



# **YAMASHIN-FILTER CORP.**

## **Future Growth Potential Materials**



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

**November 5th, 2014**

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# 1. Corporate Profile

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- Corporate profile
- Financial highlights

# 1. Corporate Profile

**Corporate Name** YAMASHIN-FILTER CORP.

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

**Established** April 5<sup>th</sup> , 1956

**President/CEO** Atsuhiko Yamazaki

**Number of Employees** Consolidated : 327  
Non-consolidated : 113 (as of March 31<sup>st</sup> , 2014)

**Capital** 822,642,500 yen

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

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

**Corporate Principle**

仕 濾 過 事  
( R o k a j i n i t s u k a f u r u )

**Contributing to Society through Filtration**

# 1. Corporate Profile : Financial highlights

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

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

## 2. Business Overview

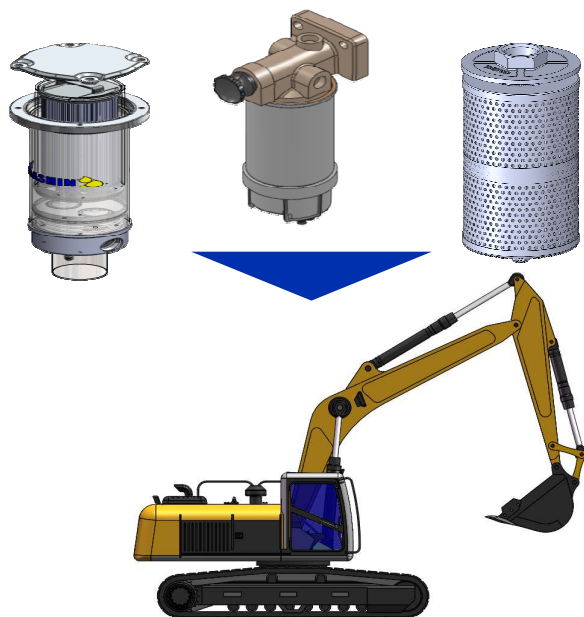
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- Overview of YAMASHIN's business
- YAMASHIN's global footprint
- Core business flow chart

## 2. Business Overview : Overview of YAMASHIN's business

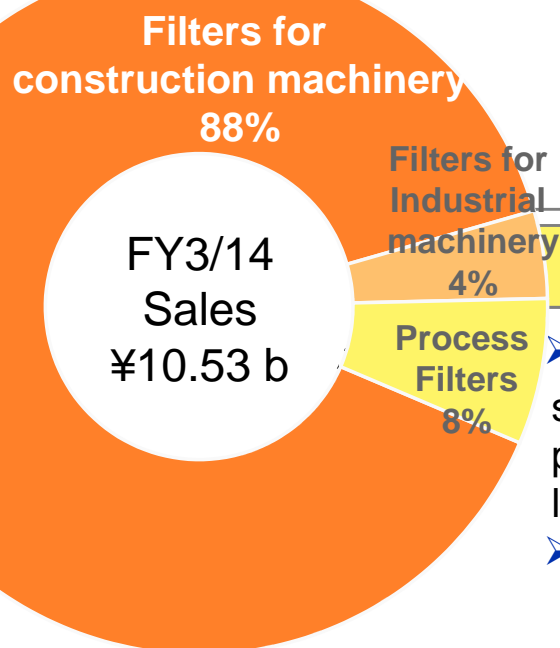
### Filter for Construction Machinery

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



### Filter for Industrial Machinery

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



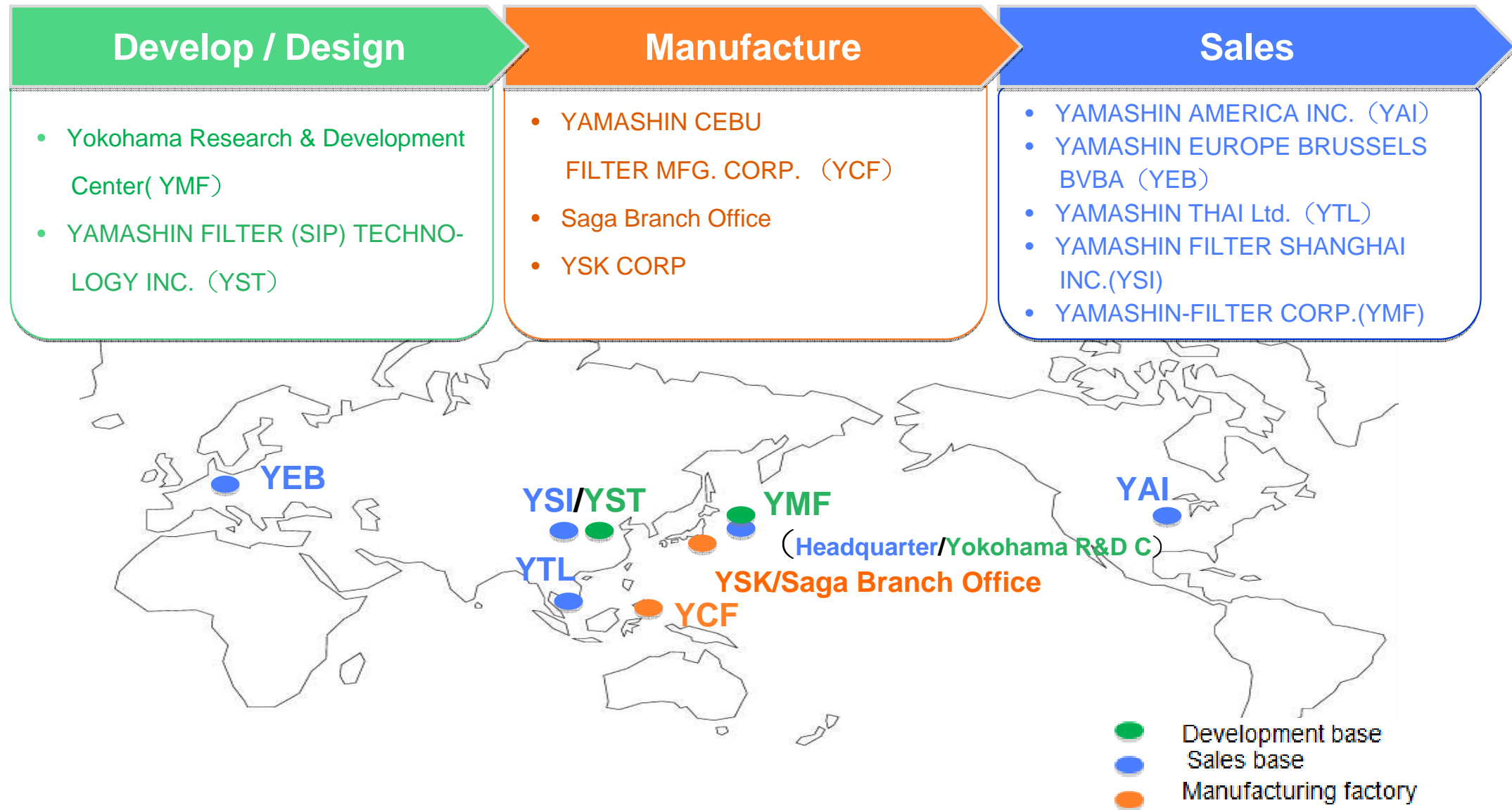
### Process Filter

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



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

## 2. Business Overview: YAMASHIN's global footprint

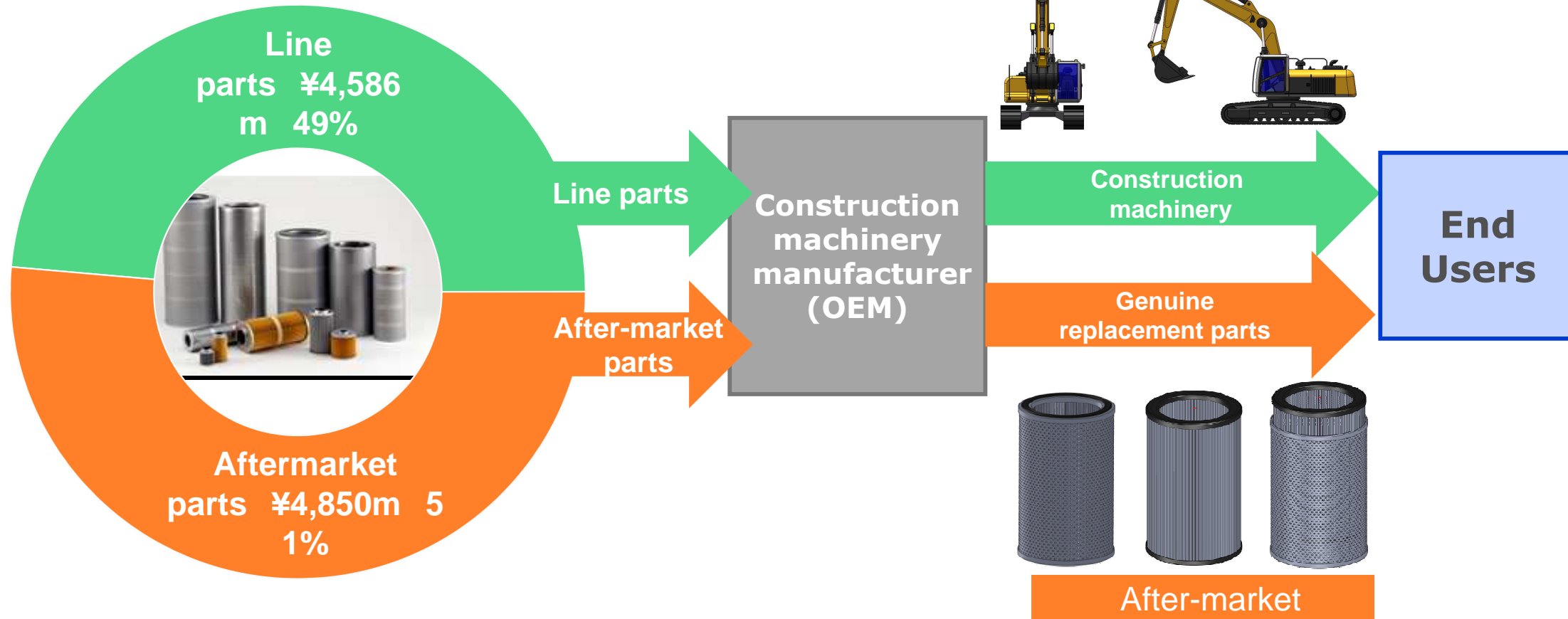


**YAMASHIN operates in a globally integrated structure from development through manufacturing to final sale of filtration products.**



## 2. Business Overview: Core Business Flow Chart

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



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

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

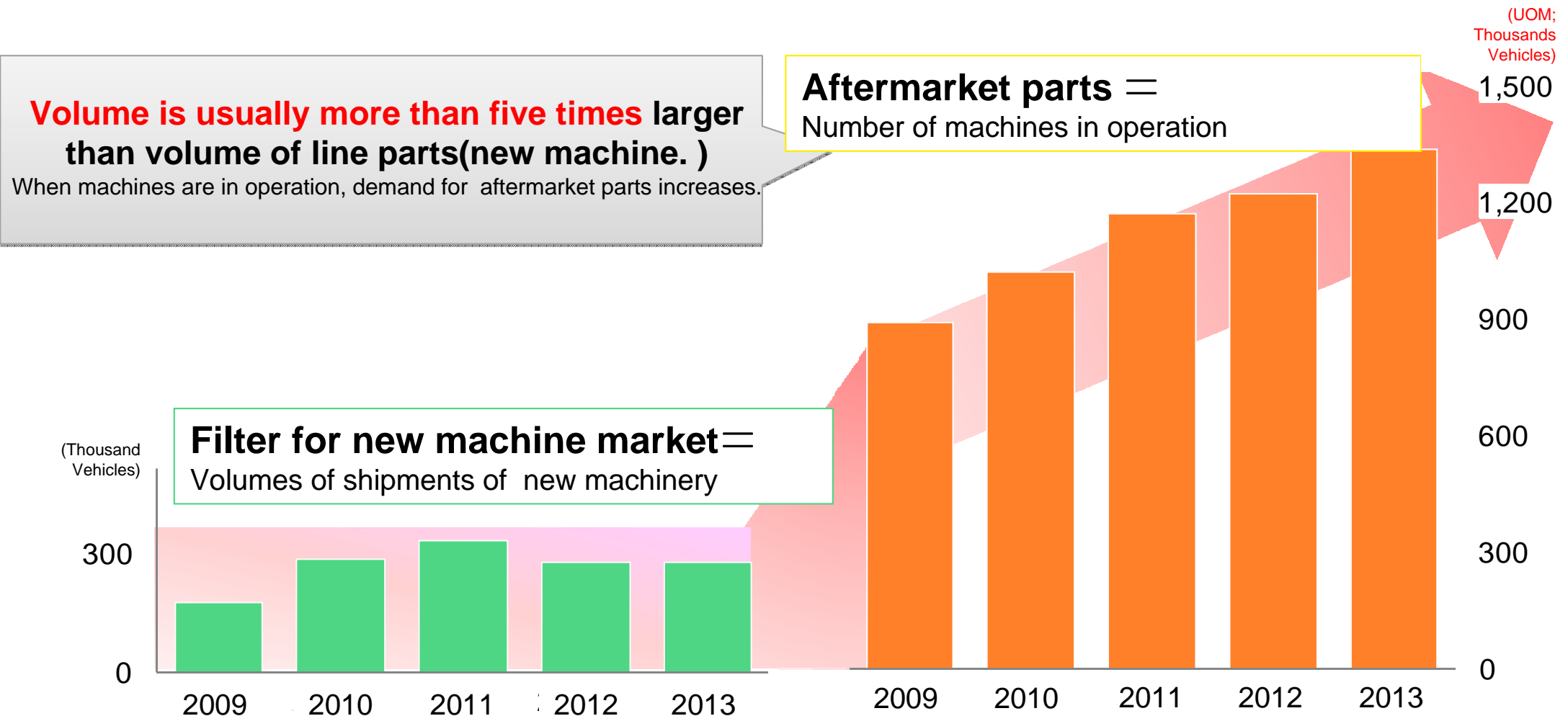
**YAMASHIN DOES NOT compete with its valued OEM customers in the marketplace.**

## 3.YAMASHIN Core Values

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

### 3. Characteristics of YAMASHIN : Aftermarket support ①

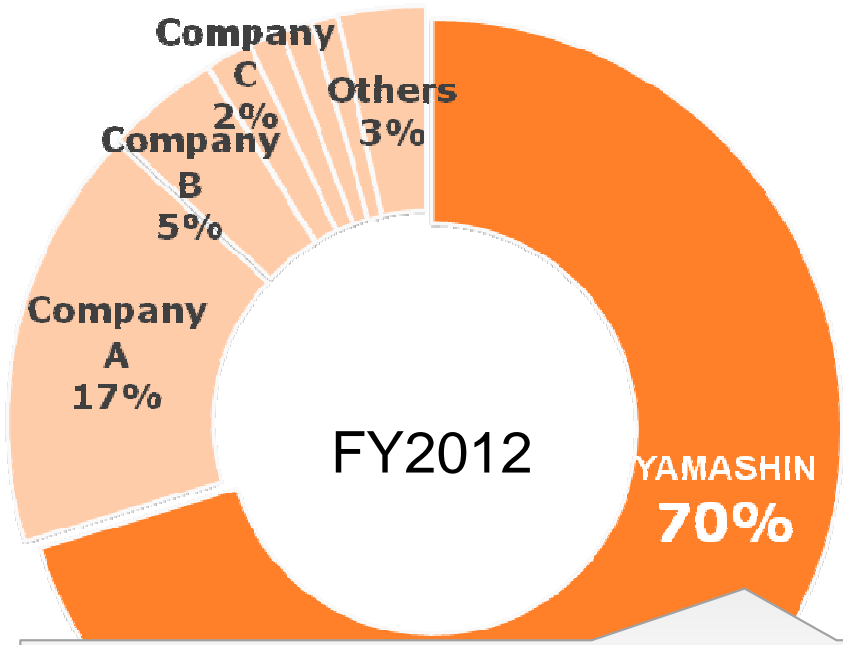


Source: Above figures are estimated by YAMASHIN based on the various published information.

**The volume of the replacement filter market is expected to be more than five times larger than the volume of filters for new machine market**

### 3. Characteristics of YAMASHIN : Aftermarket support ②

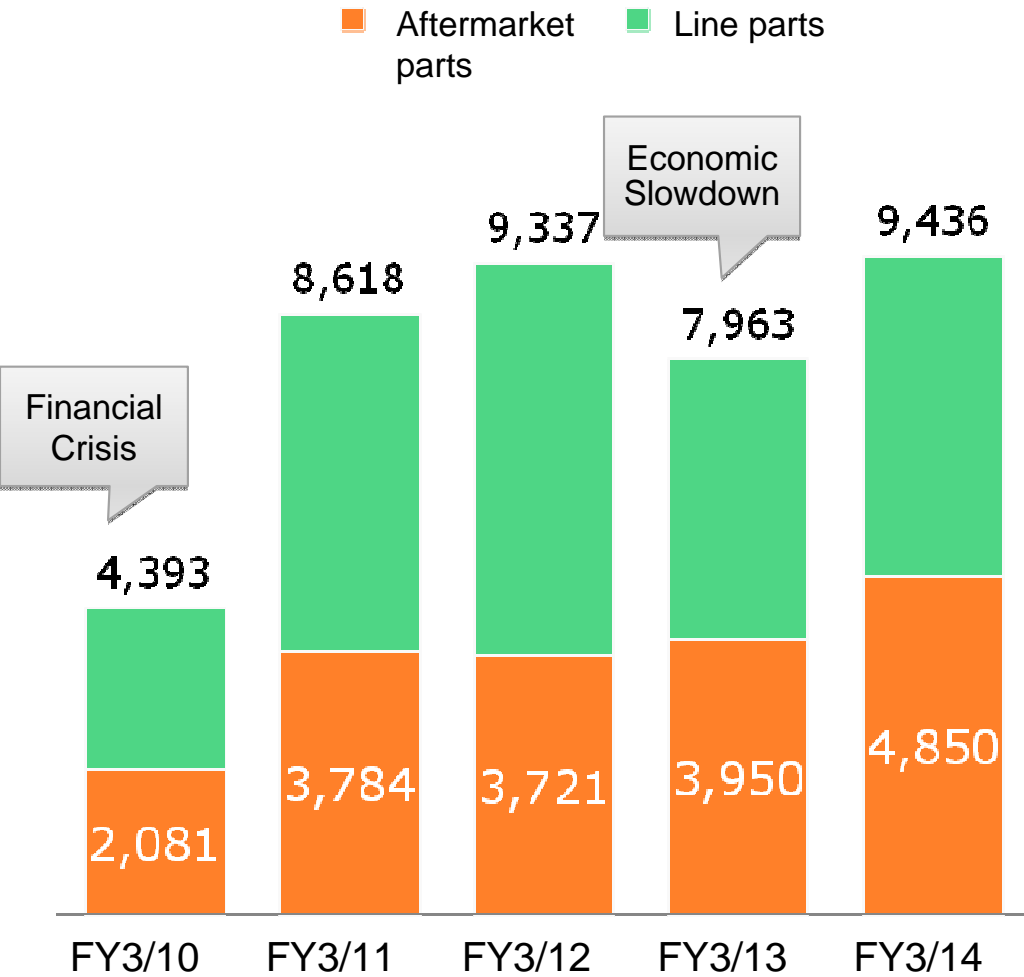
YAMASHIN's share of hydraulic return filters for hydraulic excavators.



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

Source: Yano Research Institute

Comparison of sales of filters for new machines and aftermarket



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

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

#### Major Filter Components

##### Outer Tube

To protect the filter media

##### Banding

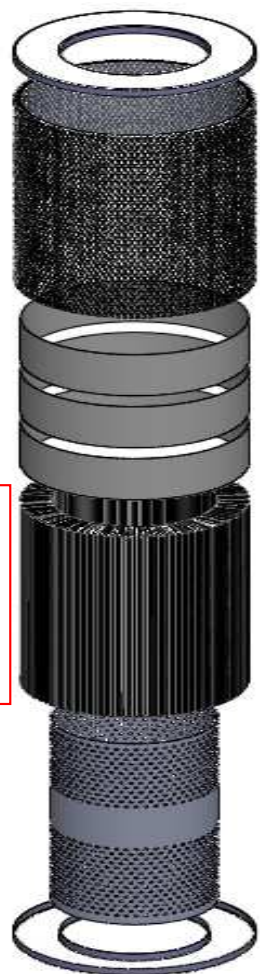
To retain pleated media stability

##### Filtration Media

The most important component of the filter that captures contamination

##### Inner Tube

To protect against filter collapse



#### Development process of filters

Selection of  
structure  
and material

Prototype  
manufacturing

Validation

**Concept creation**  
(Yokohama Research  
& Development Center)



**Prototype manufacturing**  
(Filter media)



**Validation of design**  
(Multi-pass testing machine)



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



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

#### Required performance

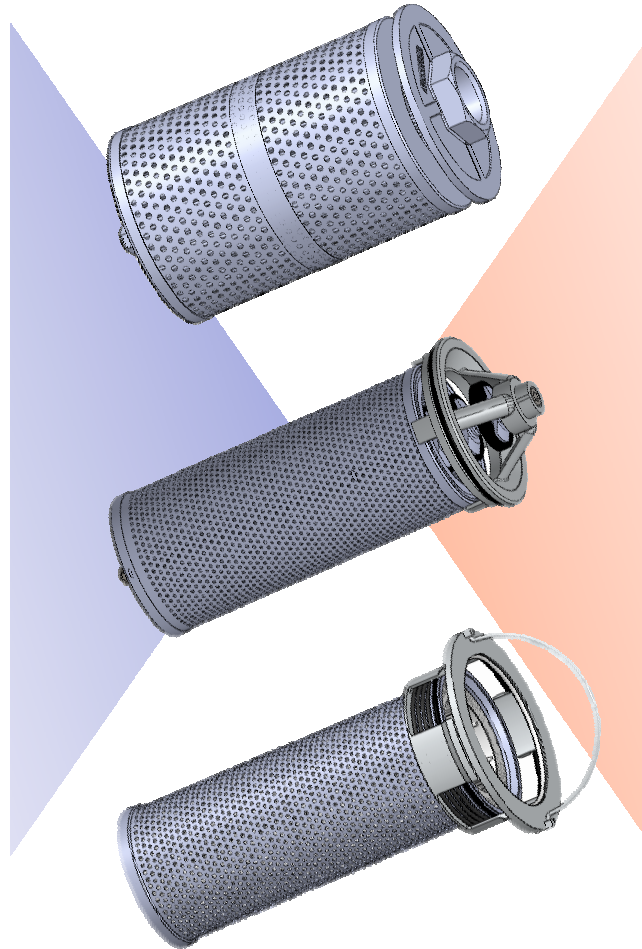
##### ■ Filter Durability

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

##### ■ Ability to work in high pressure applications

The high pressure of hydraulic circuits creates an extremely difficult environment for circuit components. Filters must be built to withstand a load of about 9 tons/m<sup>2</sup>.

#### YAMASHIN products



#### Yamashin expertise

##### ■ Expertise in the construction machinery field

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

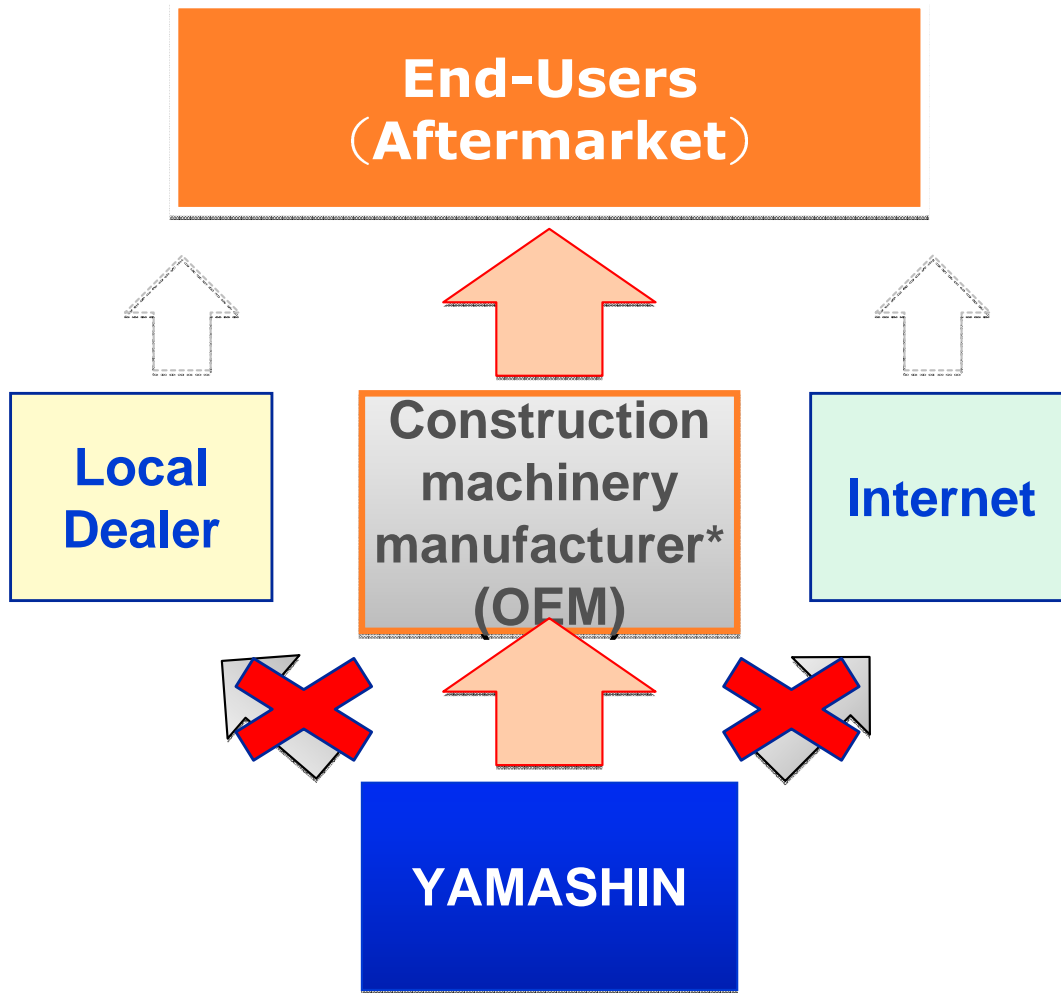
##### ■ Expertise in the other fields

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

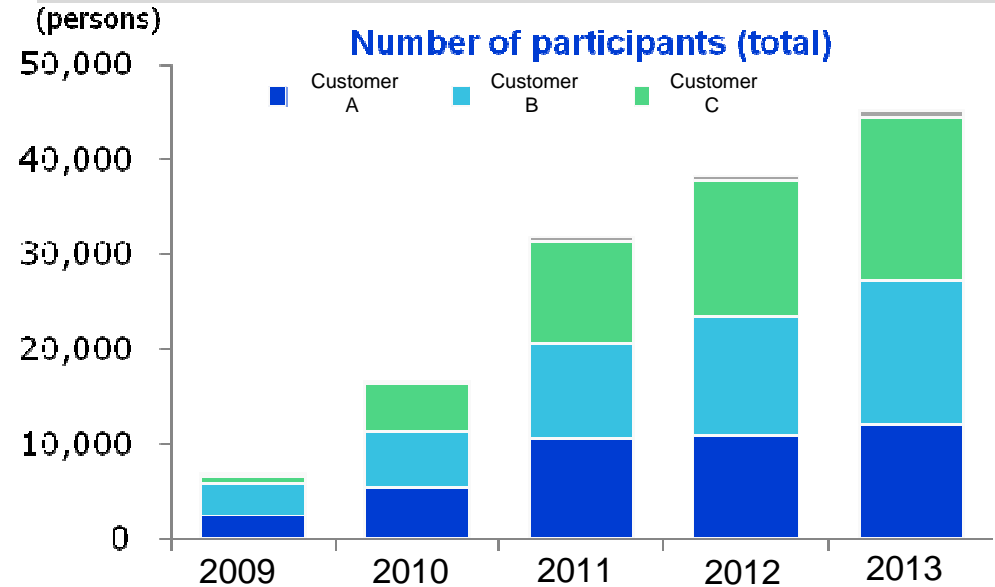
**YAMASHIN has the expertise to produce highly durable filter products which meet and exceed our customer needs**

### 3. Characteristics : Strong trust relationship with construction machinery manufacturers

**YAMASHIN DOES NOT COMPETE with our OEM customers.**



**Genuine filter seminars in local areas**



Seminar held in China

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

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

## 4. Growth Strategies

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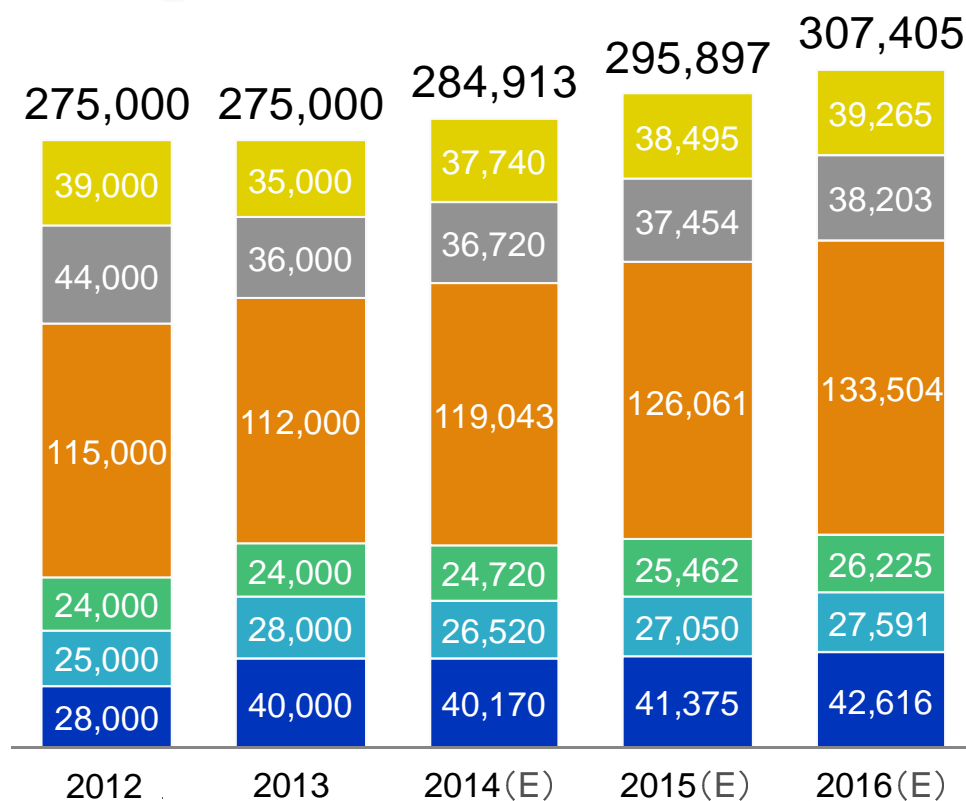
- Business environment
- Growth strategies



# 4.Growth Strategies : Business environment ①

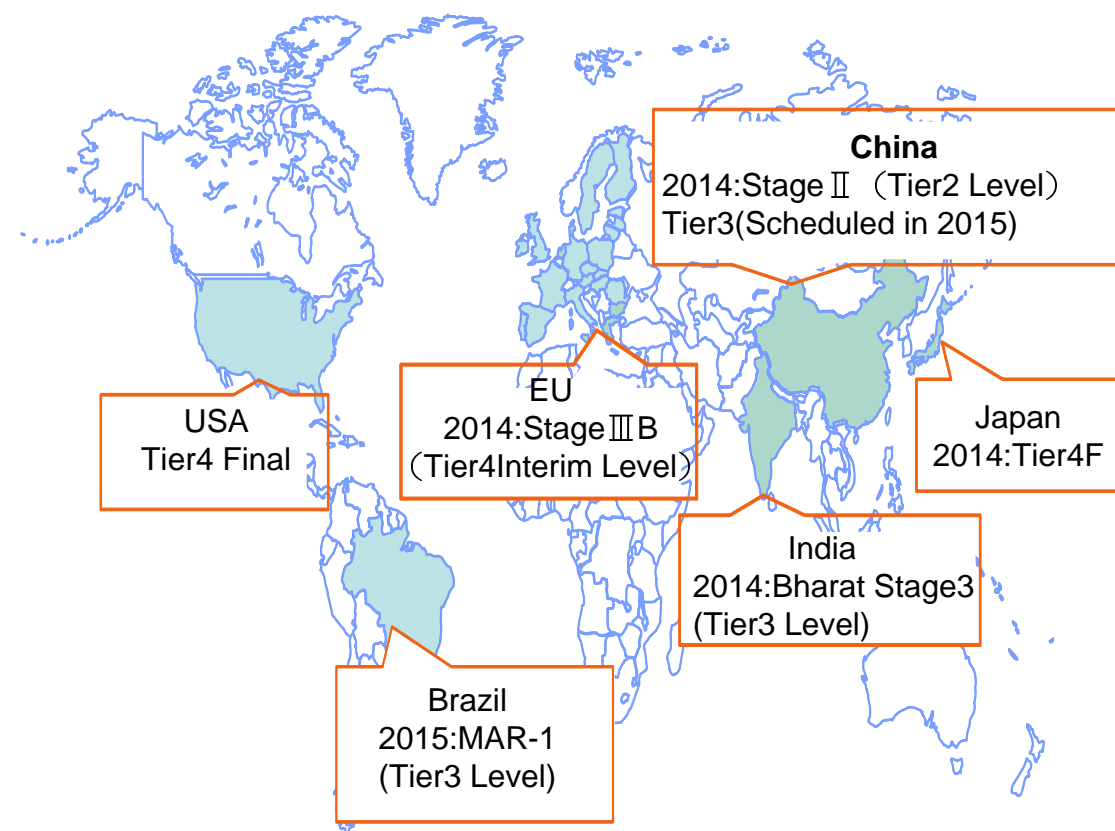
## Market demand for new hydraulic excavator (Number of machines)

■ Japan ■ Europe ■ North America ■ China  
■ Asia + Pacificocean ■ Others



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

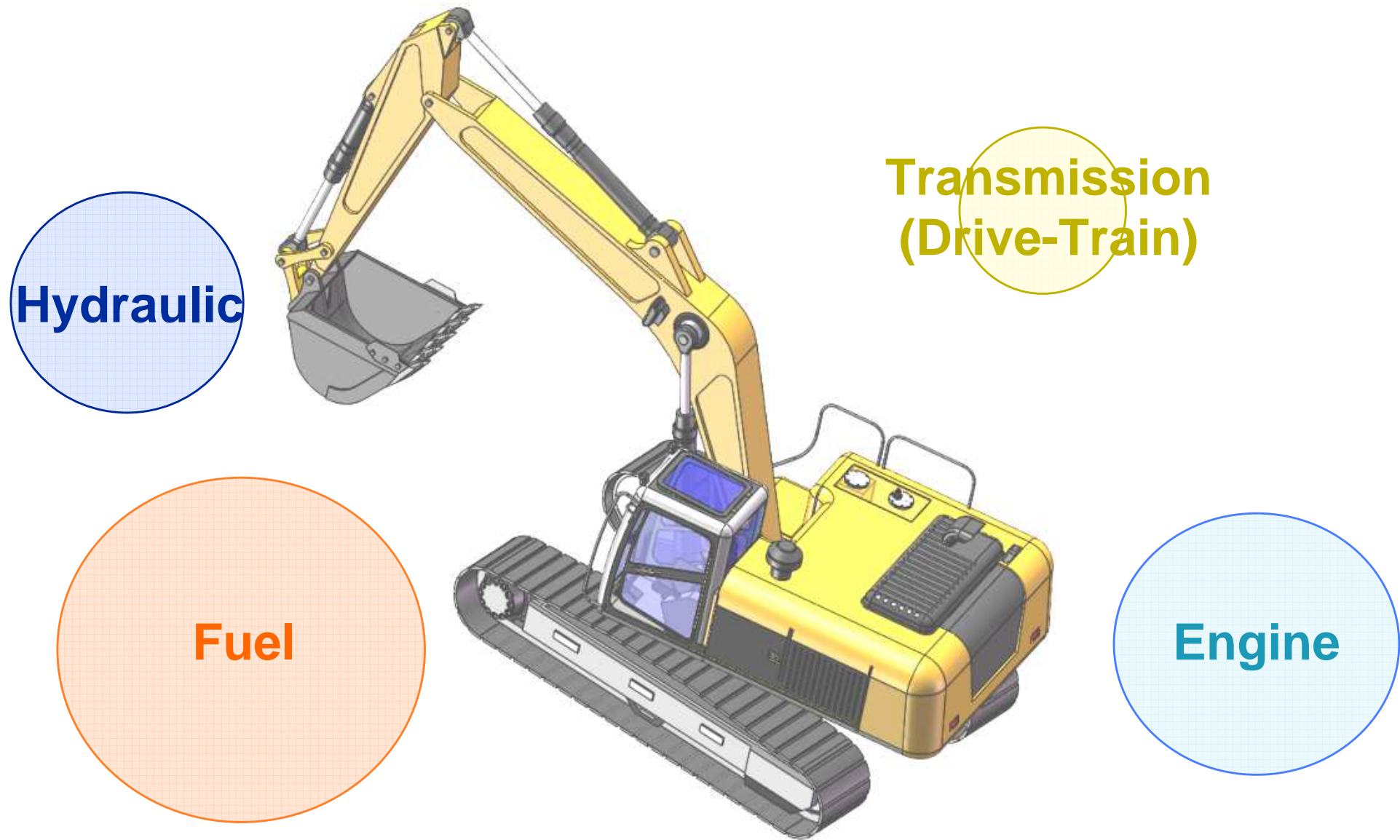
## Status of emission control by region



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

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

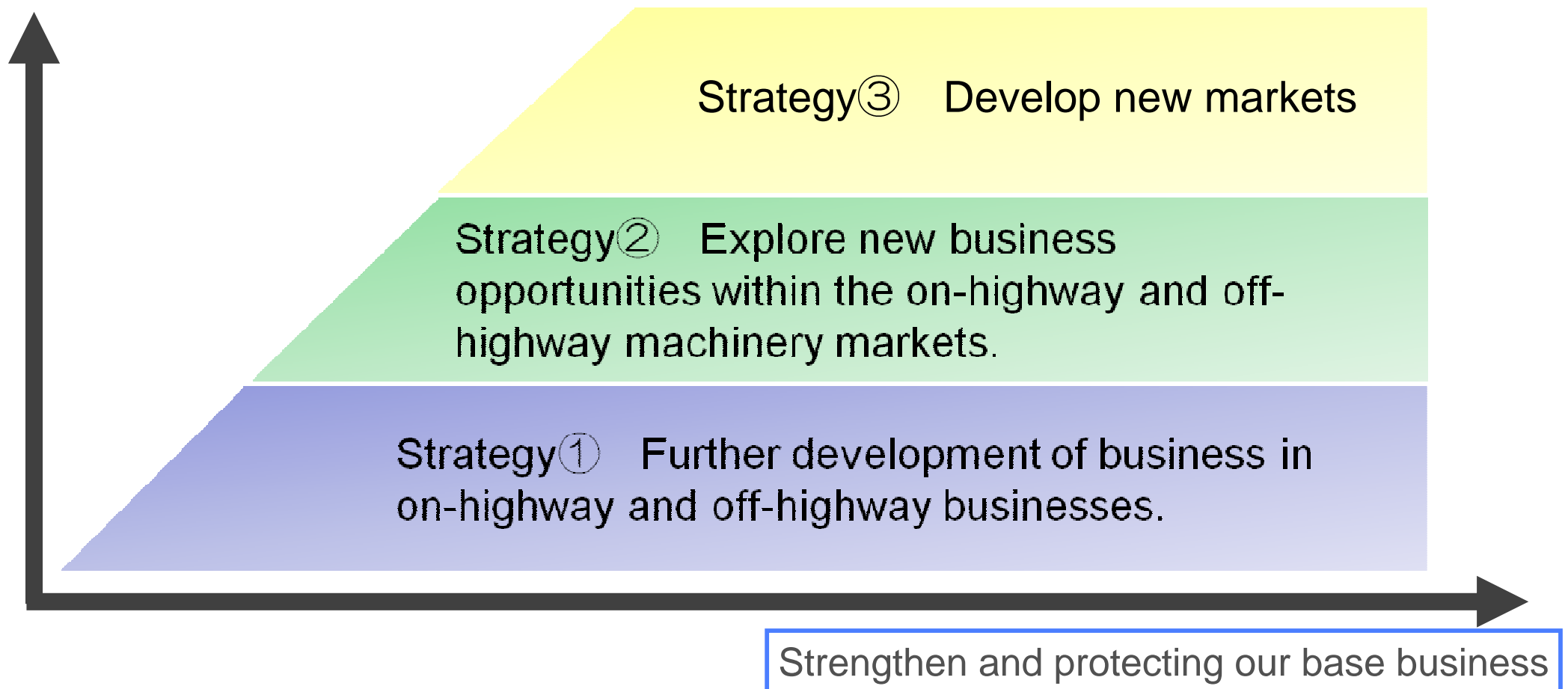
## 4.Growth Strategies : Business environment ②



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

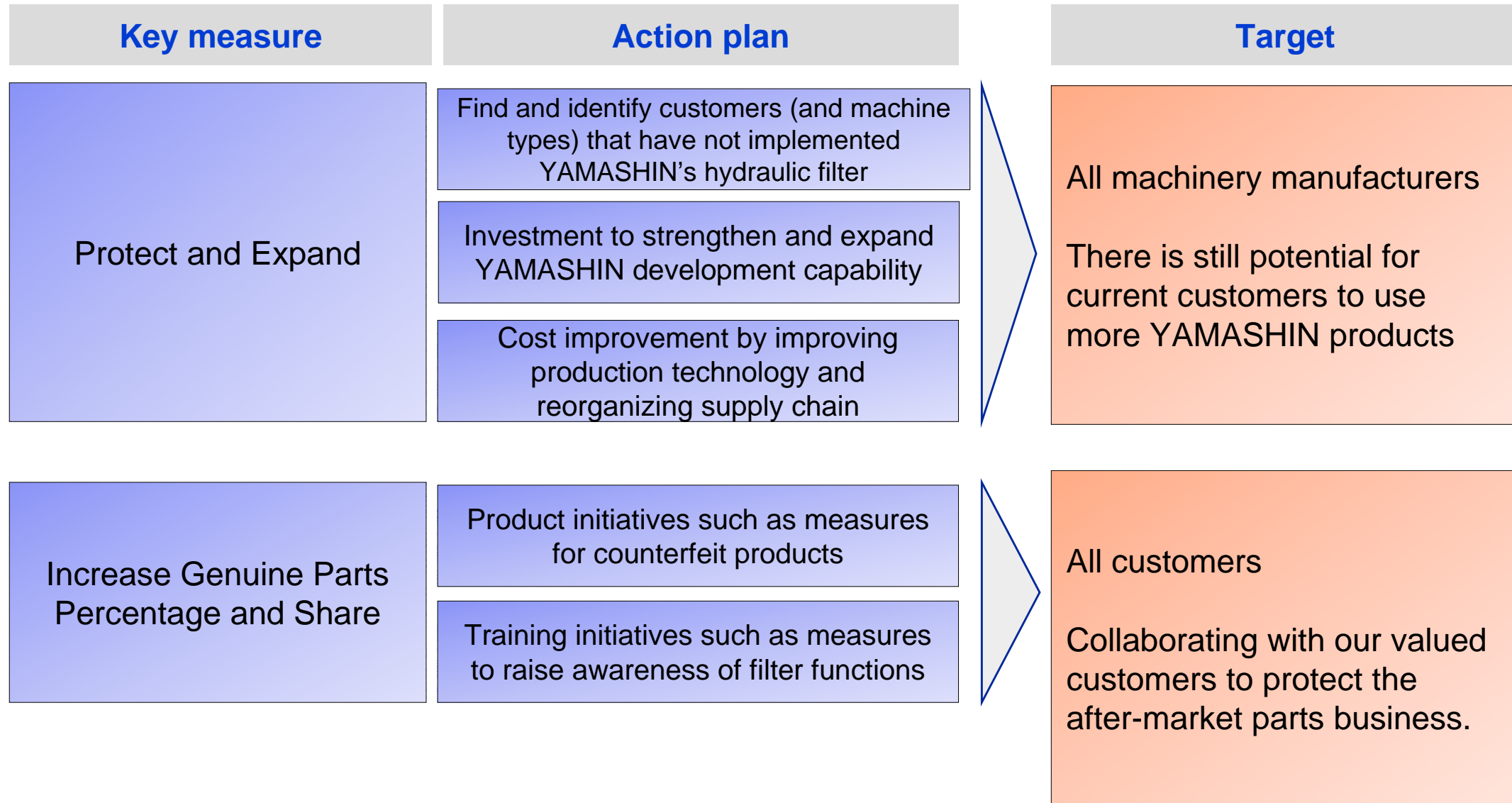
## 4.Growth Strategies : Three strategies

Business expansion



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

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



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

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

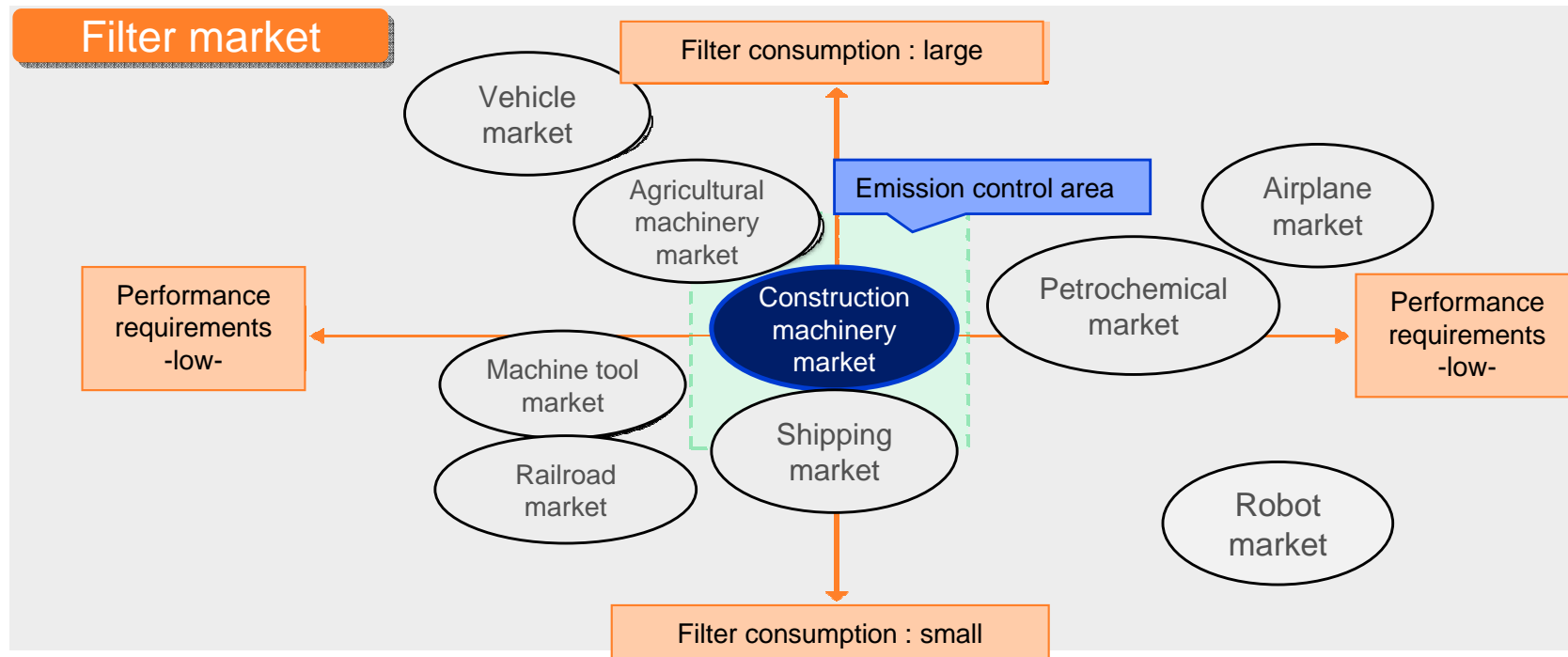
Key measure	Action plan	Target
Product Line Expansion	<div>Diversify the range of machines that use YAMASHIN's products.</div> <div>Greater filter variations</div>	<div>On-Highway and Off-Highway OEMs</div> <div>Increase the use of YAMASHIN products by utilizing opportunities created by periodic introductions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

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



## 4. Growth Strategies : Foster and develop new markets

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



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

## 5.Reference

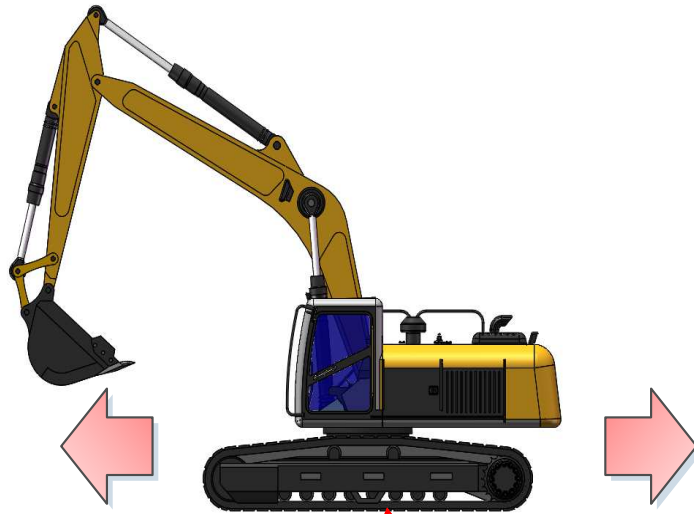
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- About hydraulic filter for construction machinery

## 5.Reference:

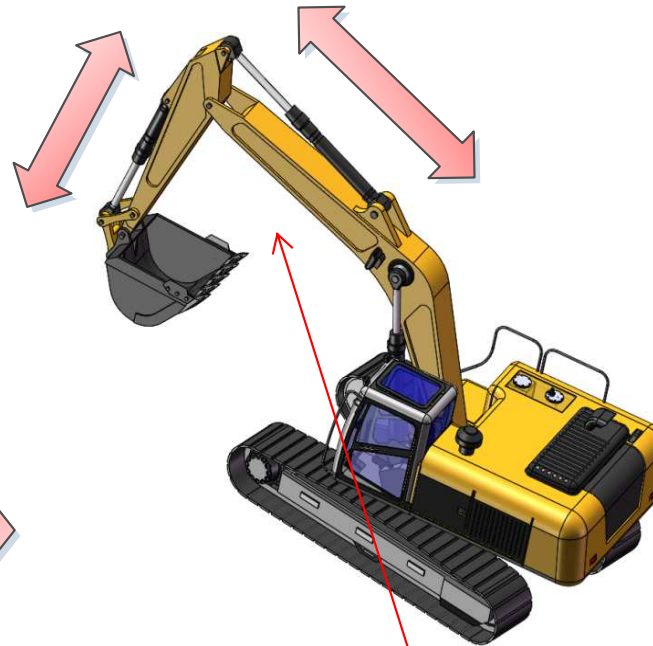
# About hydraulic filter for construction machinery ①

### Move・Stop・Bend



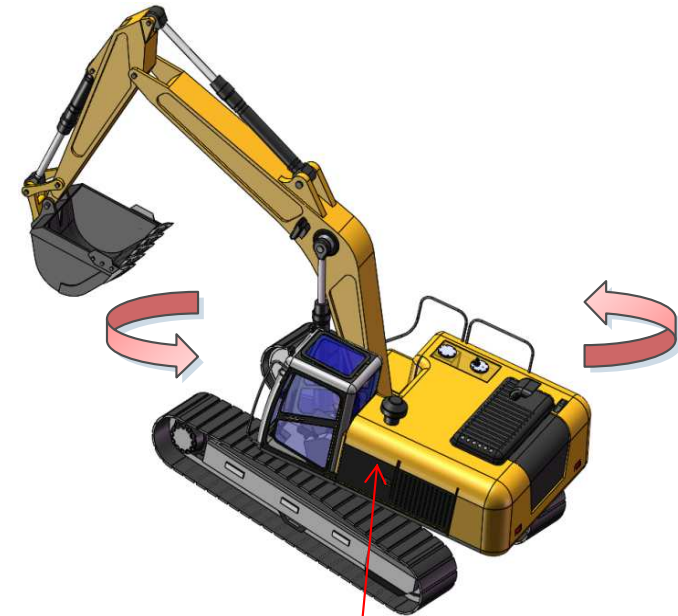
Travel motor is driven by hydraulic pressure

### Move the shovel



Move the cylinder using hydraulic pressure

### Turn the upper body



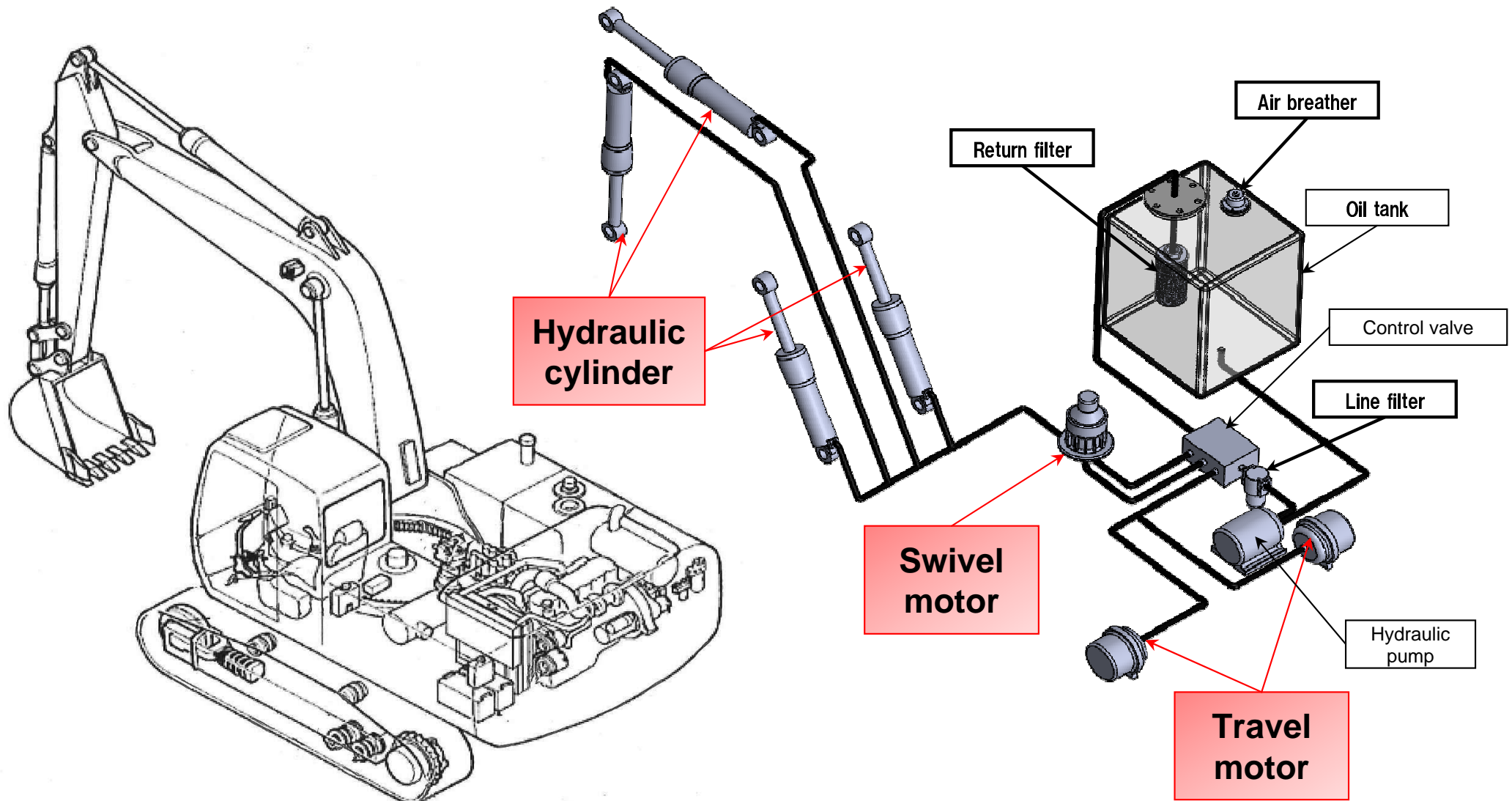
Swivel motor is driven by hydraulic pressure

**Construction machinery is operated using hydraulic pressure.**



## 5.Reference:

### About hydraulic filter for construction machinery ②

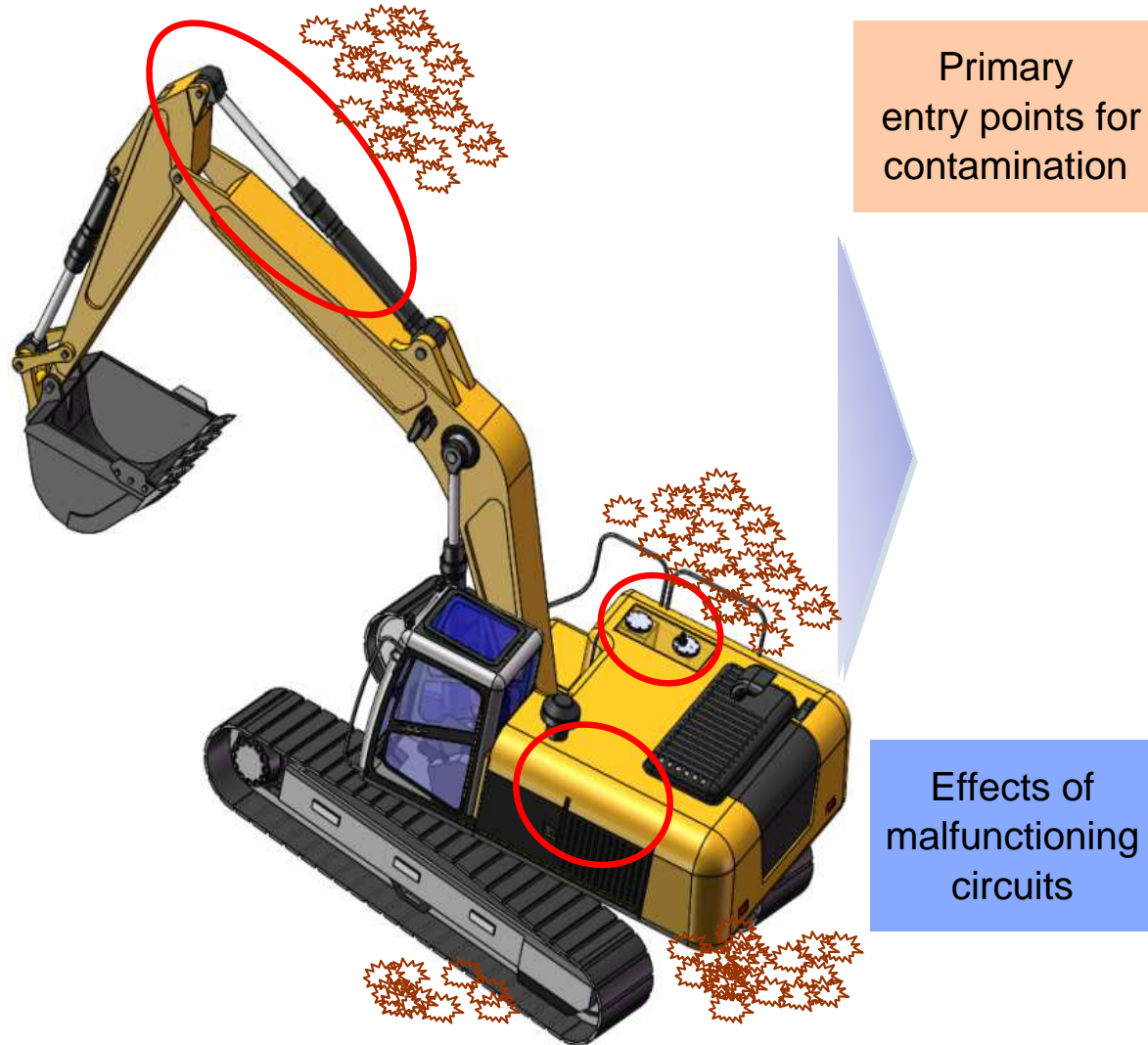


Reference : Japan Construction Equipment Manufacturers Association

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

## 5.Reference : About hydraulic filter for construction machinery ③

### ◆Hydraulic circuit : The importance of keeping it clean



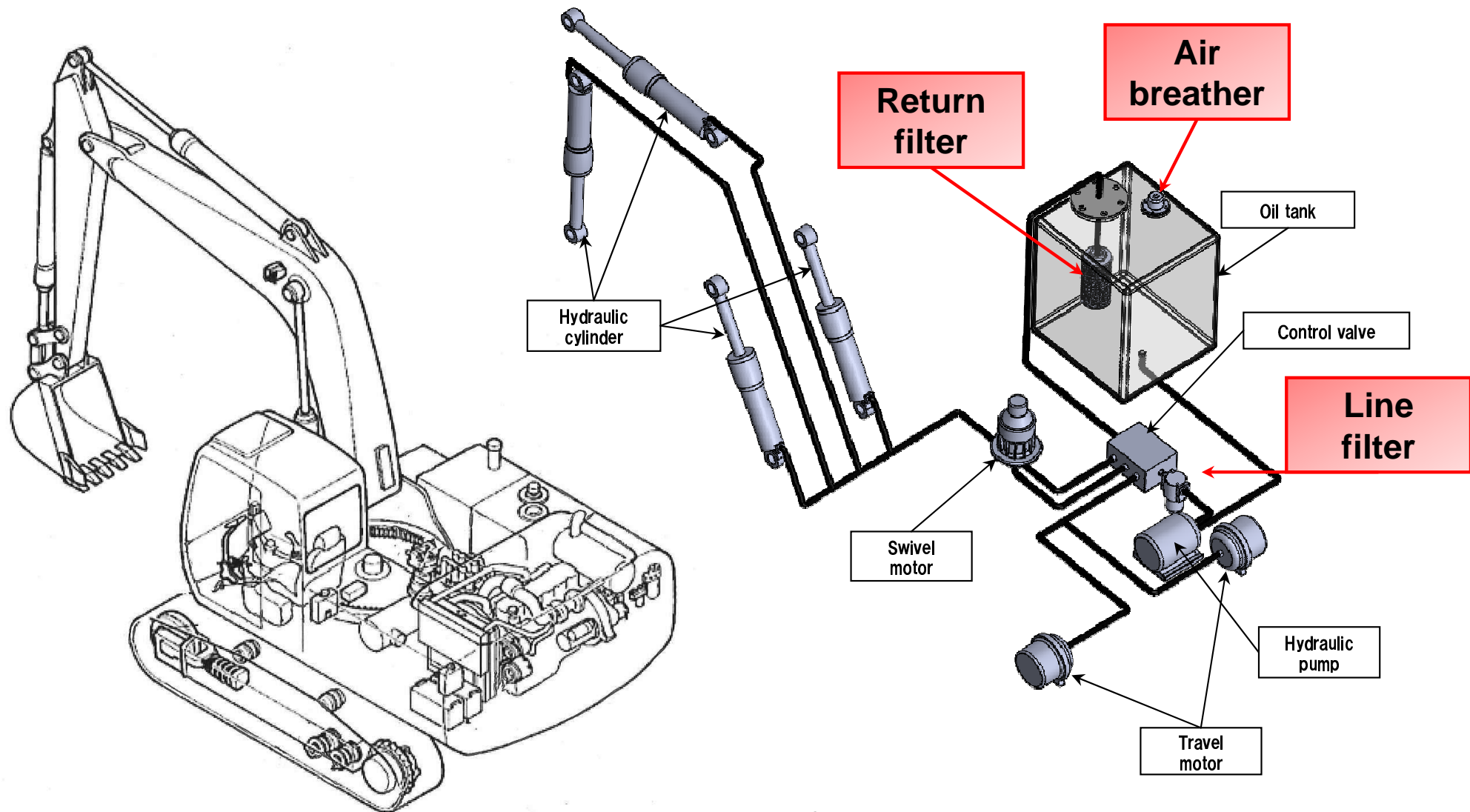
- Reaches the hydraulic circuit through sliding parts like cylinders
- Enters along with atmospheric contamination from the hydraulic fluid tank
- Residual contamination from production process or overhaul.
- Contamination internally generated by hydraulic circuit components like pumps and/or motors.

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

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

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

## 5.Reference : About hydraulic filter for construction machinery ④



Reference : Japan Construction Equipment Manufacturers Association

**Filtration is an indispensable part of the hydraulic system.**

## Forward-looking statements

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

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

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

Please contact us with any comments or questions:

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