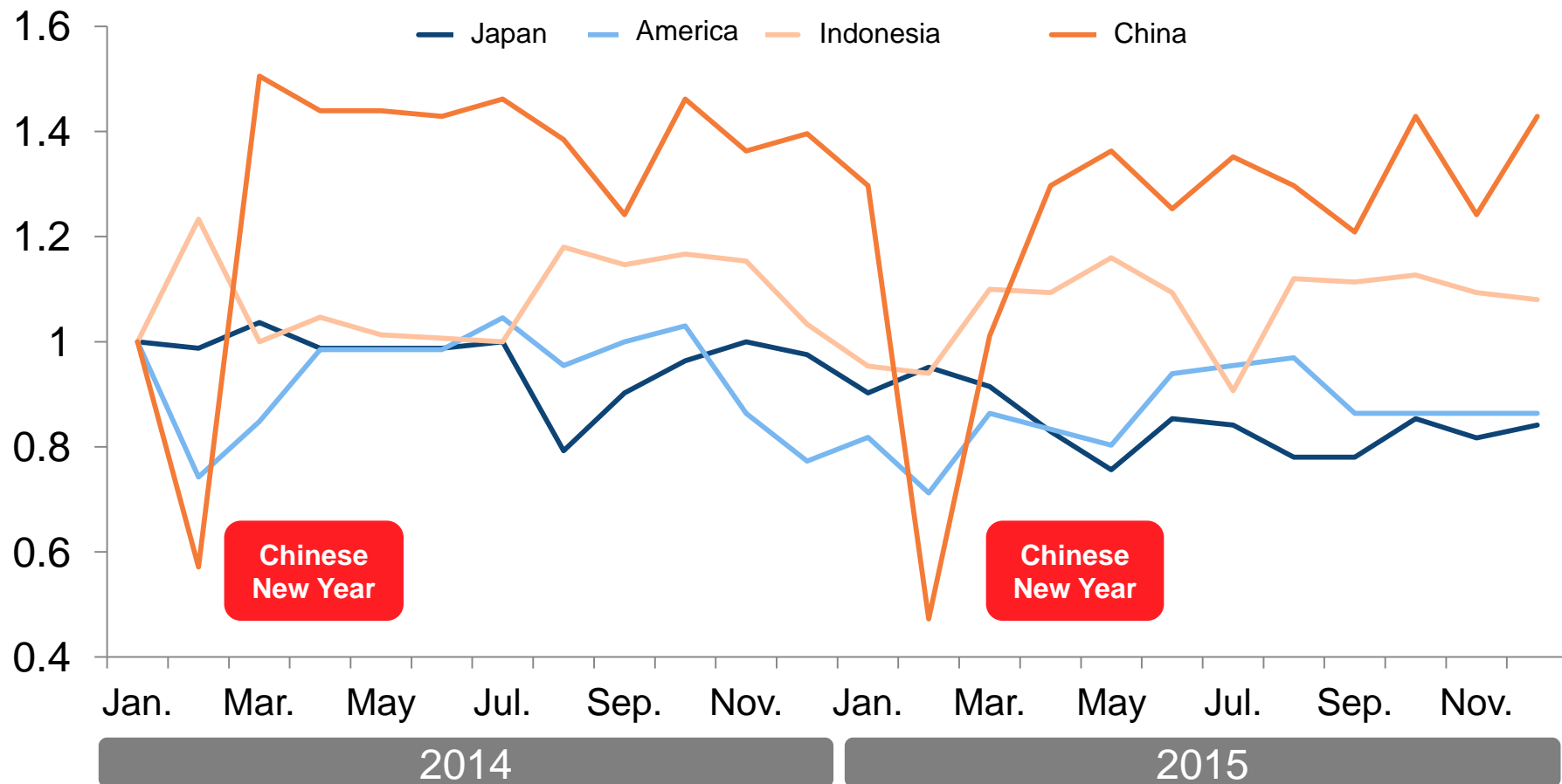


(Above figures are estimated by Yamashin Filter based on data from construction machinery manufacturers and industry associations)

# Construction machinery operating hours

■ Operating hours were generally higher despite a partial reduction

(Indexation based on January 2014 as 1)



(Source: made by YAMASHIN based on information materials by construction machinery manufacturers)

# Construction machinery market

## Regional conditions and forecasts

- Although decline in demand has bottomed out, Chinese market is still facing a difficult situation

	Japan	Overseas			
		China	Asia/ Oceania	North America	Europe
<b>Initial forecast</b>	<b>Strong</b>	<b>Downturn</b>	<b>Downturn</b>	<b>Strong</b>	<b>Stable</b>
<b>Q2</b>	<b>Weak</b>	<b>Sharp Downturn</b>	<b>Downturn</b>	<b>Weak</b>	<b>Weak</b>
<b>Q3</b>	<b>Weak</b>	<b>Sharp Downturn</b>	<b>Sharp Downturn</b>	<b>Weak</b>	<b>Weak</b>
<b>Q4 Forecast</b>	<b>Weak</b>	<b>Sharp Downturn</b>	<b>Sharp Downturn</b>	<b>Weak</b>	<b>Weak</b>



(Reference: Terms Standards)

## **Ⅱ . FY2015 Q3 Results**

- Decrease in line parts sales  
due to the sluggish Chinese market -



# FY2015 Q3 Results Summary

- Sales and profits decreased due to slowdown of the Chinese market
- While implementing a cost-cutting, the performance was affected by the reversal of deferred tax assets, etc.

(Million yen)	FY2014 Q3	FY2015 Q3	FY2015 Q3	FY2015 Q3	Increase/decrease YoY	
	Actual	Initial forecast*1	Revised forecast*2	Actual	Amount	%
Net sales	7,995	8,529	7,680	7,235	△760	△9.5%
Operating income	695	593	342	223	△472	△67.9%
Net income	386	382	208	75	△310	△80.5%

\*1:The figures are based on the business forecasts disclosed on May 15, 2015.

\*2:The figures are based on the business forecasts disclosed on October 15, 2015.

# Sales by product

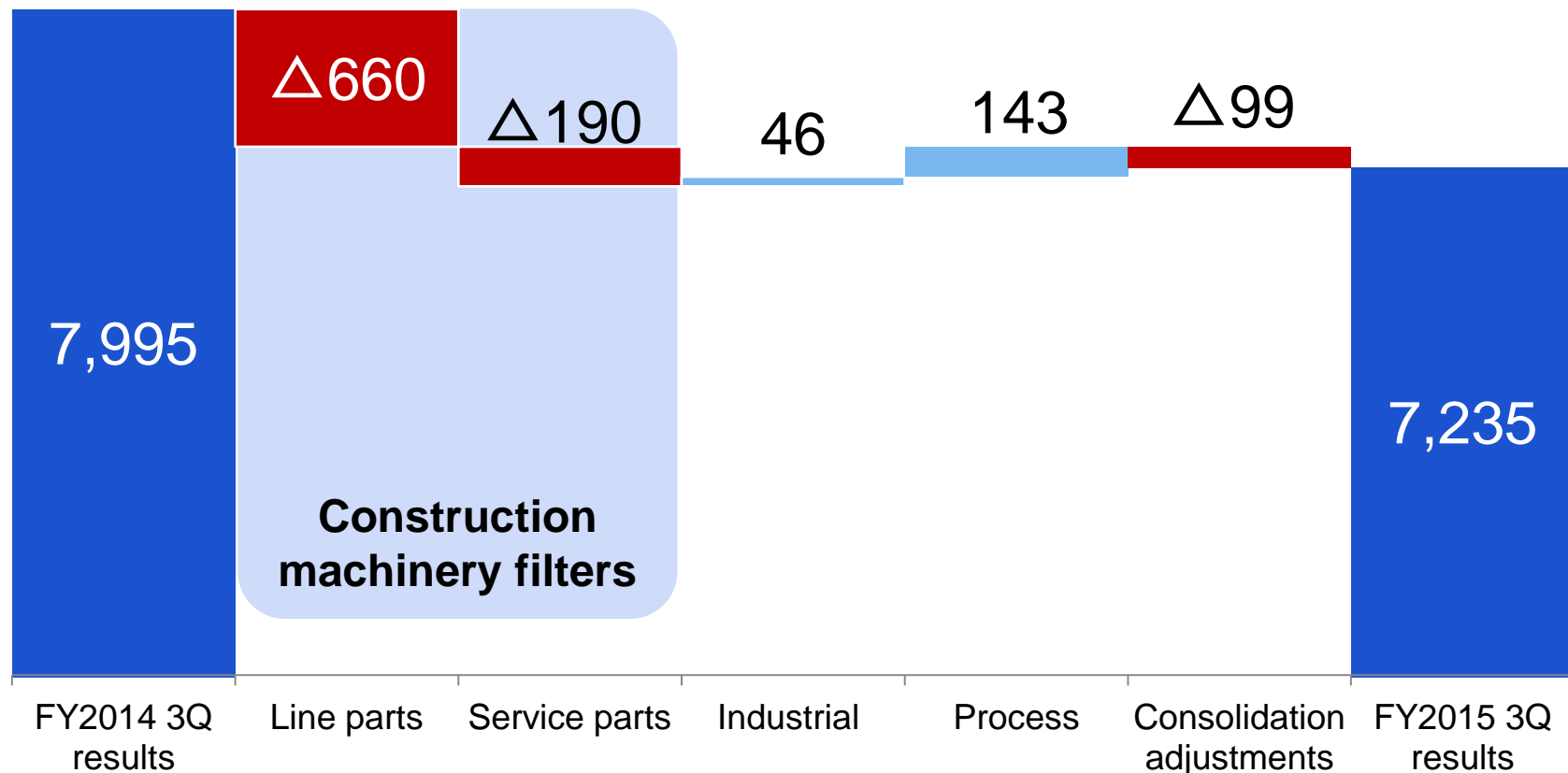
- Sales of line parts largely decreased due to the sluggish Chinese market
- Sales of service parts also decreased due to the impact of adjustments to inventory holding levels in relation to supply parts at main customers

(Million yen)	FY2014 Q3	FY2015 Q3	FY2015 Q3	FY2015 Q3	Increase/decrease YoY	
	Actual	Initial forecast	Revised forecast	Actual	Amount	%
Construction machinery filters	7,079	7,684	6,653	6,227	△851	△12.0%
Line parts	3,271	3,647	2,816	2,611	△660	△20.2%
Service parts	3,807	4,037	3,837	3,616	△190	△5.0%
Industrial filters	312	352	405	358	46	14.9%
Process filters	500	530	610	644	143	28.8%
Consolidation adjustments	103	△ 38	12	4	△99	△95.4%
Total of sales	7,995	8,529	7,680	7,235	△760	△9.5%

# Major factors for increase/decrease in sales (YoY)

- Sales of construction machinery filters decreased due to the sluggish Chinese market
- Sales of industrial and process filters increased YoY thanks to increase in orders

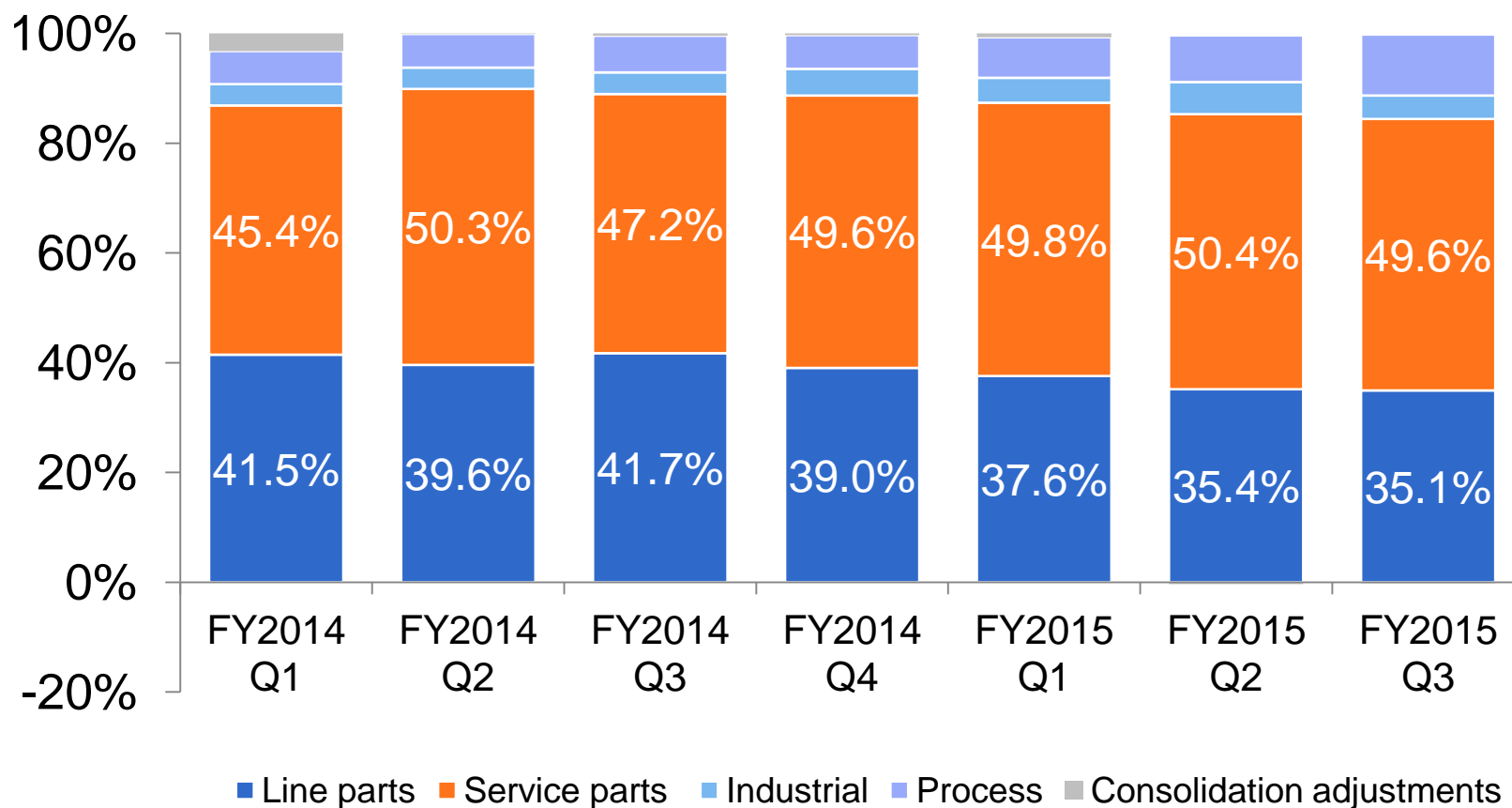
(Million yen)



# Changes in quarterly sales ratio by product

■ There is no significant change in sales ratio by product

(Million yen)



# Sales by region

■ **Sales for Japan and China decreased due mainly to the slowdown of the Chinese market**

\*There are differences between actual market trends and following figures because regional sales are based on the invoices the companies receive for the corresponding products

(Million yen)	FY2014 Q3		FY2015 Q3		Increase/Decrease YoY	
	Amount	%	Amount	%	Amount	%
Japan	4,181	52.3%	3,774	52.2%	△406	△9.7%
North America	1,503	18.8%	1,327	18.4%	△175	△11.7%
China	520	6.5%	356	4.9%	△164	△31.6%
Asia	758	9.5%	803	11.1%	45	5.9%
Europe	835	10.5%	869	12.0%	33	4.0%
Other (Middle East etc.)	90	1.3%	99	1.4%	8	9.0%
Consolidation adjustments	103	1.1%	4	0.1%	△99	△95.4%
Total of sales	7,995	100.0%	7,235	100.0%	△760	△9.5%

\* Regional sales are based on the invoices the companies receive for the corresponding products

\* The monetary composition of FY2014 Q3 sales is revised because there was a change in the method for determining regional sales

# Balance Sheet

## ■ Shareholders equity ratio rose by 2.7%

(Million yen)	End-FY2014	FY2015 Q3	Change		End-FY2014	FY2015 Q3	Change
Current assets	7,384	6,738	△ 646	Current liabilities	1,893	1,646	△ 247
Cash and deposits	2,645	2,839	194	Notes and accounts payable-trade	1,066	901	△ 165
Notes and accounts receivable-trade	2,464	1,950	△ 513	Short-term loans payable			
Merchandise and finished goods, Raw materials and supplies	1,765	1,533	△ 232	Current portion of long-term loans payable and corporate bonds	300	300	-
Others	509	415	△ 94	Others	527	444	△ 82
Fixed assets	1,963	2,027	64	Fixed liabilities	1,102	934	△ 167
Tangible fixed assets	1,456	1,396	△ 60	Long-term loans payable	750	600	△ 150
Intangible fixed assets	164	110	△ 54	Provision for retirement benefits	147	160	12
Investments and other assets	341	520	179	Others	204	174	△ 30
Total assets	9,347	8,765	△ 581	Total net assets	6,351	6,184	△ 166
				Total of liabilities and net assets	9,347	8,765	△ 581

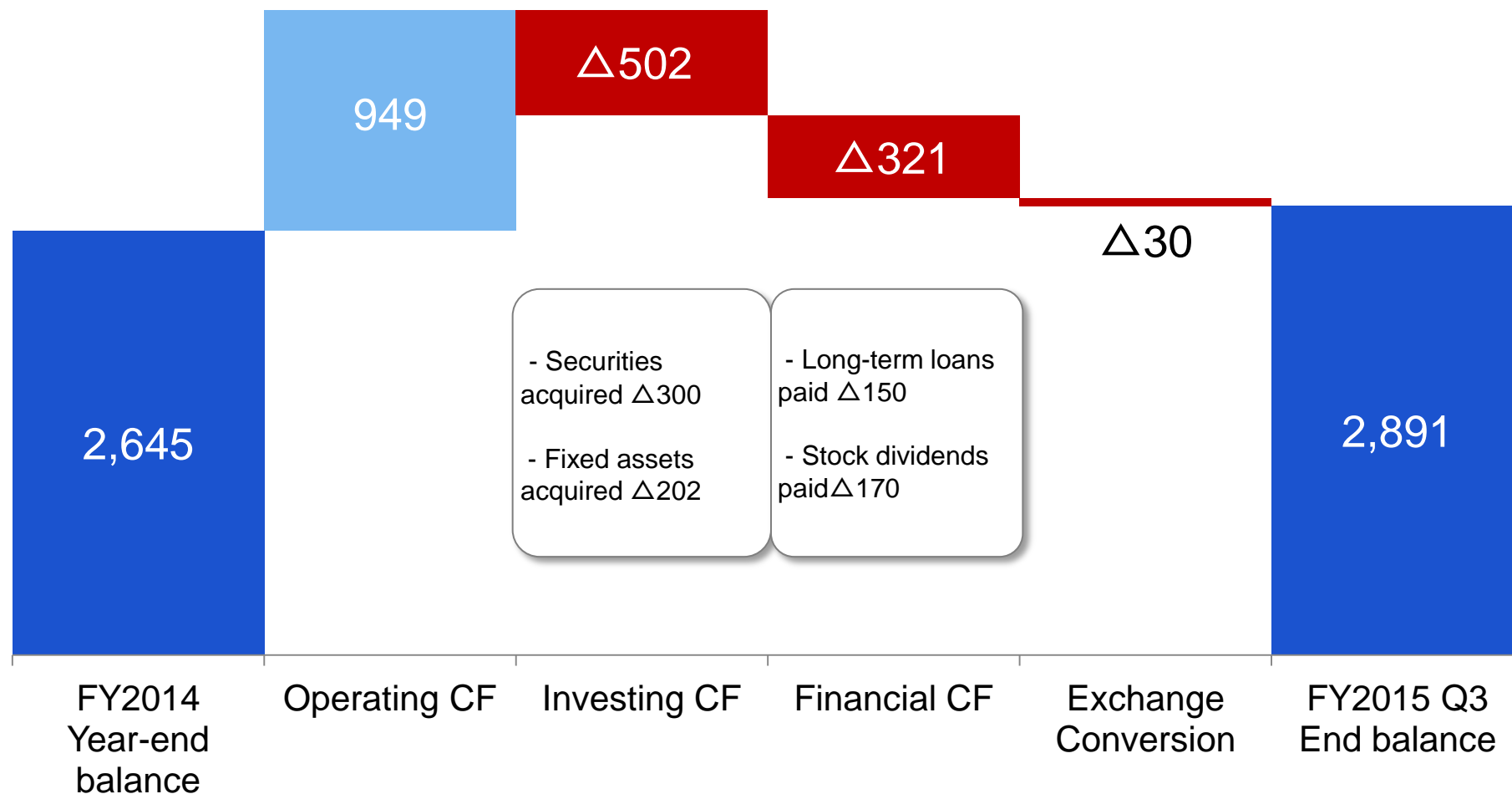
\*Estimated exchange rates: 1USD=120JPY, 1EUR=140JPY

\*Shareholders' equity ratio      67.9%      70.6%

# Analysis of factors for increase/decrease in cash flows

## ■ Balance of cash and cash equivalents increased YoY

(Million yen)



## III. Business Forecasts

- Cost reduction plan is proceeding smoothly,  
minimizing decrease in earnings-



# FY2015 Full-year business forecasts

- Revisions were made to the business forecasts as of February 4 mainly due to downturn in the Chinese market

(Million yen)	FY2014	FY2015	FY2015	FY2015	Increase/Decrease YoY	
	Actual	Initial forecast	Revised forecast (Oct. 15)	Revised forecast (Feb. 4)	Amount	%
Net sales	10,703	11,353	10,351	9,406	△1,296	△12.1%
Operating income	869	835	526	368	△501	△57.7%
Net income	430	540	329	200	△229	△53.4%
ROE (%)	8%	8%	5%	3%	-	-

# Full-year sales forecasts by product

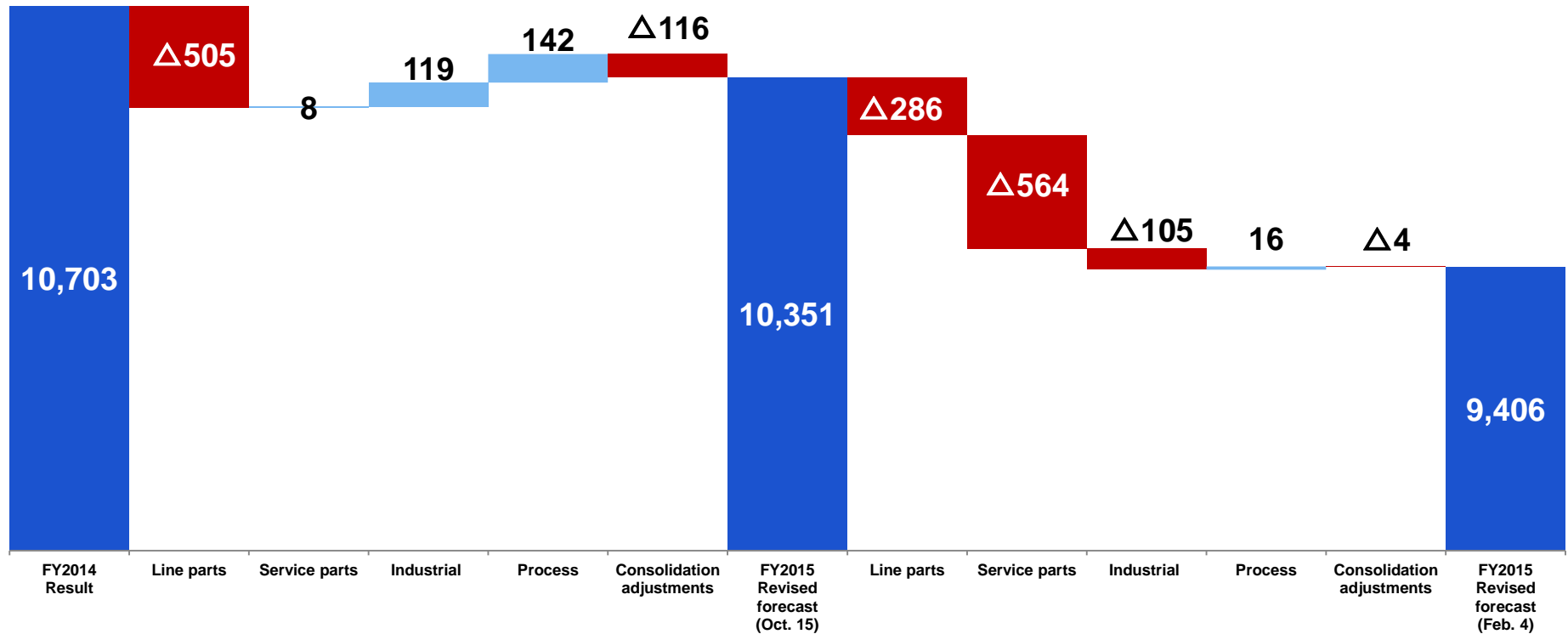
- Sales of line parts are expected to decrease due to severe condition in the Chinese market
- Sales of service parts are expected to decrease due to the impact of adjustments to inventory holding levels in relation to supply parts at the client companies

(Million yen)	FY2014	FY2015	FY2015	FY2015	Increase/Decrease YoY	
	Actual	Initial forecast	Revised forecast (Oct. 15)	Revised forecast (Feb. 4)	Amount	%
Construction machinery filters	9,479	10,261	8,982	8,106	△1,348	△14.2%
Line parts	4,329	4,875	3,824	3,537	△791	△18.3%
Service parts	5,150	5,385	5,157	4,593	△557	△10.8%
Industrial filters	444	479	564	458	14	3.3%
Process filters	667	709	808	825	157	23.7%
Consolidation adjustments	112	△97	△3	△8	△120	△107.4%
Total of sales	10,703	11,353	10,351	9,406	△1,296	△12.1%

# Analysis of factors for increase/decrease in sales, and the forecasts

- Sales of line parts are expected to decrease due to severe condition in the Chinese market
- Sales of service parts are expected to decrease due to the impact of adjustments to inventory holding levels in relation to supply parts at the client companies

(Million yen)



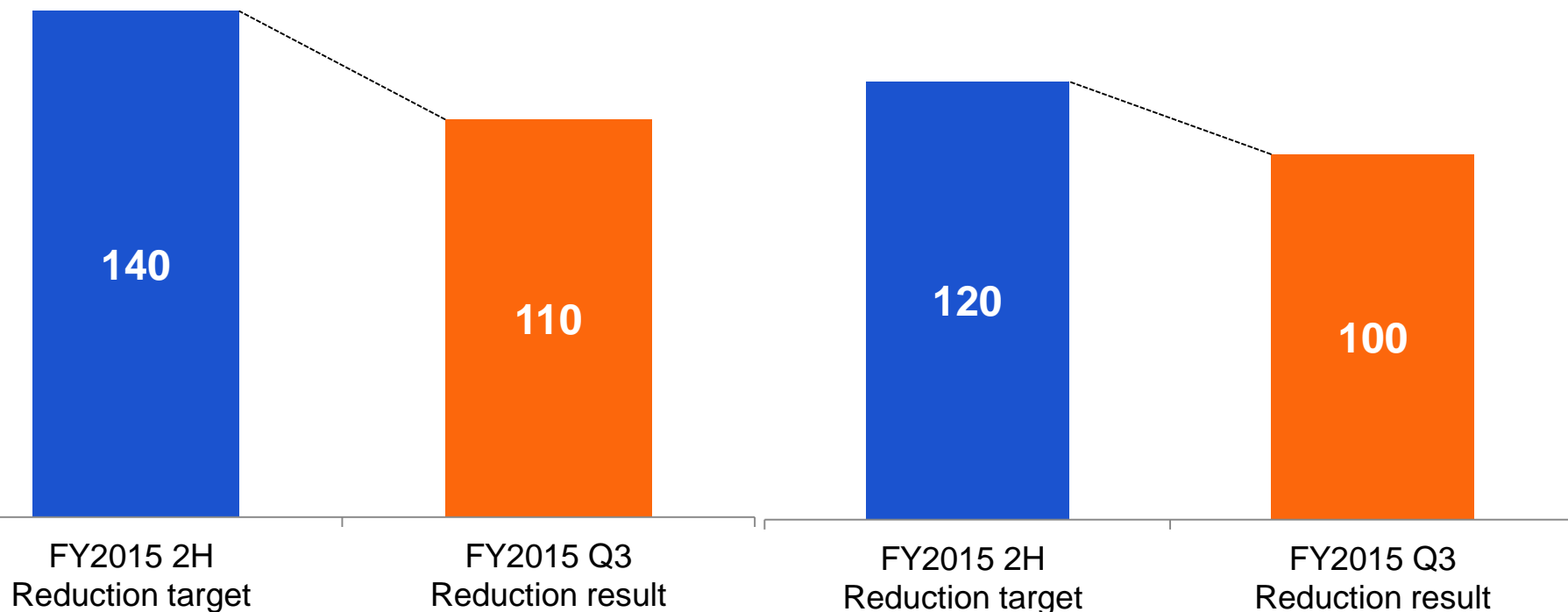
# PAC15 Cost reduction progress

- Progress rate is equating to approximately 80% of the target amount. Continue to undertake further cost reduction plan

(Million yen)

Production cost

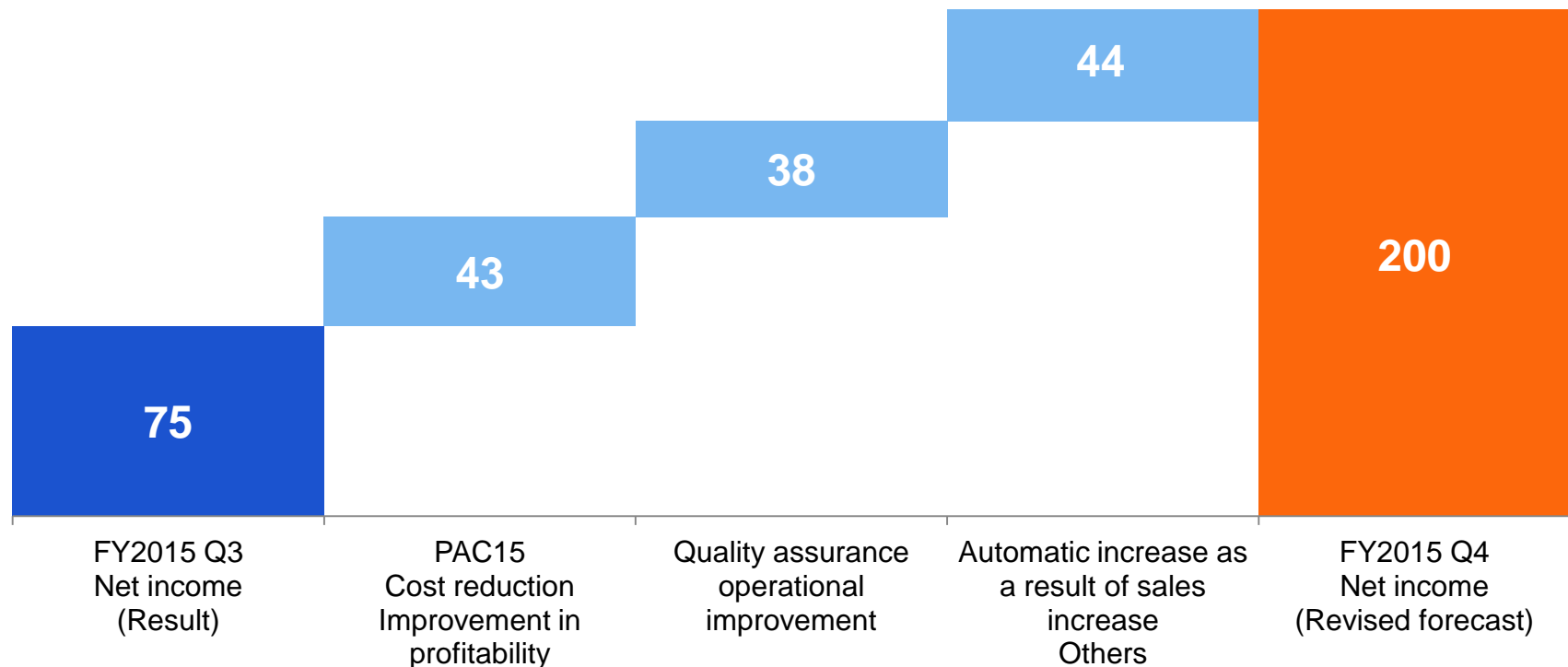
SG&A expenses



# Analysis of factors for increase/decrease in net income and forecasts

- Net income is expected to increase to about 200 million yen for FY2015 through the cost reduction efforts

(Million yen)



# IV. Topics

# Topics : Started to supply products to Sany Heavy Machinery Co., Ltd.

- Achieved penetration into unexploited market among local Chinese construction machinery manufacturers

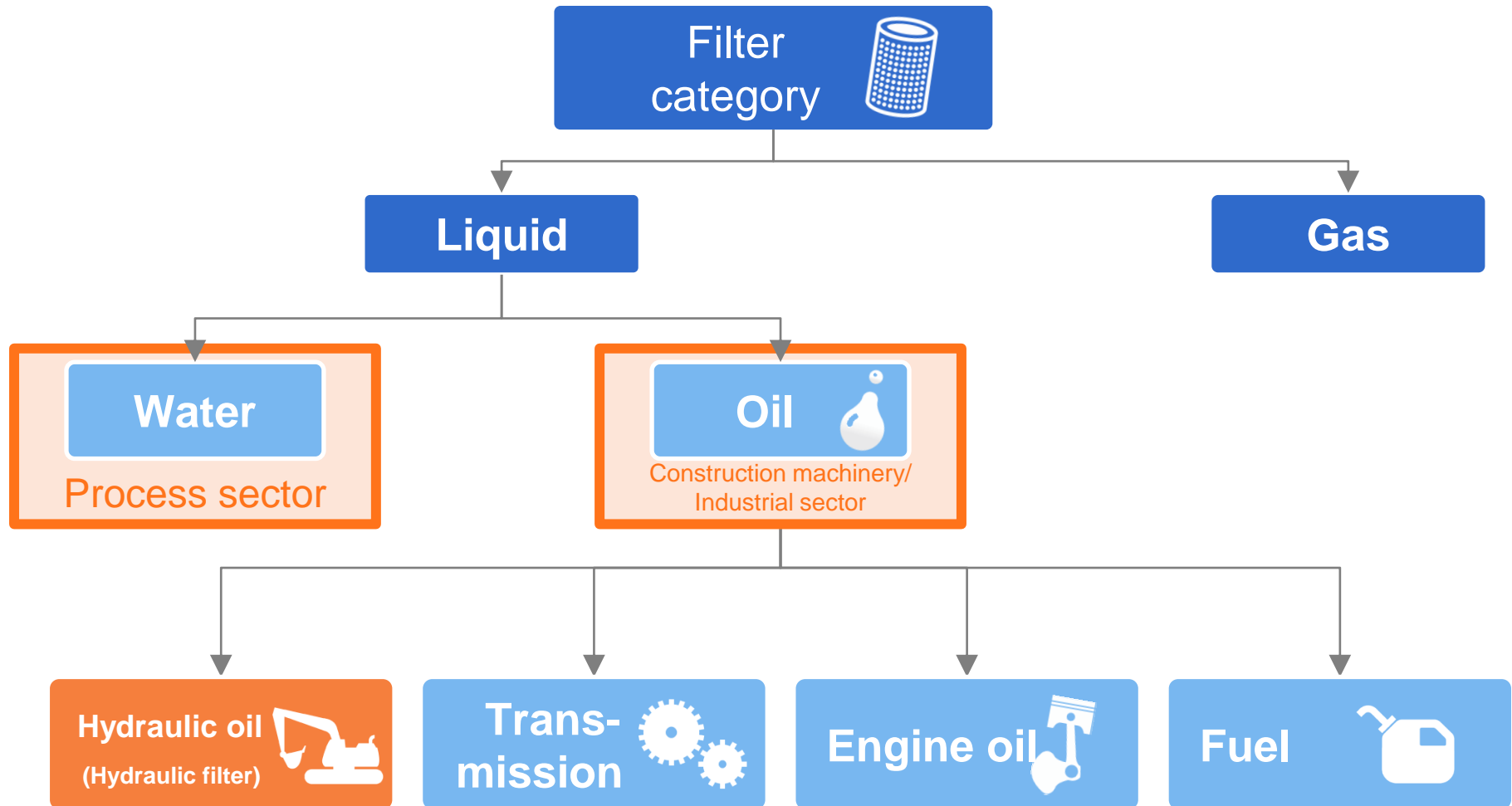
Contents	Outline
What is Sany Heavy Machinery?	■ Sany Heavy Machinery is engaged in manufactures and sales of excavator, as a subsidiary of Sany Group, the largest comprehensive machinery manufacturer in China,
Rationale for tying up with Chinese manufacturers	■ By partnering with Chinese manufacturers in China and non-Chinese companies, establish the deeper-rooted customer base in China.
Future business prospects	■ Cooperative operations with local manufacturers. Aim to develop the business in China further by means of a well-balanced drive to expand in both line parts and service parts.
Future outlook and trends in the Chinese market	■ Environmental problems becoming more serious. Developing high-functionality filters for environmental applications, and thereby further differentiating the products from imitation items.

# V . Growth opportunity



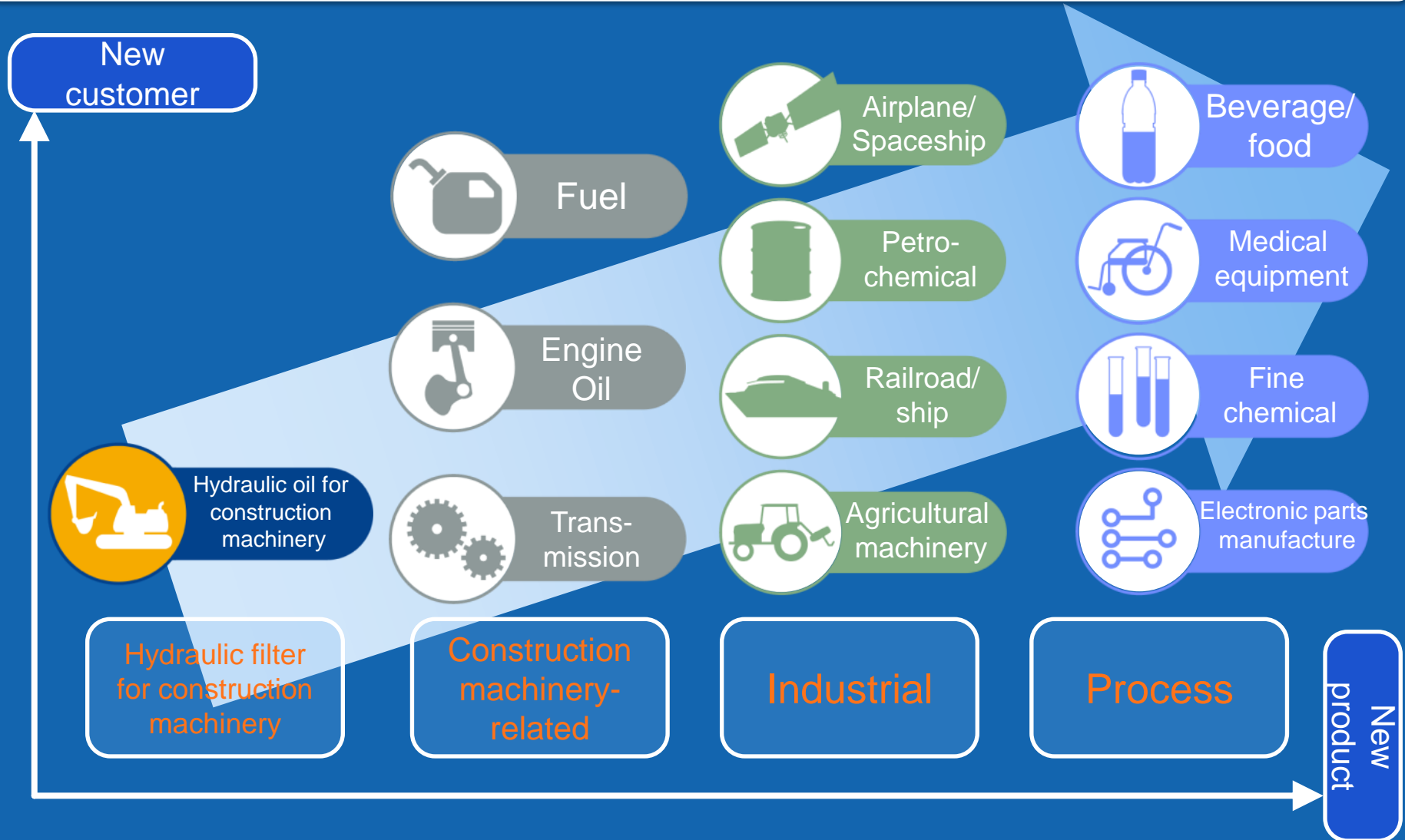
# Growth opportunity

- Aiming for more synergies between the construction machinery and industry/process sectors



# Growth opportunity

## ■ Strengthen presence in peripheral markets and enter new business domains



# Shareholder return

- Plan on a split-adjusted increase in the yield
- No change in dividend forecast or contents of shareholder benefits

	FY2013	FY2014	FY2015
Dividend per share	40 yen <sup>*1</sup>	19 yen <sup>*3</sup>	10 yen <sup>*2 *3 *4</sup>
Shareholder benefit	—	—	【Introduced】

\*1: The company conducted 3-for-1 stock split as of March 20, 2015. Dividend per share for FY2013 is presented on a pre-split basis.

\*2: Dividend per share for FY2015 shown above is a current plan (subject to changes).

\*3: The company conducted 2-for-1 stock split that became effective on September 1, 2015. Dividend per share for FY2014 is presented on a pre-split basis; there is no change in the dividend amount received for split shares held for FY2015.

\*4: As of February 4, 2016, the time of disclosure of the business forecasts, there is no change in the forecast of dividend per share for the fiscal year ending March 2016.

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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