



November 14, 2024

For immediate release

Company name: YAMASHIN-FILTER CORP.
Representative: Atsuhiko Yamazaki, Representative Director /
President
(Securities code: 6240, Tokyo Stock Exchange,
Prime Market)
Inquiries: Chikahisa Ioka, Director / Senior Managing
Executive Officer
(Telephone: +81-45-680-1671)

Notice Regarding Disclosure of the Medium-Term Management Plan

YAMASHIN-FILTER CORP. ("the Company") hereby announces that, at its Board of Directors meeting held on November 14, 2024, it resolved to disclose the Medium-Term Management Plan from FY2024 to FY2027. For details, please refer to the attached document.

1. Our current situation and challenges

The Company has established its own management indicator called "MAVY's." MAVY's is a quantitative indicator of added value created from business profits acquired through invested capital and is the most important management indicator for determining the sustainable growth of our corporate value. We base our management on the sustainable expansion of "MAVY's" as an indicator of our corporate value. However, due to changes in the external environment caused by the COVID-19 pandemic and internal factors, our average cost of capital (WACC) over the past five years has been approximately 7.5%, and ROIC for the previous fiscal year was approximately 4.9%, both of which are below our cost of capital. In addition, the actual PBR has fallen to approximately 1.6 times, nearly 1. We believe that it is urgent for us to quickly implement measures to increase our corporate value as well as improve our investment efficiency.

(Millions of yen)

	FY2021	FY2022	FY2023
Net sales	18,821	18,605	18,024
Operating income	1,344	1,235	1,411
Operating income margin	7.1%	6.6%	7.8%
MAVY's	(2.8%)	(4.4%)	(2.6%)
ROIC	4.7%	3.1%	4.9%
WACC	7.5%	7.5%	7.5%
PBR (times)	1.2	1.2	1.6
DOE	2.1%	2.1%	2.0%
Dividend payout ratio	909.5%	66.5%	54.5%

2. Future actions

In light of this current situation, in our medium-term management plan (fiscal year ending March 2025 to fiscal year ending March 2028), under our corporate philosophy of *Rokajinitsukafuru* (contributing to society through filtration business), we aim to achieve sustainable business growth and increase our corporate value as a unique comprehensive filter manufacturer that sets the next global standard. To achieve this, we have formulated strategies to implement the plan, which are: <1> Initiatives to create new value, <2> Strengthen management with a focus on capital costs, and <3> Promote ESG management. We have decided to disclose specific initiatives based on these strategies and the following quantitative targets.

<1> Initiatives to create new value

Construction Machinery Filter segment

- (1) Expand market share through diverse approaches
- (2) Introduce high-value-added products
- (3) Advance aftermarket activities

Air Filter segment

- (1) Strengthen existing commercial distribution
- (2) Enhance direct sales system
- (3) Expand sales of filter media

<2> Strengthen management with a focus on capital costs

Financial and shareholder return KPIs by FY2027:

- (1) MAVY's of 2% or more (assuming WACC is currently 8.1%, and 7.3% by FY2027)
- (2) ROIC 10% or more
- (3) DOE 10%
- (4) Dividend payout ratio 80%

*Share buybacks will be considered taking into account growth investments, market conditions, etc.

<3> Promote ESG management

Non-financial KPIs by FY2027:

- (1) FTSE score of 4.0 or more
- (2) CDP score A

3. Quantitative targets in the Medium-Term Management Plan

(Millions of yen)

	FY2024	FY2025	FY2026	FY2027
Net sales	19,300	20,420	22,030	23,790
Operating income	2,220	2,720	3,220	3,875
Operating income margin	11.5%	13.3%	14.6%	16.3%
MAVY's	(1.4%)	0.2%	1.3%	2.9%
ROIC	6.7%	8.1%	8.9%	10.2%
WACC	8.1%	7.9%	7.6%	7.3%
DOE	3.9%	5.0%	7.4%	10.3%
Dividend payout ratio	57.2%	58.1%	72.2%	82.9%

Medium-Term Management Plan

Fly to the next stage!

Explanatory
Material

YAMASHIN-FILTER CORP.
November 14, 2024



| YAMASHIN's Strengths & Review

Key Characteristics of the Company in the Construction Machinery Filter Business (1)

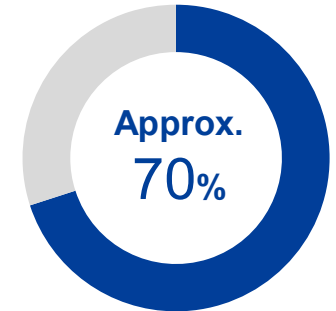
As a Tier 1 manufacturer, we possess extensive knowledge and primary information on the construction machinery industry and customer businesses. By leveraging this expertise, we maximize customer value through product development and optimal supply, maintaining a leading market share.

KEY POINT 1

Tier 1 Manufacturer
of filter products for the construction
machinery field

KEY POINT 2

No. 1 Global share
in hydraulic filters for
construction machinery



Sales share for hydraulic filters
used in major domestic construction
machinery (FY2012)
Source: Yano Research Institute

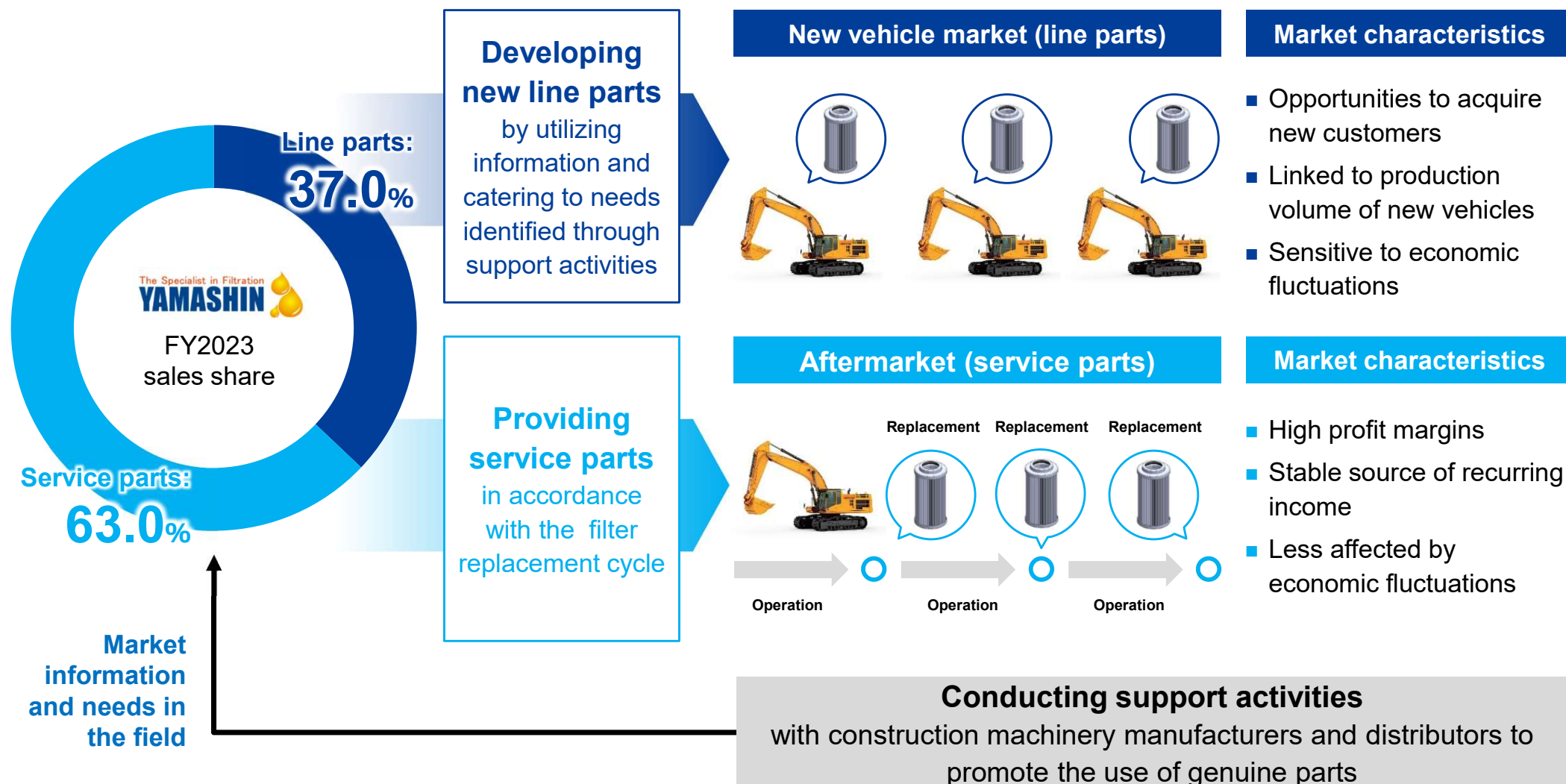


Maximizing new customer value
by understanding industry and
customer challenges and needs
across all industry segments



Key Characteristics of the Company in the Construction Machinery Filter Business (2)

We have achieved a stable earnings structure by combining line parts for new vehicles with aftermarket replacement parts. In addition, we have established a cycle in which our understanding of market information and needs drives new product development.



Review through FY2023 and Challenges Faced

Over the past five years, MAVY's^{*1}, an indicator of management value-added, has remained in negative territory.

External Factors

- Impact of COVID-19, including surging prices, and higher raw material and transportation costs
- Reassessment of China business amid global uncertainty (e.g., conflicts)
- Significant fluctuations in the demand environment due to the emergence of geopolitical risks

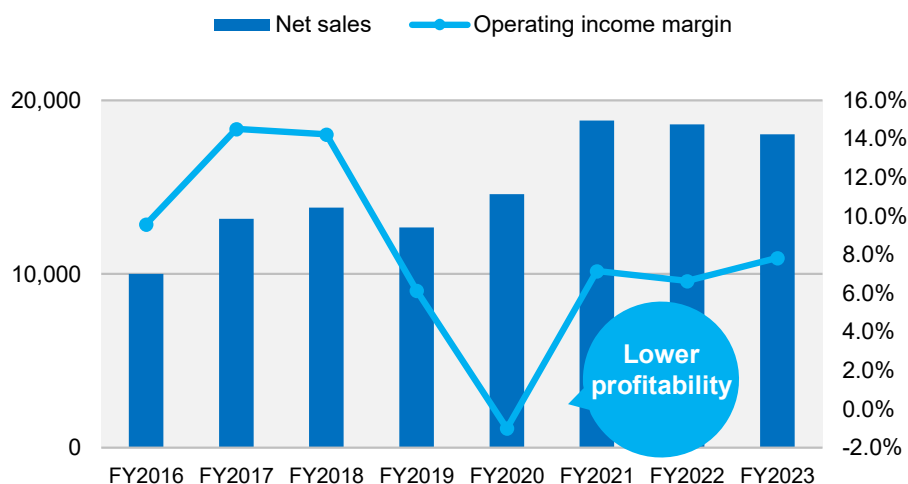
Internal Factors

- Delays in passing on rising raw material costs to pricing
- Lag in establishing a portfolio of new businesses
- Group governance issues

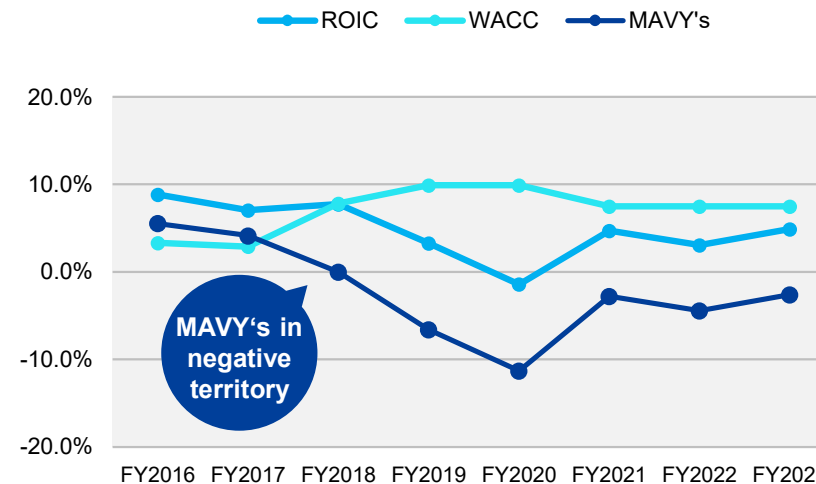
Business-related Changes

- Acquisition of consolidated subsidiaries through M&A activity
- Worsening profitability mainly due to impairment losses in the mask business
- Increase in human resources
- Increase in costs related to ESG and human capital

Net sales, Operating Income Margin



Key Management Indicators



^{*1} MAVY's = ROIC – WACC

Overview of the Medium-Term Management Plan 2027

“Fly to the next stage!”

Positioning of Medium-Term Management Plan

Track record 2018–2024

We have historically maintained high profitability as a global niche leader, but increases in raw material and transportation costs driven by the COVID-19 pandemic have affected our earnings performance since 2020

Measures Implemented

- Focused on improving our earnings foundations
- Overhauled governance
- Reassessed ventures into new domains

Medium-Term Management Plan 2027 Fly to the next stage! FY2024–FY2027

**Aiming for dramatic growth as a
leading global company**

**Undertake initiatives
to create new value**

**Strengthen management
with a focus on capital costs**

Promote ESG management

Future Vision FY2028 and beyond

**Evolve into a unique,
comprehensive filter
manufacturer that sets the
next global standard**

Envisioned Direction and Strategy

- Expand the economic sphere for filters
- Develop products that address environmental challenges and social demands
- Strive to redefine and broaden the filter business domain

Overview of New Medium-Term Management Plan

Construction Machinery Filters

- Expand market share through diverse approaches
- Introduce high-value-added products
- Advance aftermarket activities

Manage MAVY's to enhance corporate value

Financial KPIs (FY2027)

- MAVY's: **2%** or more (company-specific indicator)
- ROIC: **10%** or more
- WACC: **7.3%**

Shareholder Return KPIs (FY2027)

- DOE: **10%**
- Dividend payout ratio: **80%**

Air Filters

- Strengthen existing commercial distribution
- Strengthen direct sales structure
- Expand sales of filter media

ESG management aimed at building a sustainable society

Non-Financial KPIs (FY2027)

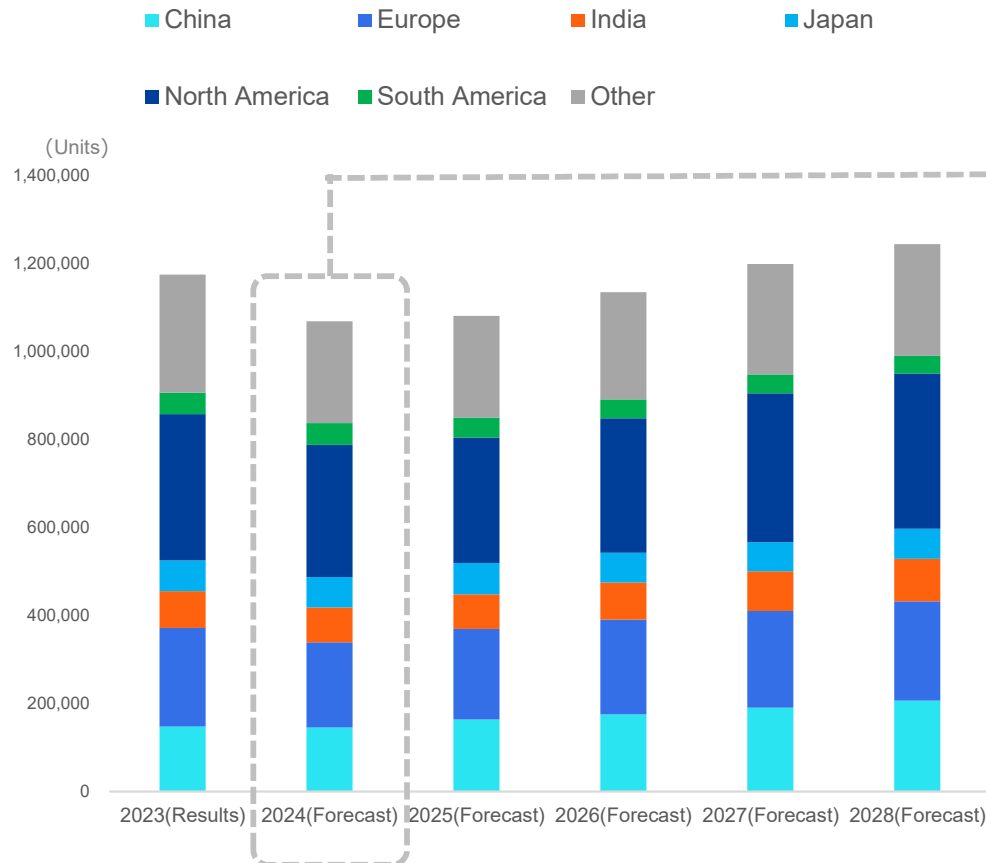
- ESG investment indices
- FTSE score: **4.0** or more
 - CDP Climate Change Score: **A**



| Initiatives to Create New Value

The market is currently in a correction phase due to the backlash in demand, but is on an upward trend in the future.

Construction machinery demand forecast



Source: Created by the Company based on a report by Off-Highway

Outlook for FY2024

North American Market

The very strong North American market is also in a correction phase, but a further economic stimulus package and infrastructure spending under the Inflation Reduction Act are expected from next year onwards, which are expected to drive demand going forward.

Asian Market

The rapid population growth will continue to drive growth as the labor supply grows. The impact of the general election is limited, and resource prices remain at high levels, making this a promising market.

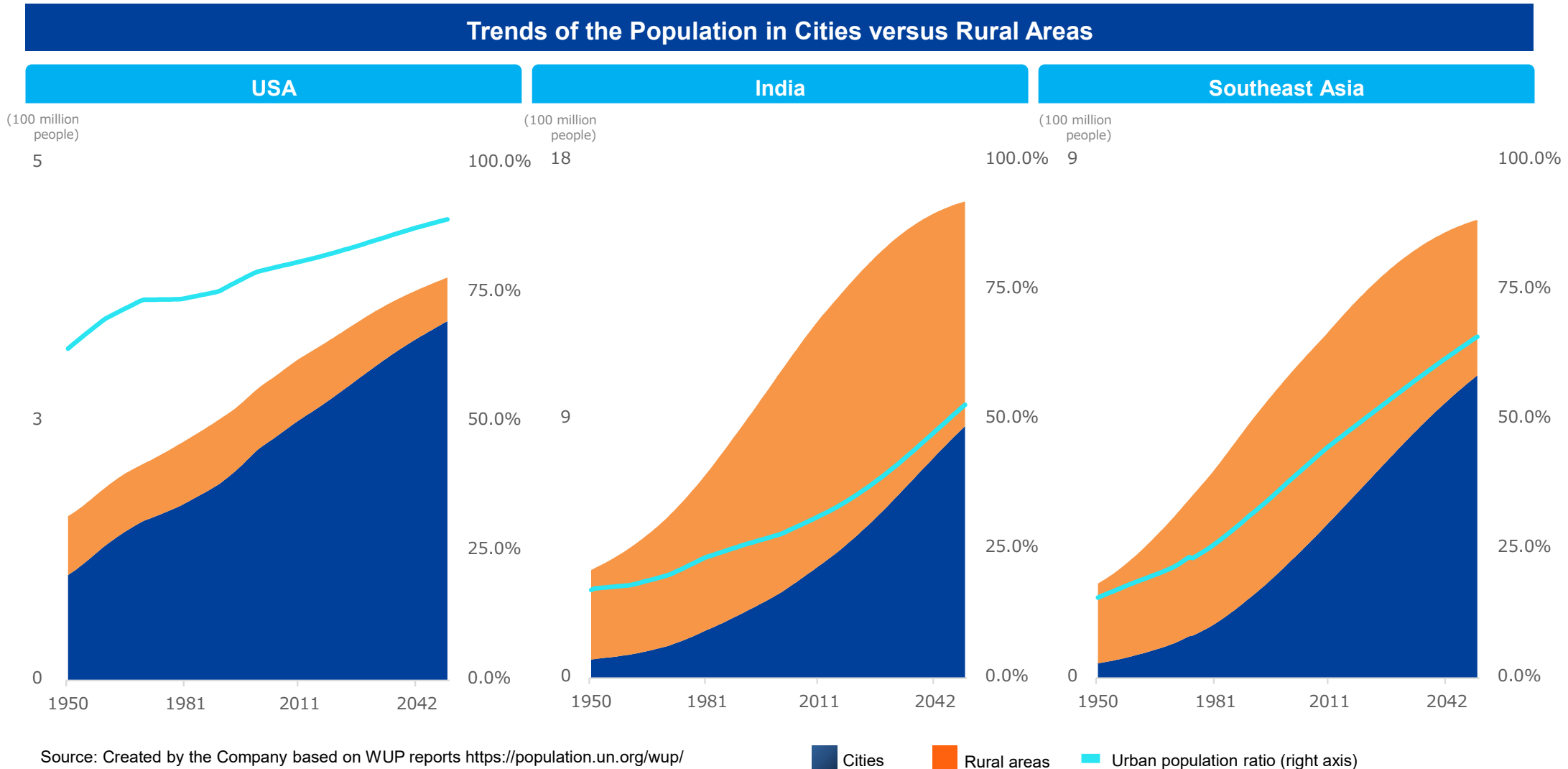
European Market

High interest rates are also having a direct impact on the construction machinery market, with many buyers citing high financing costs and the prospect of interest rates being reduced within the next 18 months.

Chinese Market

The real estate sector is expected to take some time to recover. The economy is expected to remain sluggish for the time being as local governments lack the capacity to implement traditional economic stimulus packages.

The urban population ratio, which is closely linked to demand for construction machinery, will continue to rise in the long term, leaving ample room for growth.



Source: Created by the Company based on WUP reports <https://population.un.org/wup/>

Construction Machinery Filter Business

Sales	<ul style="list-style-type: none"> Win market share through orders for large projects Boost sales through expanded supply of YAMASHIN Nano Filter™ Secure additional earnings opportunities in the aftermarket
Operating income	<ul style="list-style-type: none"> Undertake activities to reduce costs alongside sales growth Generate cost savings by transitioning from traditional to new materials Expand sales opportunities for high-margin products
MAVY's	<ul style="list-style-type: none"> Enhance profitability significantly Maximize capital efficiency through targeted investments

Key Strategies and Initiatives

1

Expand market share through diverse approaches

Market share expansion hinges on diverse, multi-layered proposals and sales activities with a dual focus on customers and technology

2

Introduce high-value-added products

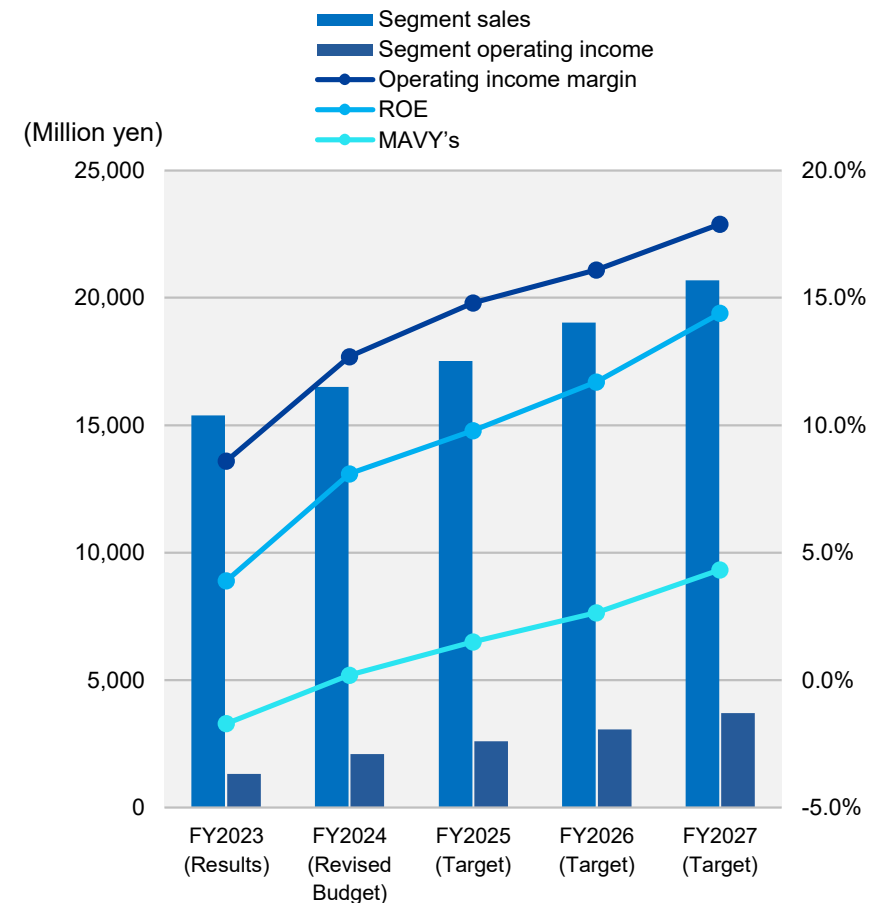
Longer lifespan and miniaturization: Transition to nanofiber filters

3

Advance aftermarket activities

Planning and implementing activities that go beyond genuine filter usage rates, including support for warranty subscription initiatives


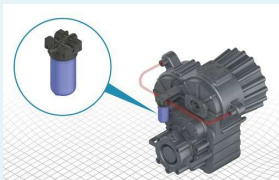

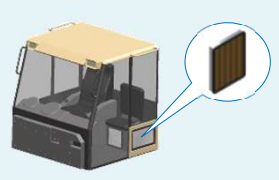

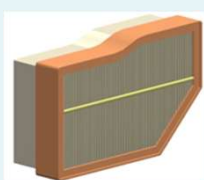
Four-year CAGR



Key Strategy (1): Expand Market Share through Diverse Approaches

A wide variety of filters are used in construction machinery, and adoption rates vary by customer.

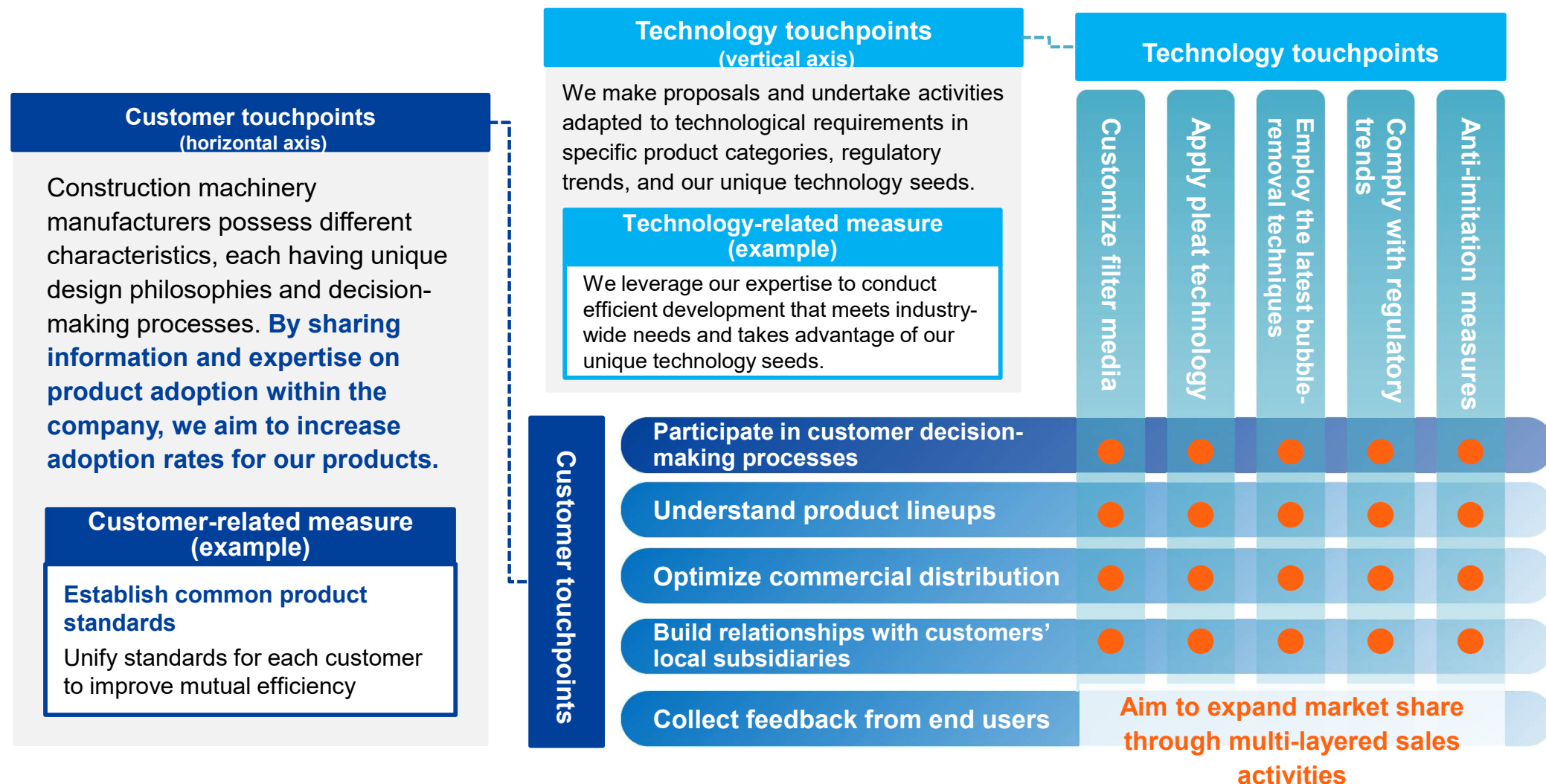
Untapped customers and construction machinery models present growth opportunities for the company.

Customer \ Product	Hydraulic fluid filters	Transmission filters	Fuel filters	Cabin filters	Engine oil filters	Engine air filters
						
Company A	◎	◎	◎	◎	△	△
Company B	△	◎	△	△	◎	△
Company C	○	◎	△	△	△	△
Company D	◎	◎	△	△	-	△
Company E	◎	○	△	△	-	△

◎: Share of 80.0% or higher, ○: share of 50.0% to less than 80%, △: share below 50.0%

Key Strategy (1): Expand Market Share through Diverse Approaches

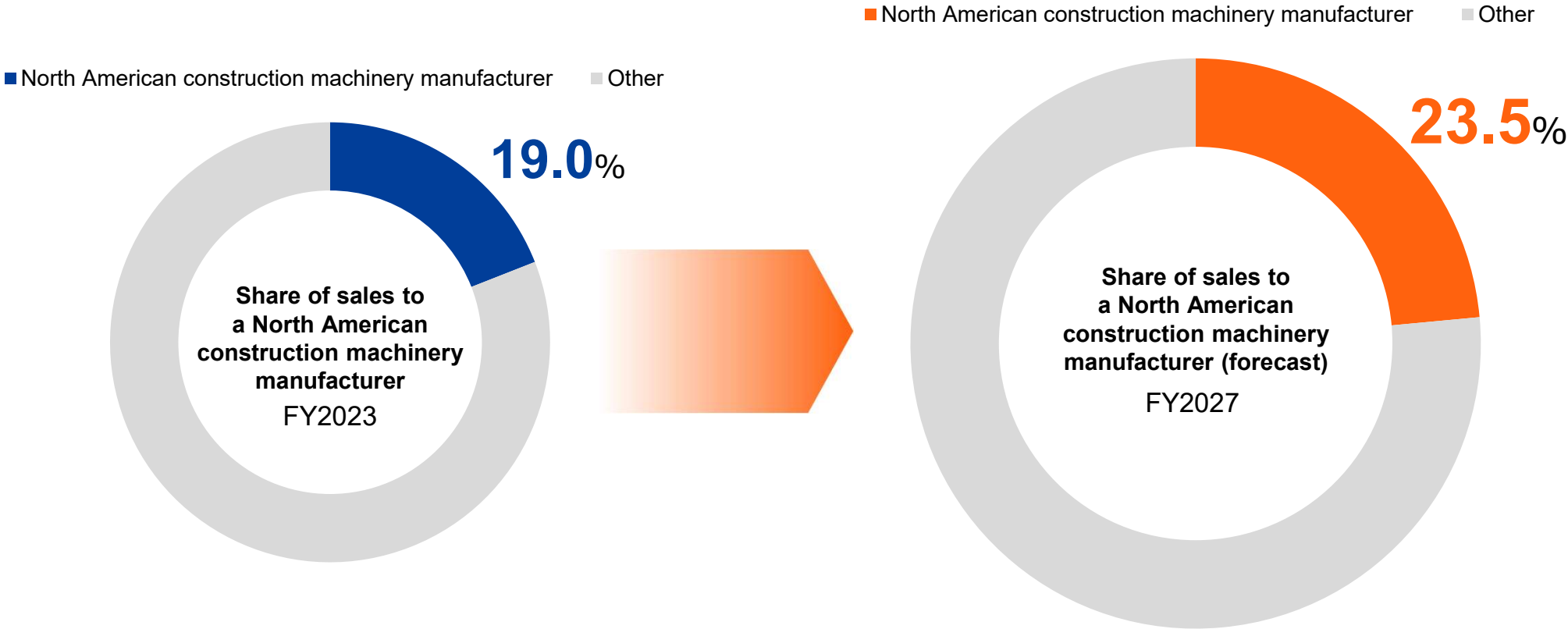
We aim to further expand our market share through multi-layered sales activities that leverage two key approaches: a “customer touchpoints” that capitalizes on diverse customer touchpoints, and a “technology touchpoints” underpinned by proprietary development.



Key Strategy (1): Expand Market Share through Diverse Approaches



We aim for a significant expansion in the share of sales to North American construction machinery manufacturers.



Key Strategy (2): Introduce High-Value-Added Products

We have a track record of pioneering de facto standards in the construction machinery industry. We are pushing forward with the introduction of nanofiber as a next-generation filter medium to replace glass fiber ahead of our competitors.

To date

We have historically focused on filter media that meet the demands of society, and developed proprietary materials as an industry-leading company

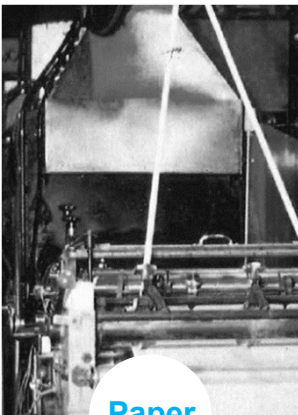
Founding Phase



Fabric

Sewed canvas products

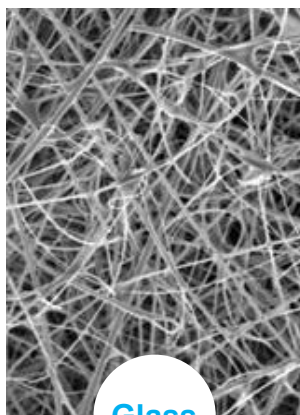
Early Phase



Paper

Developed proprietary filter paper as a filter manufacturer

Growth Phase



Glass

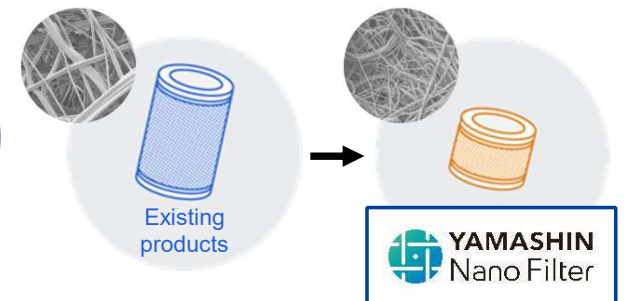
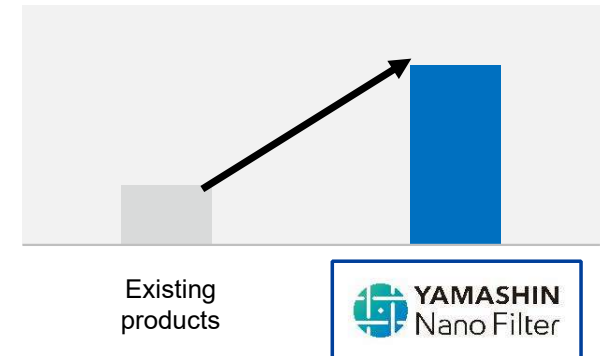
Dominated the market with glass fiber, capturing a high market share

New products

Nanofiber material, created from YAMASHIN Nano Filter®, features a three-dimensional structure and high flexibility in processing

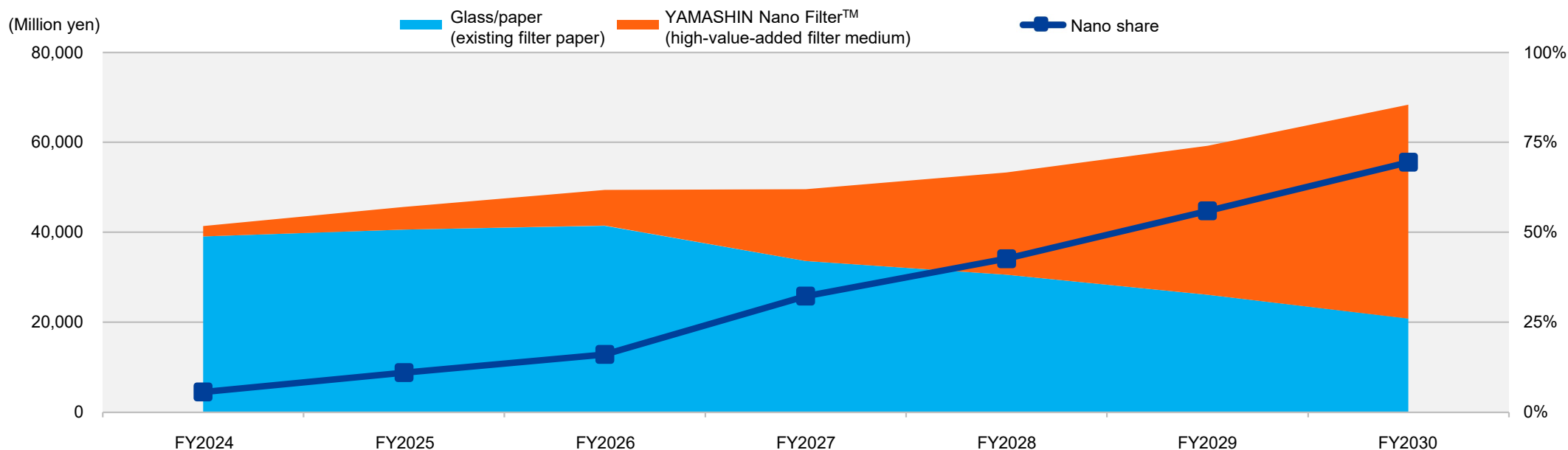
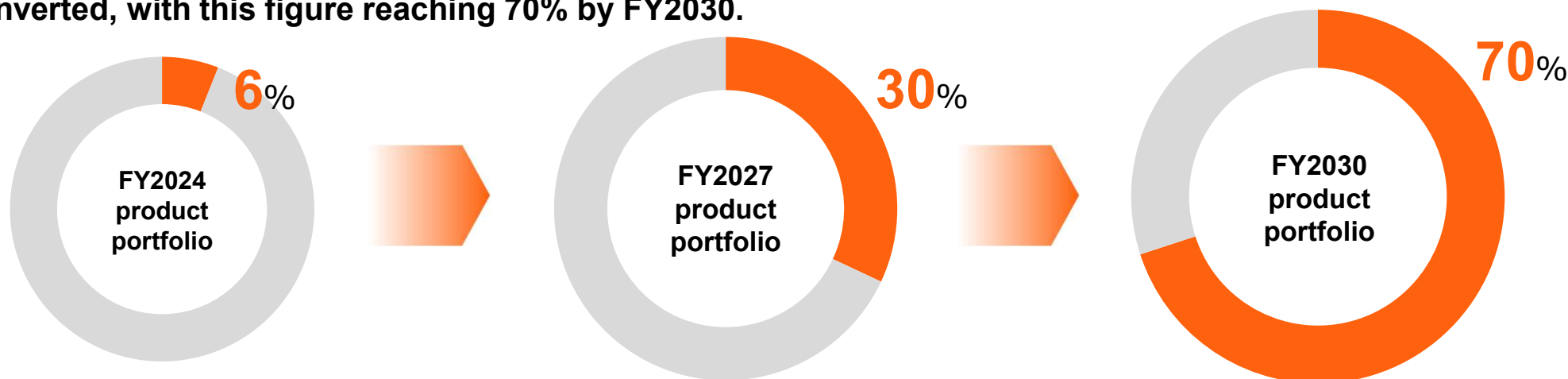
By harnessing the material performance,
approx. three times the amount of dust can be captured compared to existing products

Achieves approx. twice the accuracy compared to conventional glass fiber products

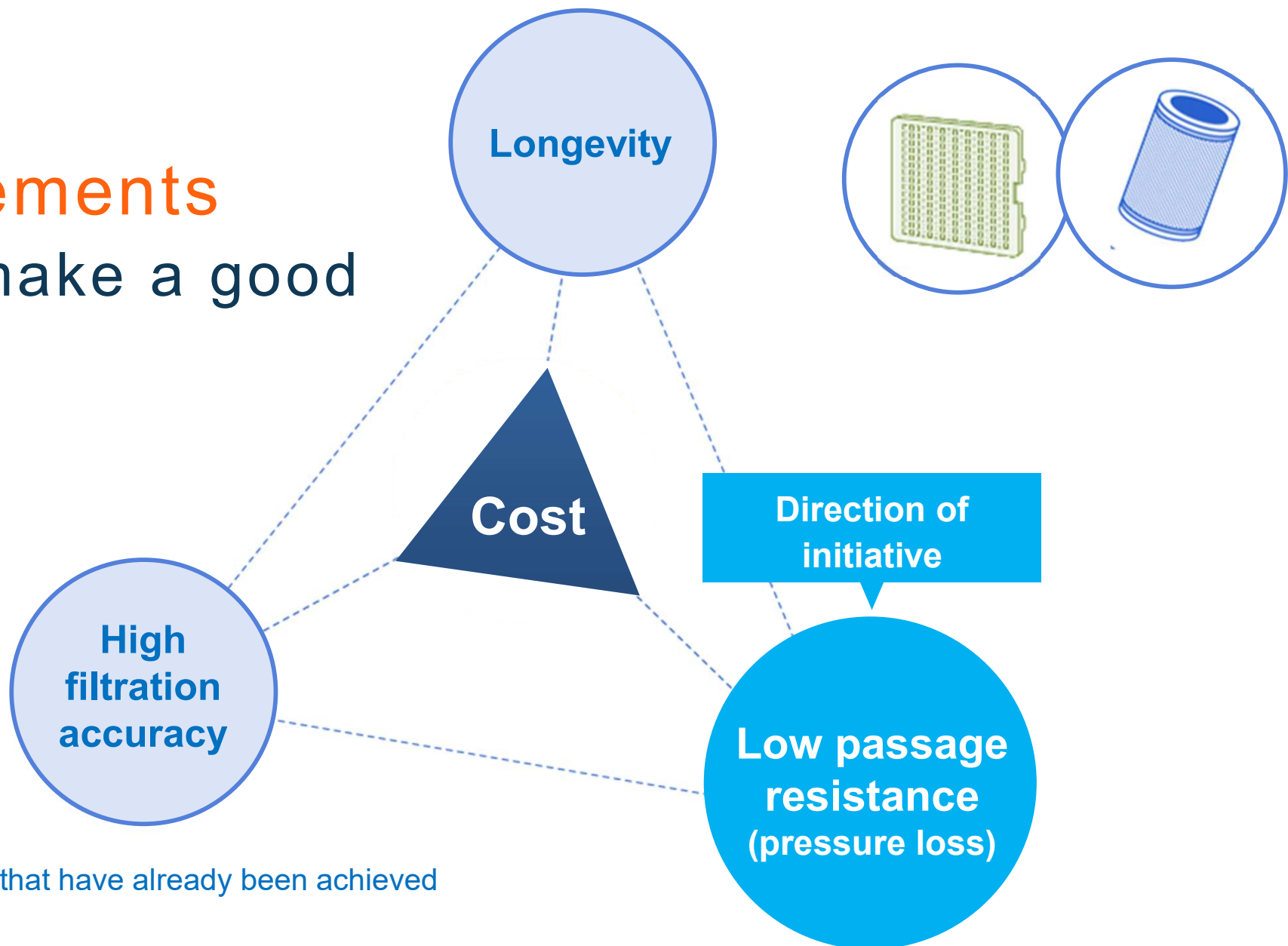


Key Strategy (2): Introduce High-Value-Added Products

The transition to high-value-added products (specifically, YAMASHIN Nano Filter™), is progressing steadily. By the final year of the medium-term management plan, approximately 30% of our products are expected to be converted, with this figure reaching 70% by FY2030.



3 elements that make a good filter



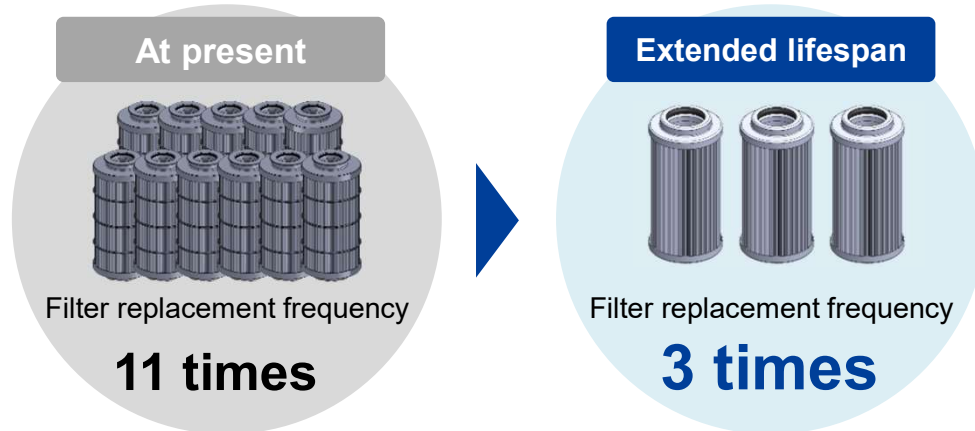
○ Elements that have already been achieved

Key Strategy (2): Introduce High-Value-Added Products

By reducing pressure loss, which is the resistance encountered when air passes through the filter, multiple benefits can be derived. To further drive the adoption of nanofiber, we have launched a Project Phantom, and are exploring diverse approaches.

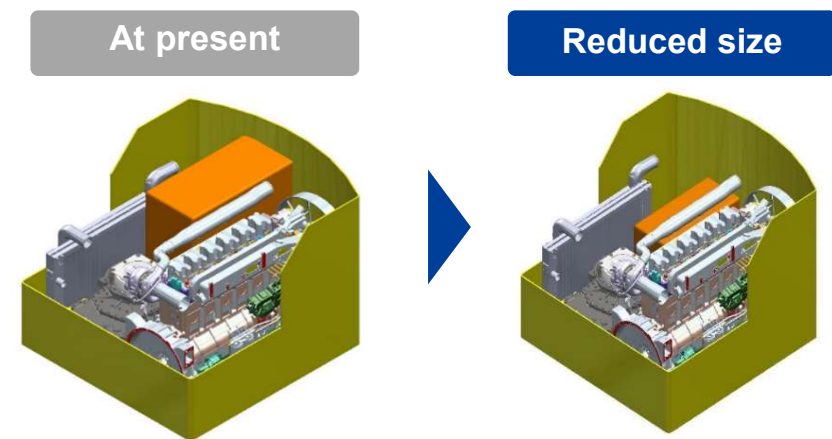
Extended Lifespan

Improved life cycle cost (LCC) contributes to **reduced environmental impact and less machine downtime**



Space Efficiency (Miniaturization)

By reducing filter resistance, **the filter is reduced to the optimal size**



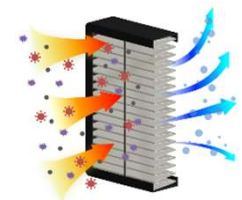
Smart Design

Aiming to reduce pressure loss by **starting to review existing structures and designs**



Improved Energy Efficiency

Lower passage resistance minimizes energy loss, **enhancing fuel efficiency for customers**

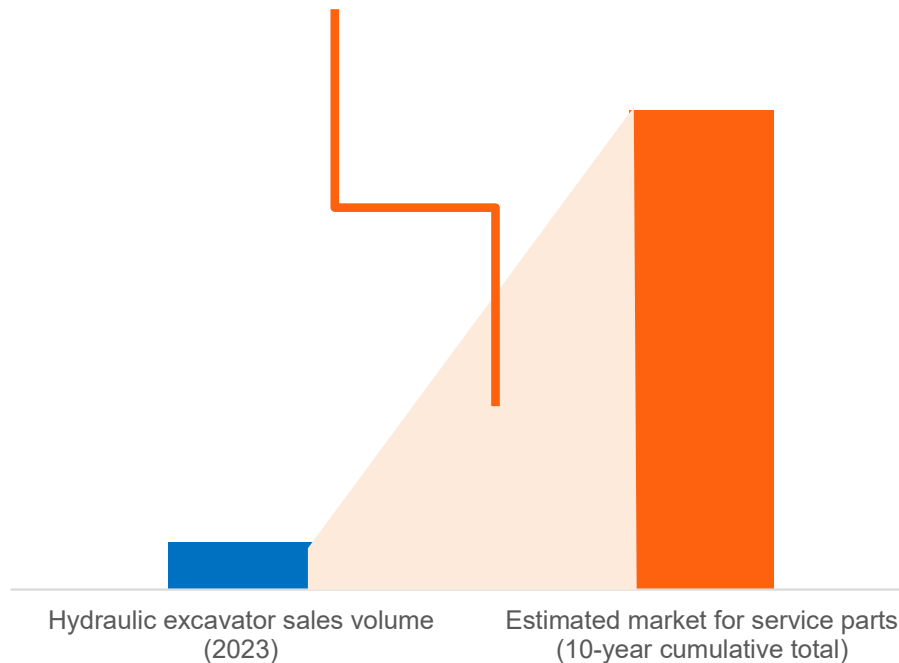


Key Strategy (3): Advance Aftermarket Activities

The aftermarket presents substantial growth opportunities, and we have only tapped a fraction of its potential.

Market Data: Single Year, Five-Year Sales Volume

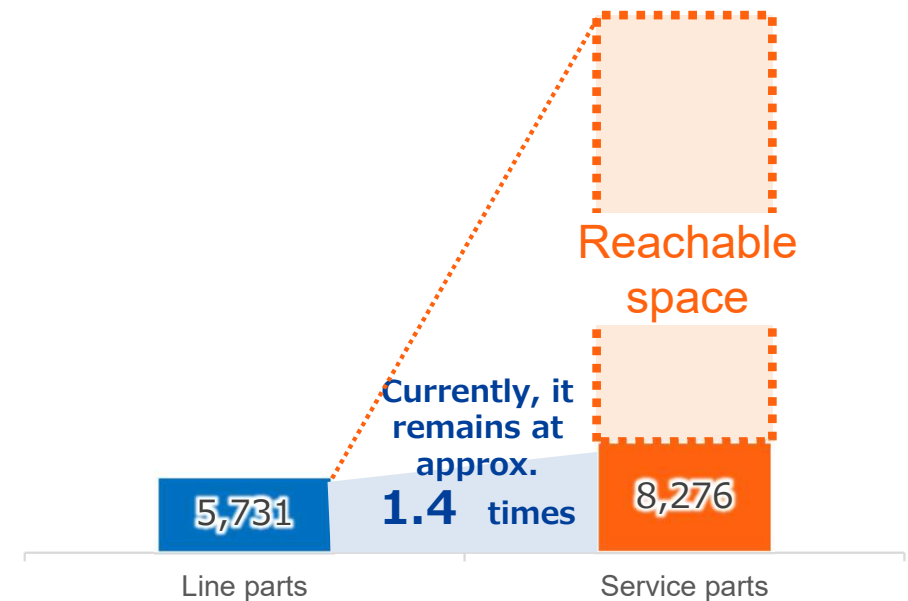
The market for service parts
is approx. **10** times the size of
the line parts market



Company Product Composition (FY2023): Line vs. Service Parts

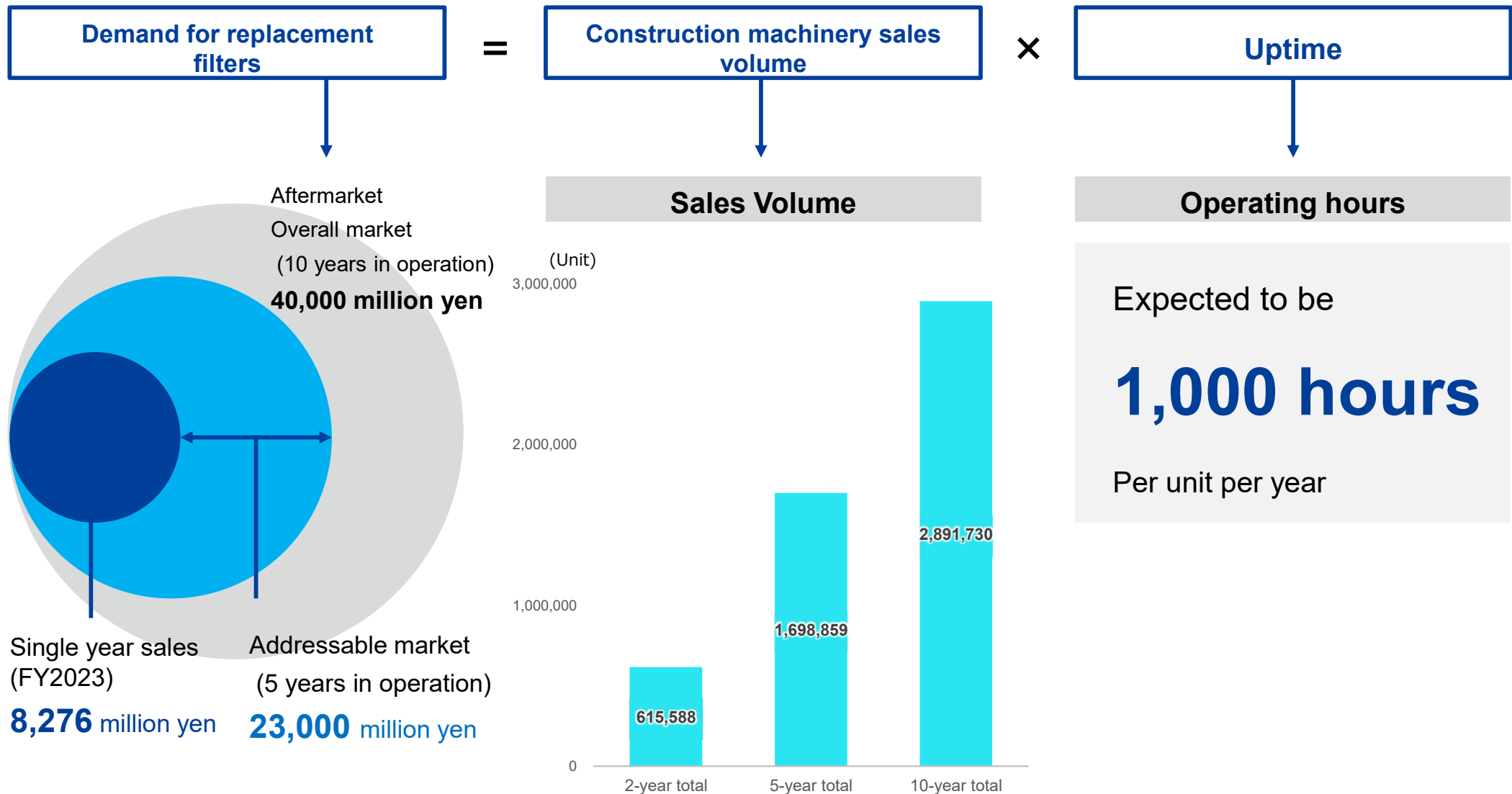
The Specialist in Filtration
YAMASHIN

Our sales of service parts are
approx. **1.4** times those
of line parts



Key Strategy 3: Evolving Aftermarket Activities

If we can capture demand for a wide range of aftermarket units, we will be able to reach a huge potential market.



Key Strategy 3: Evolving Aftermarket Activities

We will update our awareness-raising activities, which have been widely and generically conducted, to increase the resolution of the target and to be directly and indirectly involved in guarantees. This will lead to long-term repeat customers who can be expected to generate stable demand.

Our former role in the aftermarket

We conducted seminars with construction machinery manufacturers' distributors to encourage the use of genuine filters, which led to increased filter sales.

Seminars



Filter sales

- Line parts
- Service parts

63.0%

Sales composition ratio in FY2023

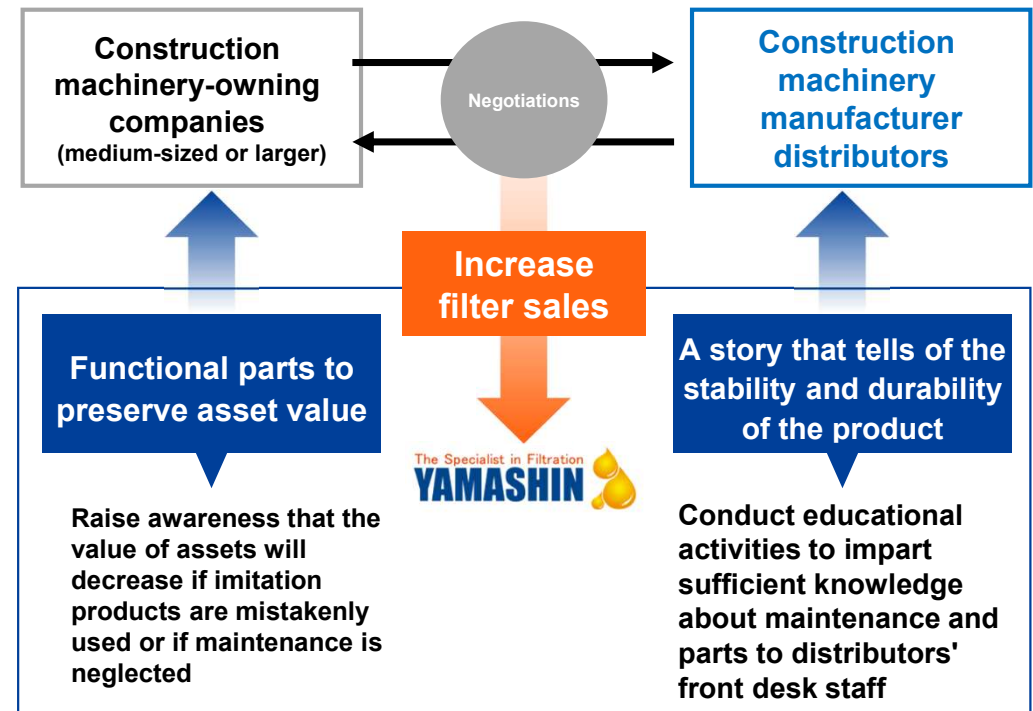
37.0%

Future role

We will focus on Southeast Asian markets where the number of owners is increasing.

Warranty conclusion

Securing long-term repeat customers



Key Strategy 3: Evolving Aftermarket Activities

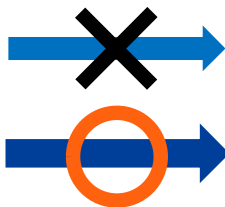
Rivals enter the aftermarket on their own and are therefore in competition with construction machinery manufacturers. Since we do not sell directly, we have a track record of working more closely with our customers than other companies.

POINT.1

Difference
in trade

Since we do not sell directly to end users in the aftermarket,
there is no conflict of interest with construction machinery manufacturers.

Sales are not conducted directly, but through construction machinery manufacturers.



End users

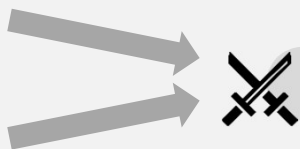
Construction machinery
manufacturers

End users

Direct sales by filter manufacturers creates conflicts of interest with construction machinery manufacturers.

Other filter
manufacturers

Construction machinery
manufacturers



End users

POINT.2

Strong
relationships
with local
companies

Over many years, we have built strong relationships with our clients, the local construction machinery manufacturers.

Kobelco
(Indonesia)

Best
Performance
for Delivery
Control Award



Komatsu
(Thailand)

Best
Collaborative
Partner Award



Hitachi
Construction
Machinery
(Indonesia)

Appreciation
Award



Air Filter Business

Sales

- Revitalize existing commercial distribution by expanding the product lineup
- Secure new sales by strengthening our direct sales organization and OEM products
- **Launch filter media that use YAMASHIN Nano Filter™**

Operating income

- Improve earnings power through direct sales organization
- Increase profit by selling high-value-added products
- Achieve cost savings through continuous cost reductions (PAC)

MAVY's

- Aim to maximize capital efficiency through targeted investments

Key Strategies and Initiatives

1

Strengthen existing commercial distribution

Expanding product lineup to cover a broad customer base

2

Enhance direct sales system

Proposing OEM products for manufacturer on-board applications to capture repeat demand

3

Expand sales of filter media

Launching filter media (filtration materials) for highly regulated markets

Four-year CAGR

Sales

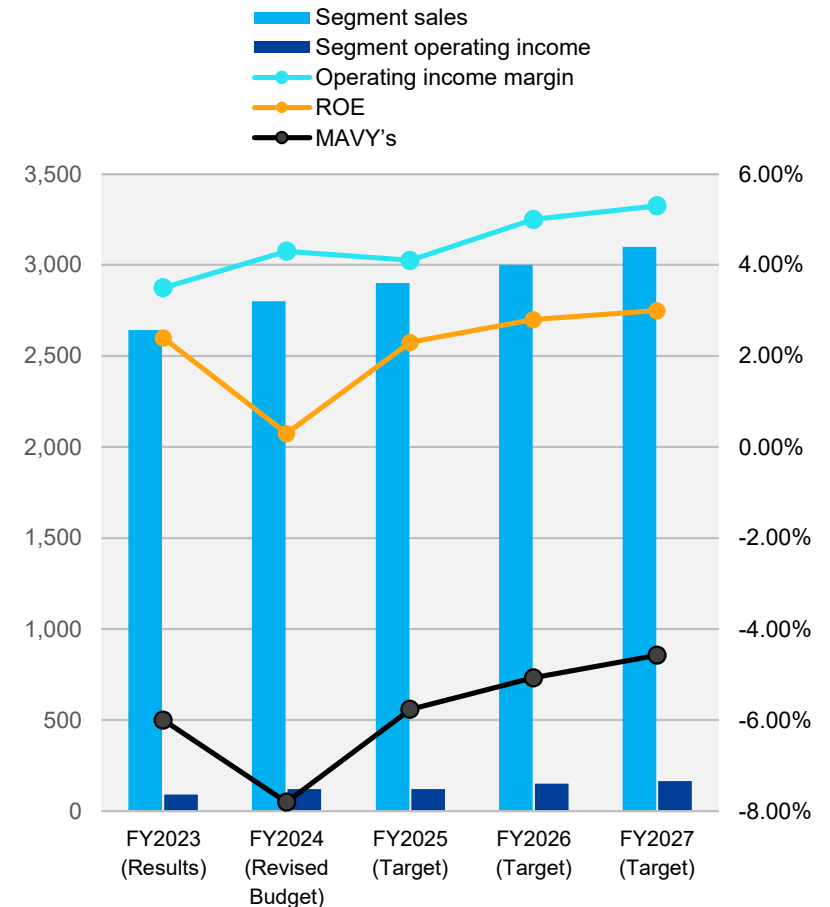


+4.1%

Operating income

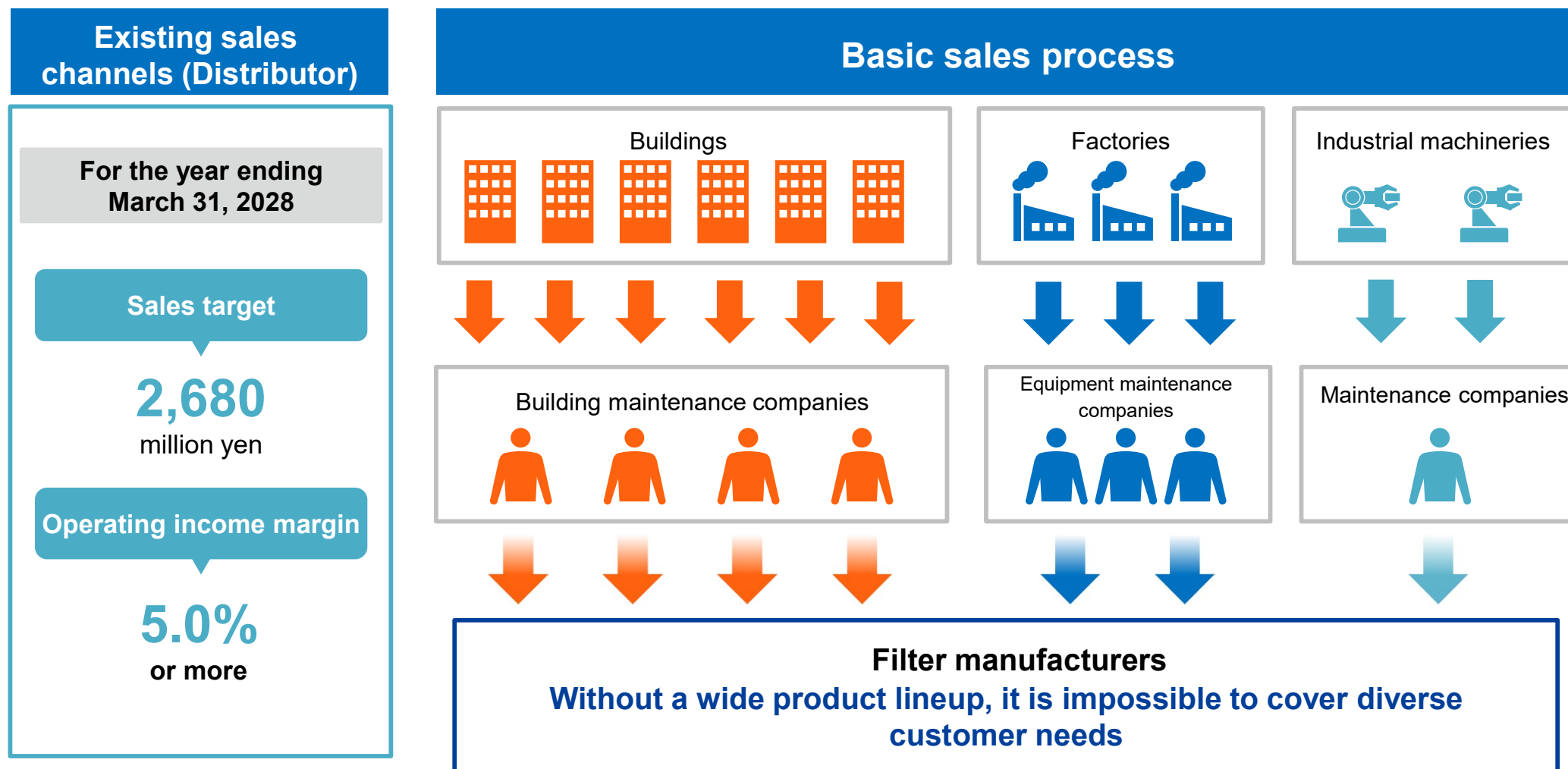


+16.0%



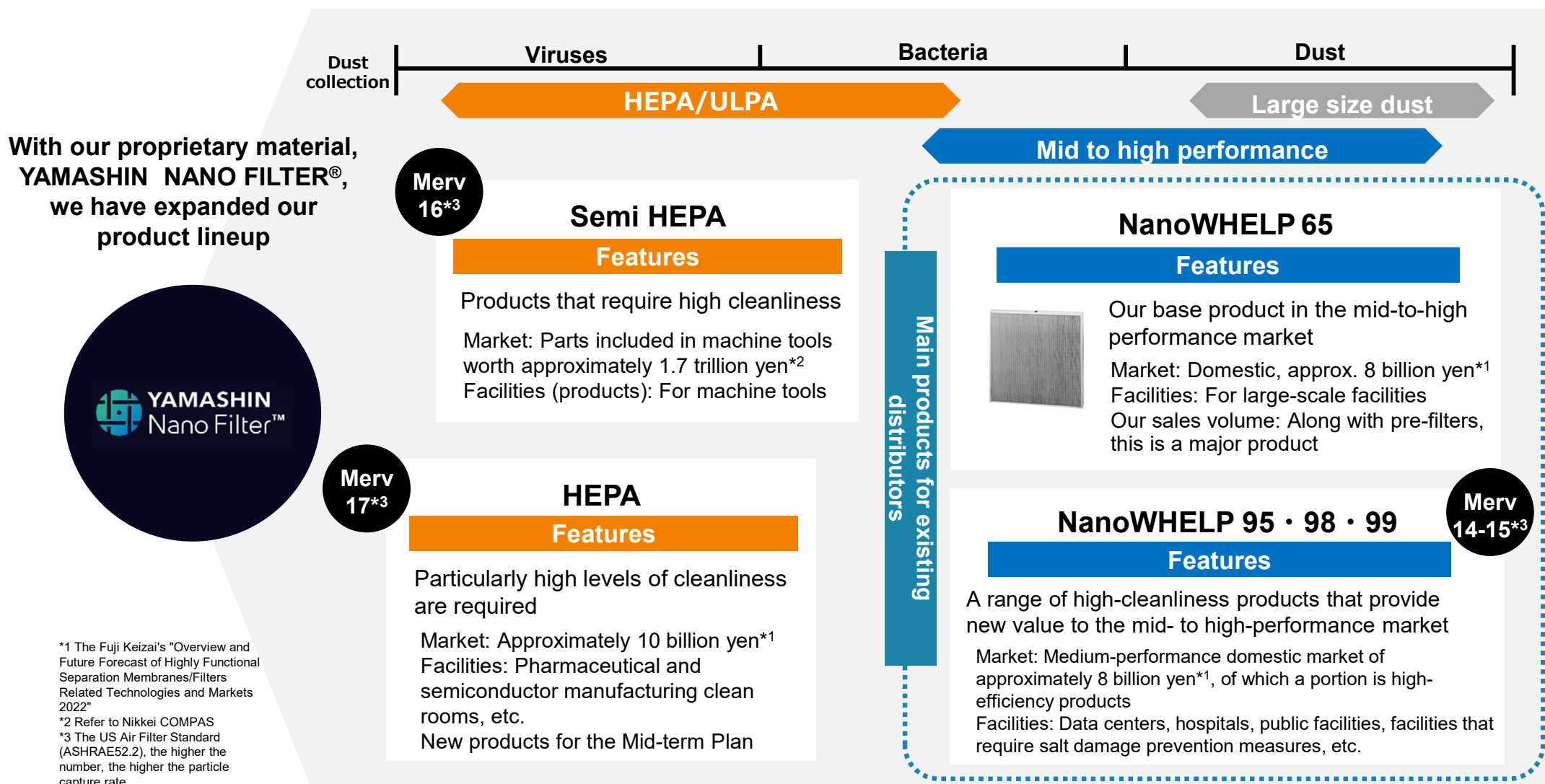
Key Strategy 1: Strengthening Existing Business Channels

In order to cover the needs of a wide variety of industries, it is essential to expand the lineup in addition to providing customization support. We will utilize the distributor network we have cultivated to promote the supply of high-quality products.



Key Strategy 1: Strengthening Existing Business Channels

The NanoWHELP lineup uses proprietary nanofiber filter media, which is characterized by its long life and low air resistance, making it energy-saving and reducing CO₂ emissions.



Key Strategy 2: Strengthening Direct Sales System

Leveraging our strengths in customization to meet the needs of each customer, we will focus on developing direct sales of custom-made products to customers, in the aim of expanding sales and generating high profit margins.

New sales channels (direct sales)

For the year ending
March 31, 2028

Sales target

320 million yen

Operating profit
margin

5.0% or more

Aim for 10% or more
through direct sales of
special-order products
(from FY2028 onwards)

Strengths of customization to meet customer needs

Small lot/custom order system

Sales Team
Ability to respond to
customer needs

Flexible production
line

Development and proposal of OEM
products for specific customers

Material advantages of YAMASHIN NANO FILTER®

High filter
performance

High degree of
freedom in processing

Customized products that can be made from
various raw material recipes

Actual sales cases

Strengthening direct sales to machine tool manufacturers

Application

- Mist filters for machine tools

Target

- Installed in products with high performance requirements and expected replacement part demand

Direct sales to major maintenance companies

Application

- Antibacterial pre-filter, grease filter, etc.

Target

- Kitchens and other locations where added value is required according to the end customer's industry

Key strategy 3: Expanding Sales of Filter Media

Demand for functional filter media is strong in overseas markets, including Europe, where regulatory trends and environmental needs are high. In the case of air filters, which are based on local production and local consumption, we decided that selling filter media is the best way to respond quickly.

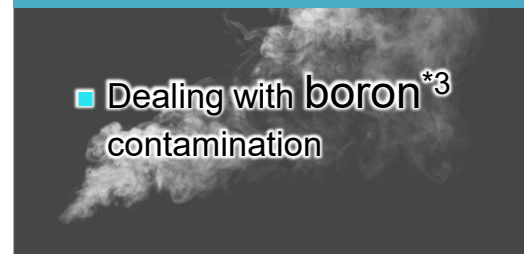
Increasing demands for functionality in filter materials

Environmental Regulation Trends



- Strengthening PFAS^{*1} regulations
- ZEB^{*2} certification

Technology trends in semiconductor manufacturing



- Dealing with boron^{*3} contamination

Air Filters Market

HVAC^{*4} Filters Worldwide
US\$6.72 billion in 2024
Average annual growth rate:
6.9%^{*5}

NanoWHELP Series Filter Media Sales

Nonwoven fabric filter media as an alternative to glass fiber filter media

Application	Features
Medium to high performance air filters	Energy saving performance Low CO2 emissions PFAS/PFOS free^{*1}

Nano Air (HEPA) Series Filter Media Sales

Nonwoven fabric filter media as an alternative to glass fiber filter media

Application	Features
For environments that require particularly high levels of cleanliness, such as clean rooms for pharmaceutical and semiconductor manufacturing	PFAS/PFOS free^{*1} Boron free^{*3} non-woven fabric

^{*1} A group of synthetic organofluorine chemical compounds that have multiple fluorine atoms is attached to an alkyl chain. PFOS is a typical example. These substances are persistent, highly accumulative, and mobile over long distances.

^{*2} Net Zero Energy Building. This type of building aims to reduce the annual primary energy balance consumed by the building to zero.

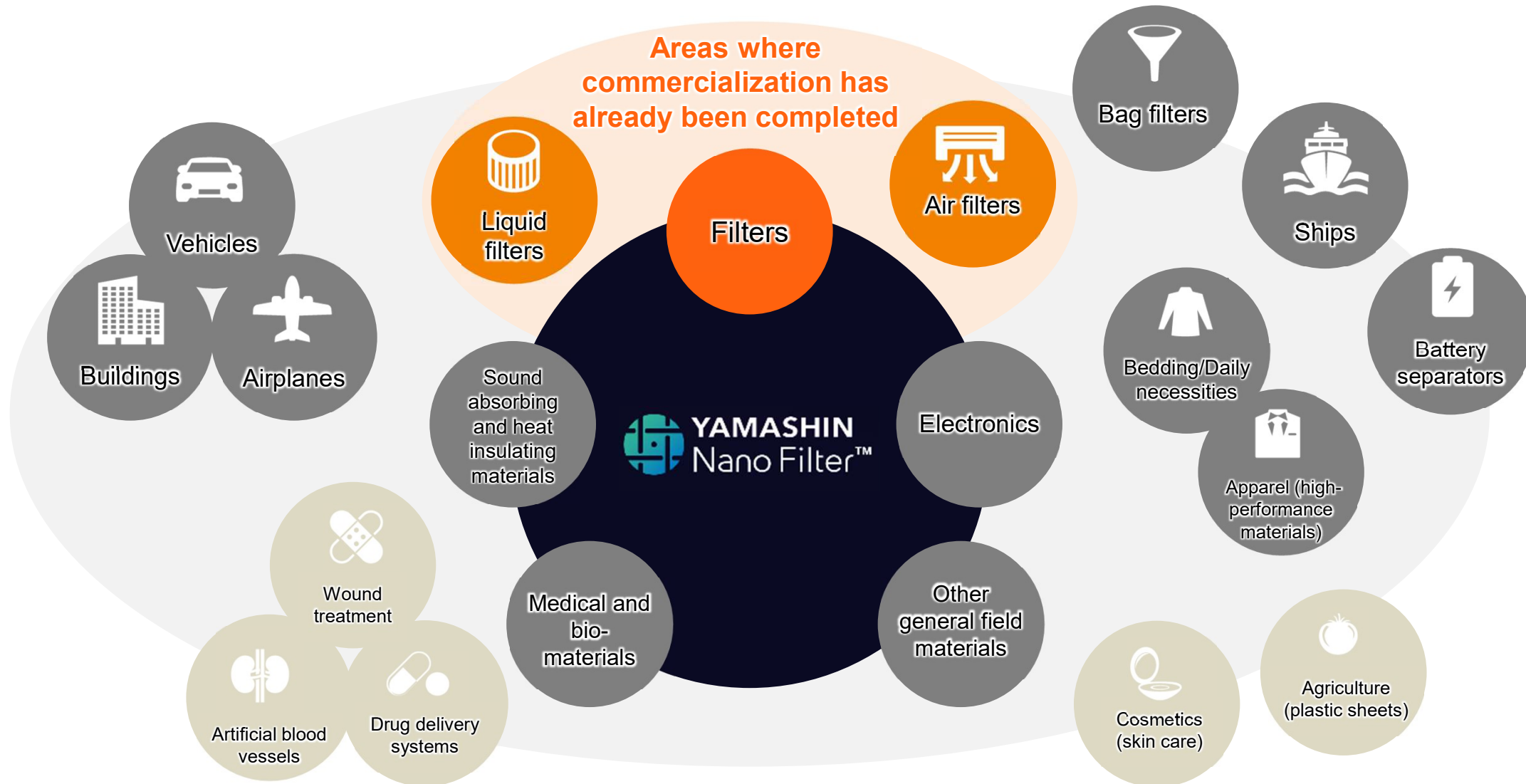
^{*3} Boron is avoided in semiconductor plants because it affects semiconductor characteristics.

^{*4} Air conditioning systems such as heating and cooling

^{*5} Source: Research and Markets

Expanding into New Fields: The Potential of YAMASHIN Nano Filter™

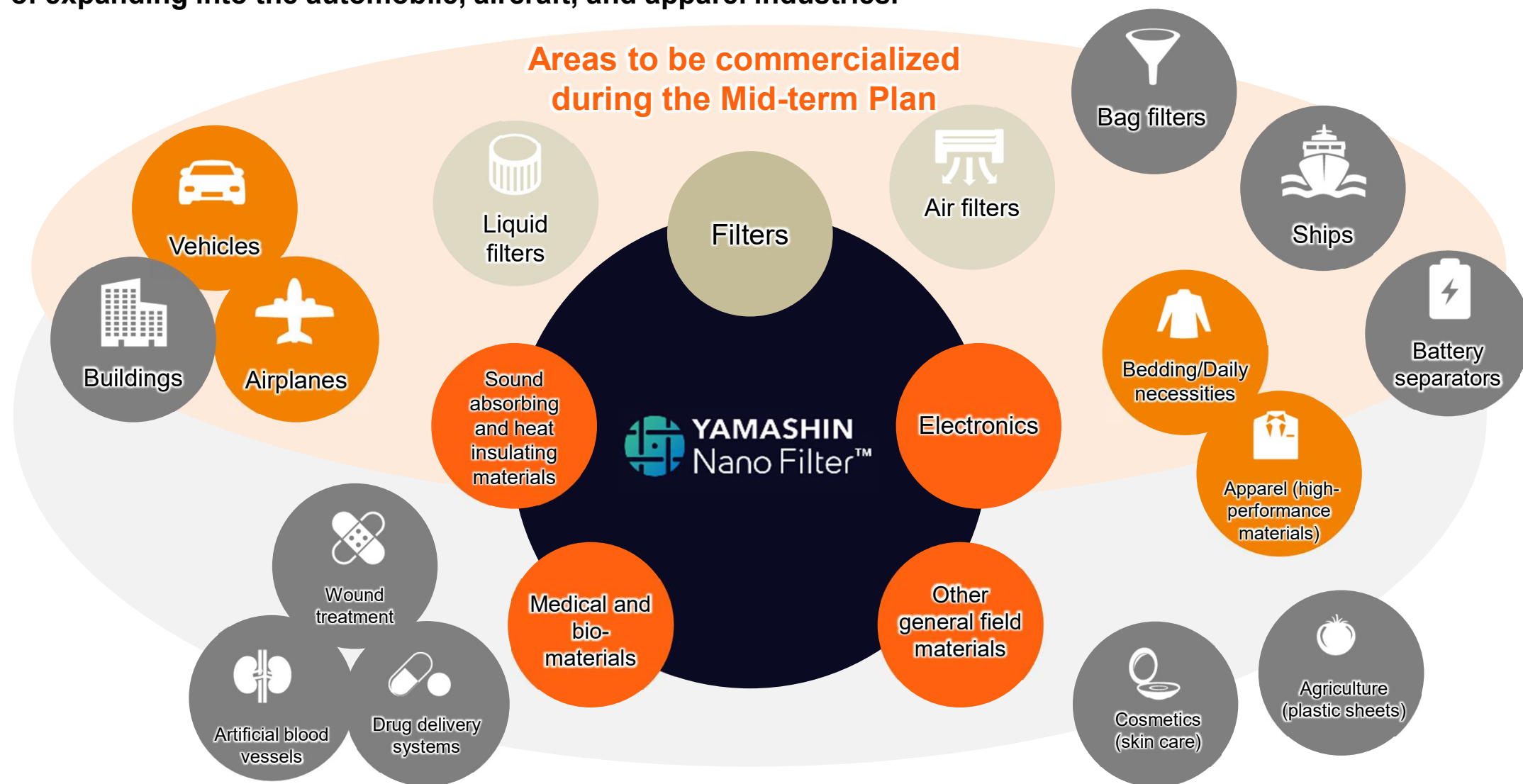
YAMASHIN NANO FILTER® has many possibilities as a material. New filter media products have already been successfully developed and put into practical use in the filter field.



Expanding into New Fields: Expected Scope of Development under the Mid-term Plan

In addition to the filter field, which has already been commercialized, we will focus on the fields of thermal insulation/sound absorption and electronics. Also, we will continue research and development with the aim of expanding into the automobile, aircraft, and apparel industries.

Areas to be commercialized during the Mid-term Plan



Expanding into New Fields: What is YAMASHIN Nano Filter™?

Not only does it have the properties of typical nanofibers, but our proprietary manufacturing process provides **high porosity** and **ultra-fine fiber diameters**, which differentiates it from other fiber-based materials. Furthermore, **the high degree of flexibility in the selection of raw materials** makes it possible to add various values and functions.

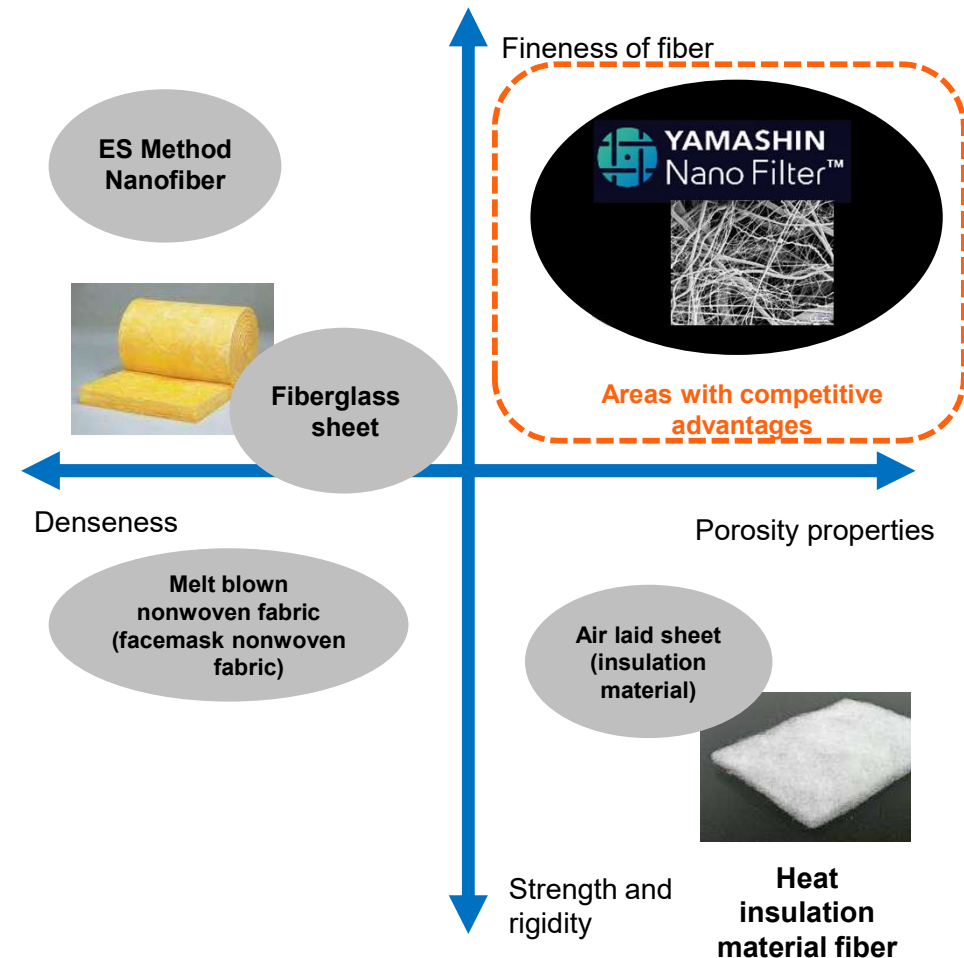
Our Nanofiber's Properties

**High porosity
characteristics**

Ultrafine fiber diameter

**High degree of flexibility in
choosing raw materials**

Possesses properties different from other fiber-based materials



Expanding into New Fields: Heat Resistance

The development target is a new material that combines the characteristics of YAMASHIN Nano Filter™ with additional functions.

Functions added to existing characteristics

Existing ones



High porosity
Lightweight
Breathability



Added functions

Heat resistant,
Moisture absorption
& heat generation,
Ultra-lightweight

Estimated market size*

Global insulation market

10 trillion
yen
in 2023



14.6
trillion
yen
in 2028

*Source: Markets and Markets

Development STEP 1

Development STEP 2

Targeted products & market



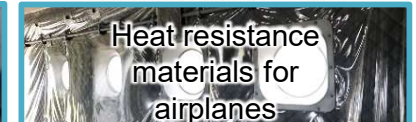
Apparel



High performance
apparel & bedding

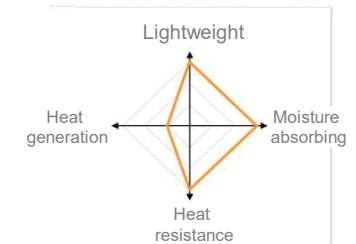
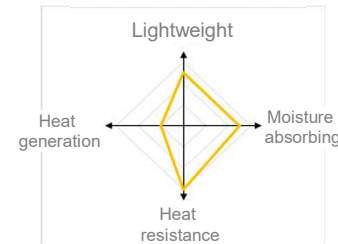
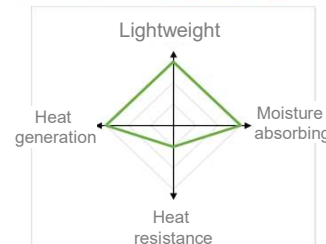
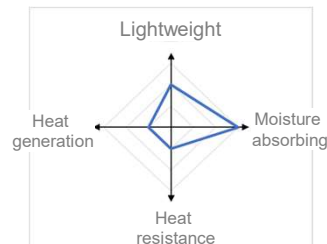


Fireproof
clothing



Heat resistance
materials for
airplanes

Required functions



Key elements

Cost reduction

Moisture absorbing and heat
generating, ultra-lightweight

High heat resistance

High heat resistance

Expanding into New Fields: Conductive Materials

The development target is a new material that combines the characteristics of YAMASHIN Nano Filter™ with additional functions.

Functions added to existing characteristics

Existing ones



High porosity characteristics
Lightweight
Moisture permeability (breathability)



Added functions

Conductivity

Estimated market size*

Global smart textiles market

0.88 trillion yen
in 2024



2.4 trillion yen
in 2028

*Source: Markets and Markets

Development STEP 1

Development STEP 2

Targeted products & market

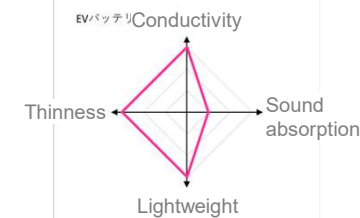
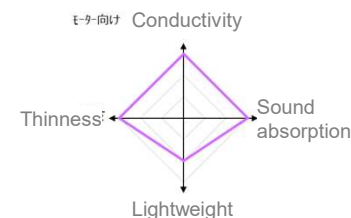
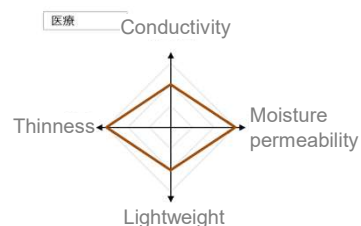
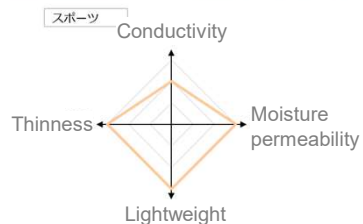
General wearable sensors

Medical wearable sensors

Electromagnetic shielding for motors

Electromagnetic shielding for EV batteries

Required functions



Key elements

Sensor sensitivity (fiber fineness)

Sensor sensitivity (Conductivity, fiber fineness)

High conductivity & sound absorption

High conductivity

| Strengthen Management with a Focus on Capital Costs

MAVY

As quantitative targets to enhance corporate value, we have set KPIs in three categories: financial, non-financial, and shareholder returns.

Financial

Non-Financial

Shareholder Returns

Earnings
power

ROIC

Cost of
capital
WACC

Corporate
value

MAVY's

Return
on invested capital

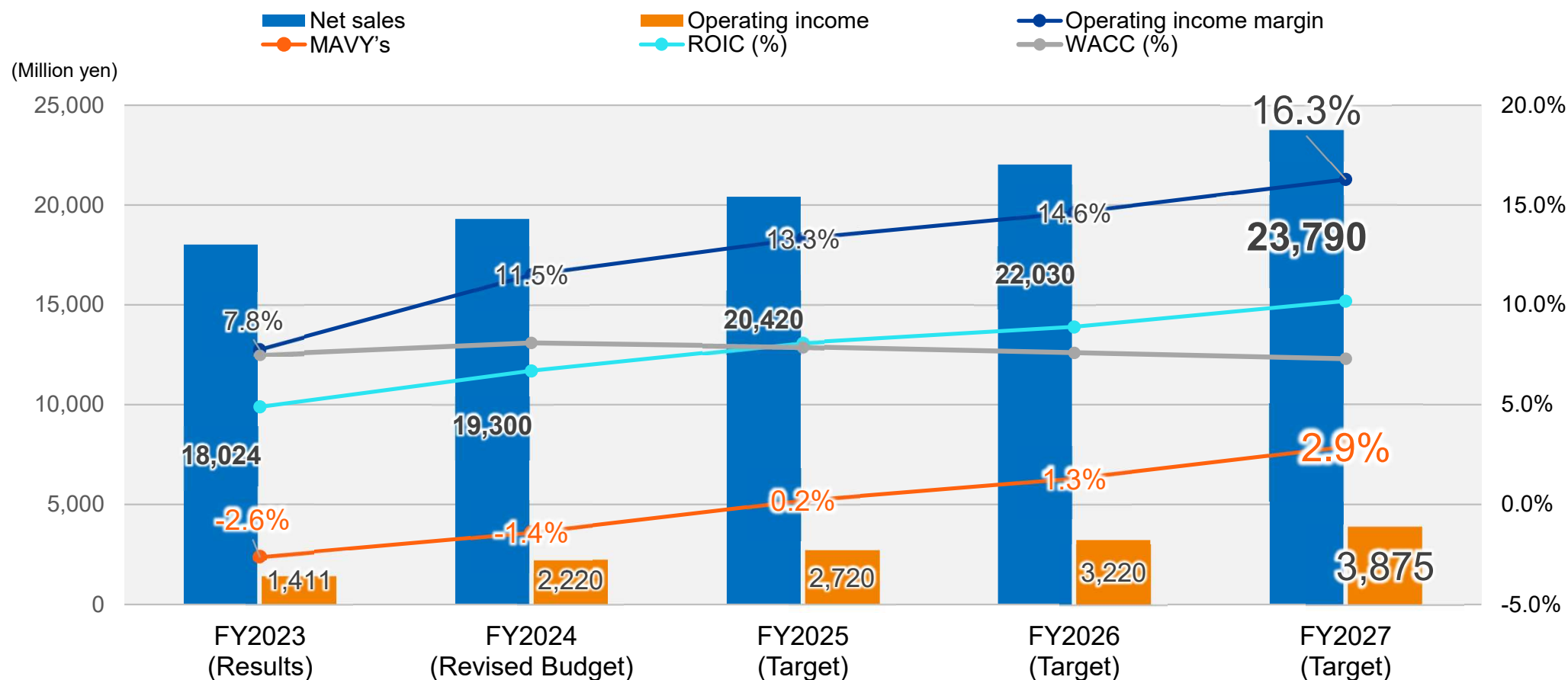
A higher ROIC indicates
efficient capital utilization in generating profits

Does generated
value exceed costs?

A **positive** value indicates
generated value exceeds cost of capital

Quantitative Targets in New Medium-Term Management Plan (Consolidated)

We aim to complete our efforts to improve earnings and strengthen our management foundations by FY2024. By FY2027, we target a MAVY's of 2% or more and a market capitalization of 100 billion yen.



Quantitative Targets in New Medium-Term Management Plan (Consolidated)

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(Million yen)	FY2023 Results	FY2024 Revised Budget	FY2025 Target	FY2026 Target	FY2027 Target
Net sales	18,024	19,300	20,420	22,030	23,790
Operating income	1,411	2,220	2,720	3,220	3,875
Operating income margin (%)	7.8	11.5	13.3	14.6	16.3
MAVY's (%)	(2.6)	(1.4)	0.2	1.3	2.9
ROIC (%)	4.9	6.7	8.1	8.9	10.2
WACC (%)	7.5	8.1	7.9	7.6	7.3
EPS (Yen)	11	21.0	27.5	33.2	41.0

Quantitative Targets in New Medium-Term Management Plan (by Segment)

Profitability has sharply improved in the Construction Machinery Filter Business, but further efforts are needed to improve ROIC in the Air Filter Business.

Construction machinery filters business

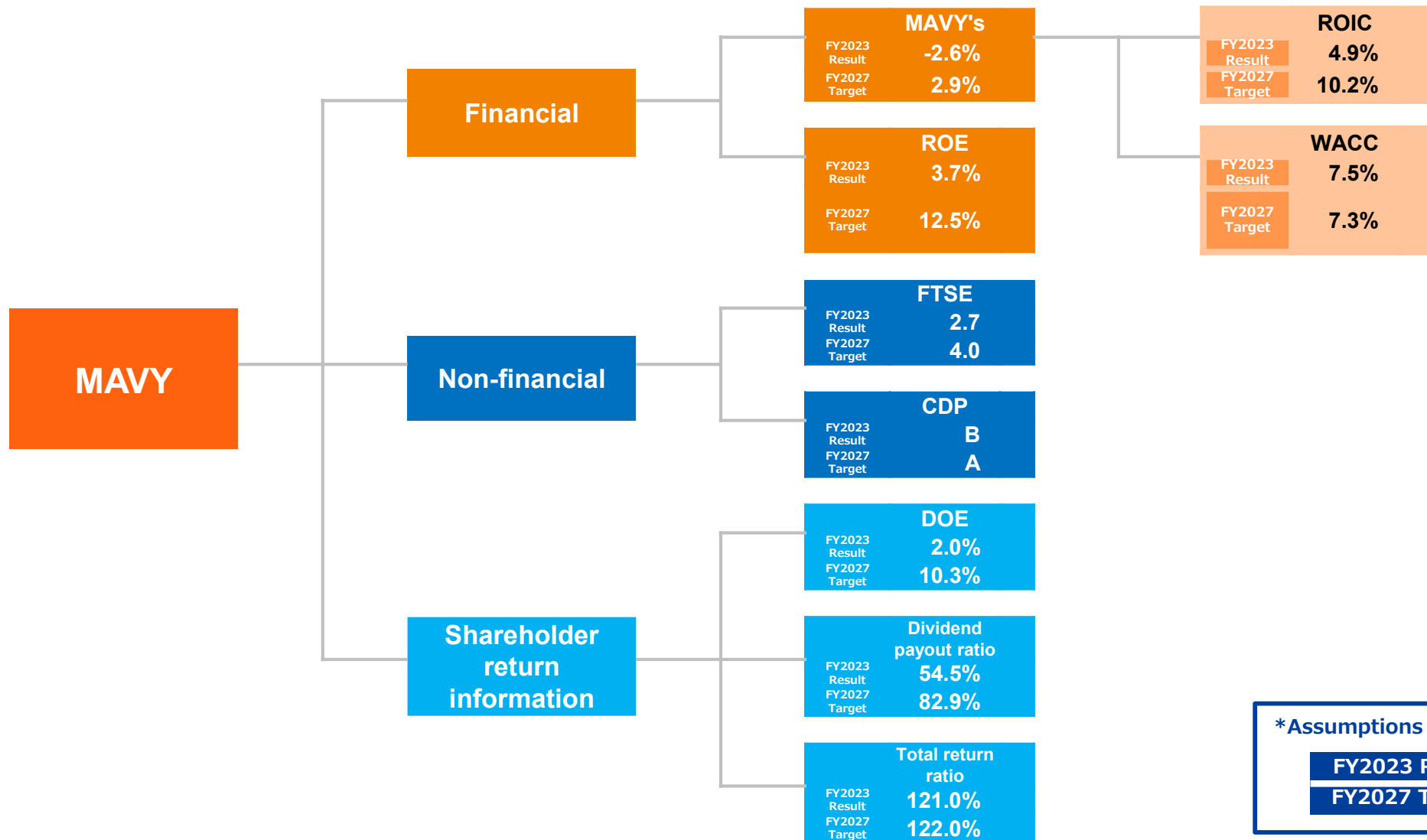
(Million yen)	FY2023 Results	FY2024 Revised Budget	FY2025 Target	FY2026 Target	FY2027 Target
Net sales	15,382	16,500	17,520	19,030	20,690
Operating income	1,320	2,100	2,600	3,070	3,710
Operating income margin (%)	8.6	12.7	14.8	16.1	17.9
ROE (%)	3.9	8.1	9.8	11.7	14.4
MAVY's (%)	(1.7)	0.2	1.5	2.6	4.3
ROIC (%)	5.8	8.3	9.4	10.2	11.6
WACC (%)	7.5	8.1	7.9	7.6	7.3

Air filters business

(Million yen)	FY2023 Results	FY2024 Revised Budget	FY2025 Target	FY2026 Target	FY2027 Target
Net sales	2,642	2,800	2,900	3,000	3,100
Operating income	91	120	120	150	165
Operating income margin (%)	3.5	4.3	4.1	5.0	5.3
ROE (%)	2.4	0.3	2.3	2.8	3.0
MAVY's (%)	(6.0)	(7.8)	(5.8)	(5.1)	(4.6)
ROIC (%)	1.5	0.4	2.1	2.5	2.7
WACC (%)	7.5	8.1	7.9	7.6	7.3

Quantitative Targets (Consolidated)

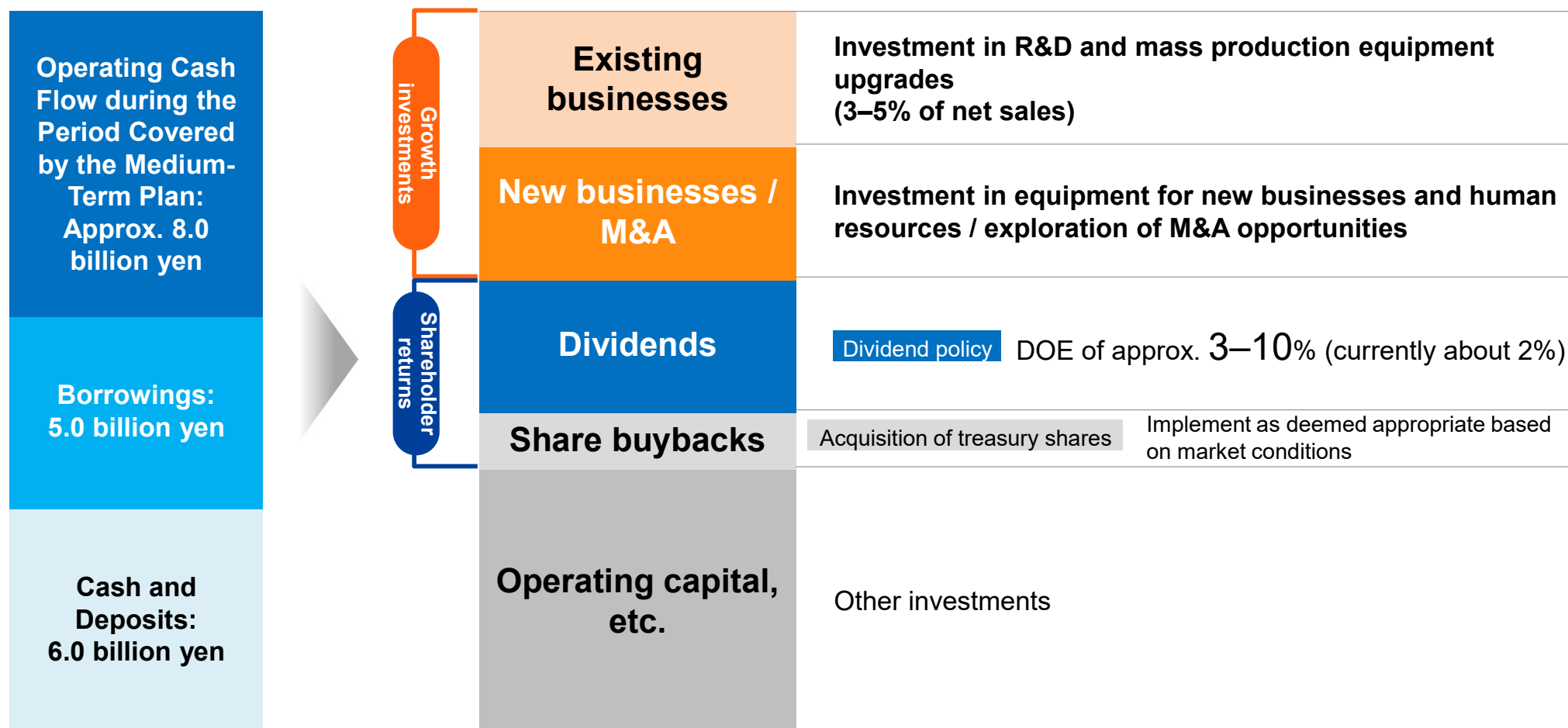
We aim to enhance corporate value by systematizing KPIs centered on further advancing our businesses, strengthening management with an emphasis on capital costs, and implementing ESG management.



*Assumptions for KPI

FY2023 Results
FY2027 Targets

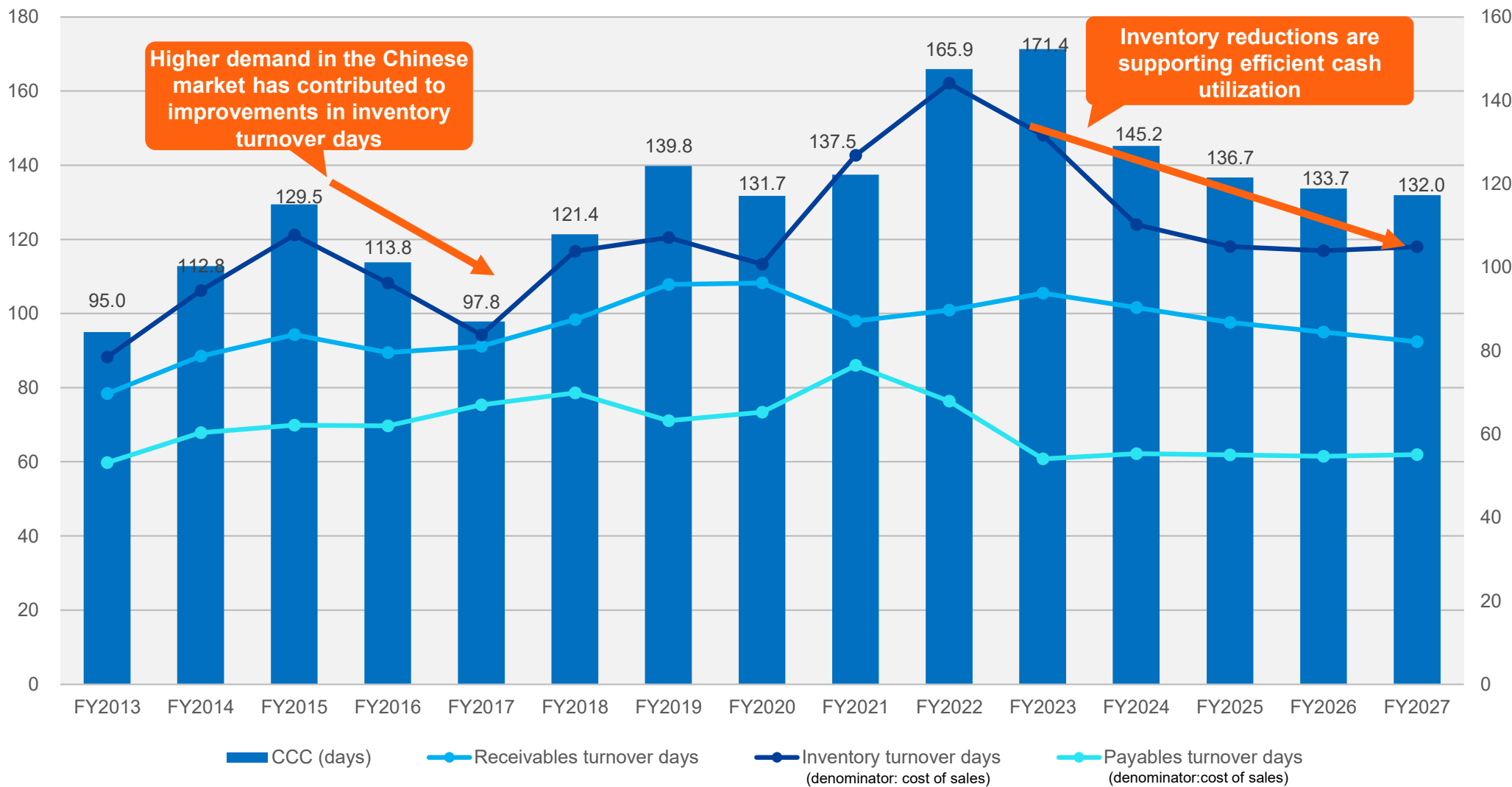
We plan to allocate cash flow generated from existing businesses to growth investments and shareholder returns, with the goals of enhancing corporate value and achieving sustainable growth.



Improvement of Cash Conversion Cycle



To address logistics disruptions caused by the COVID-19 pandemic, we will optimize our supply chain and reduce inventory levels, enhancing capital efficiency.



CCC (Cash Conversion Cycle): The number of days from the initial cash outlay for purchasing raw materials, goods, or other items until the cash is recovered.
CCC = Receivables turnover days + Inventory turnover days - Payables turnover days

**We aim to fundamentally revise our capital policy and improve capital profitability.
By using financial leverage, we will reduce our WACC.**

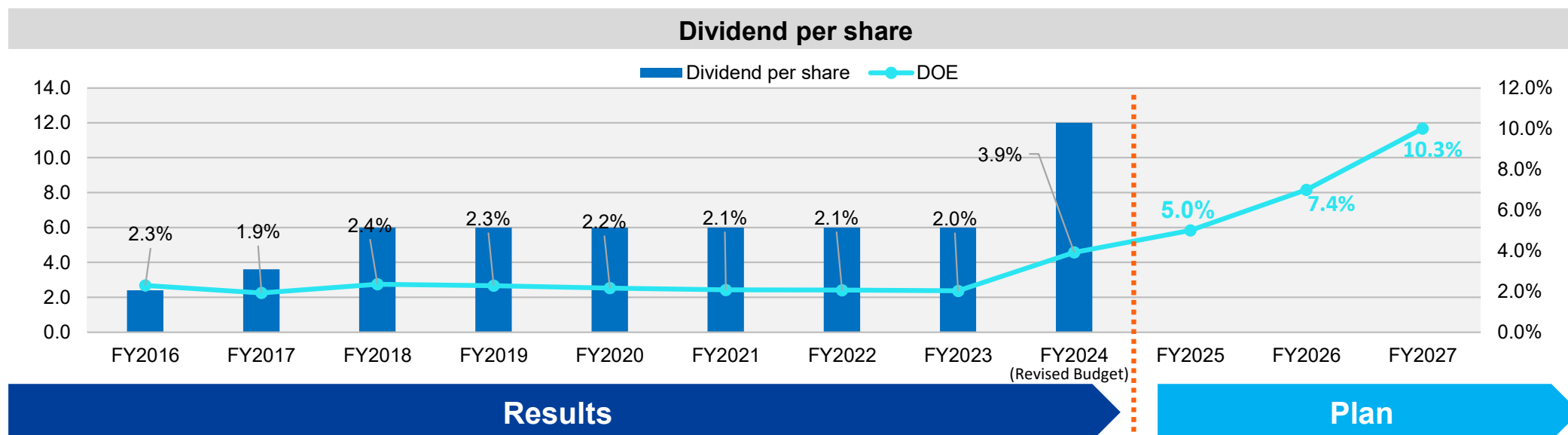
(Millions of yen)	FY2023 Results	FY2024 Revised Budget	FY2025 Target	FY2026 Target	FY2027 Target
Balance Sheet					
Total assets	25,943	26,041	28,000	30,000	32,000
Shareholders' equity ratio (%)	82.1	85.1	79.2	73.2	67.7
Financial leverage (x)	1.22	1.18	1.26	1.37	1.48
WACC (%)	7.5	8.1	7.9	7.6	7.3

Shareholder Returns

We will undertake a fundamental review of our capital policy to significantly enhance our shareholder returns. Our dividend policy calls for a DOE of 10% in FY2027.

* To be implemented while considering the need for growth investments.

(Millions of yen)	FY2023 Results	FY2024 Revised Budget	FY2025 Target	FY2026 Target	FY2027 Target
Dividend per share	6 yen	12 yen	—	—	—
DOE (%)	2.0	3.9	5.0	7.4	10.3
Dividend payout ratio (%)	54.5	57.2	58.1	72.2	82.9
Total payout ratio (%)	121.0	61.2	113.5	119.3	122.0



| Promote ESG Management

What to aim for Achieving Sustainable Society

Our themes

Health



Air
Quality



Environ
ment



Demonstrating our strengths through business



ESG management practices

Technical Meister to master the art of manufacturing
Ability to create innovation

Rokajinitsukafuru

Construction
machinery

Air filters

Setting non-financial KPIs will further advance sustainability efforts and improve transparency of sustainability information through disclosure documents and CDP.

FY2023 Results

ESG Investment Index

- FTSE score of **2.7**
Selected as one of the FTSE Blossom Japan Sector Relative Index constituents for the first time
- CDP Climate Change Score **B**

FY2027 Targets

ESG Investment Index

- FTSE score of **4.0** or more
- CDP Score **A**

FY2022 Results

ESG Investment Index

- FTSE Score of 1.5
- CDP Climate Change Score **D**

Initiatives to achieve the targets

1

Setting policies

2

CO₂ emissions
reduction
activities

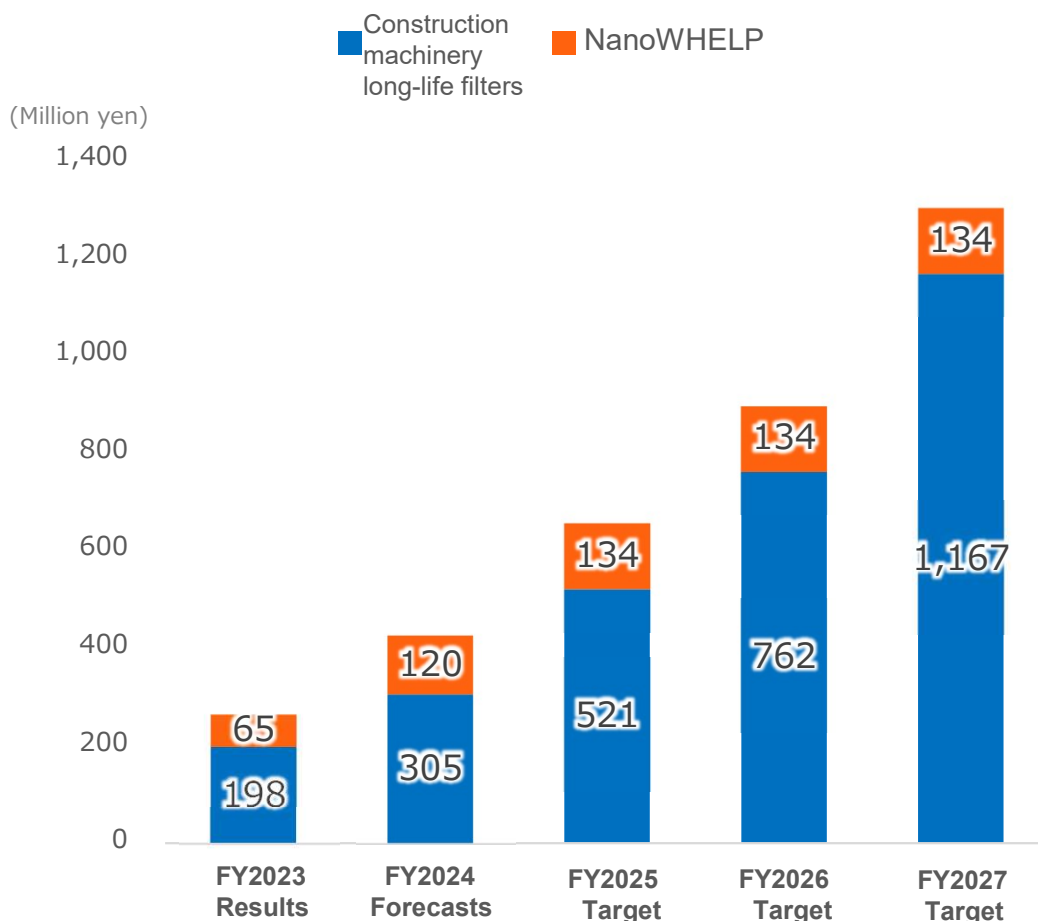
3

Expand sales of
high value-added
products (long life,
downsize products, etc.)

Strengthening efforts with **CDP** and expanding the disclosure of **ESG data** (through Sustainability Report)

Expansion of High Value-Added Products

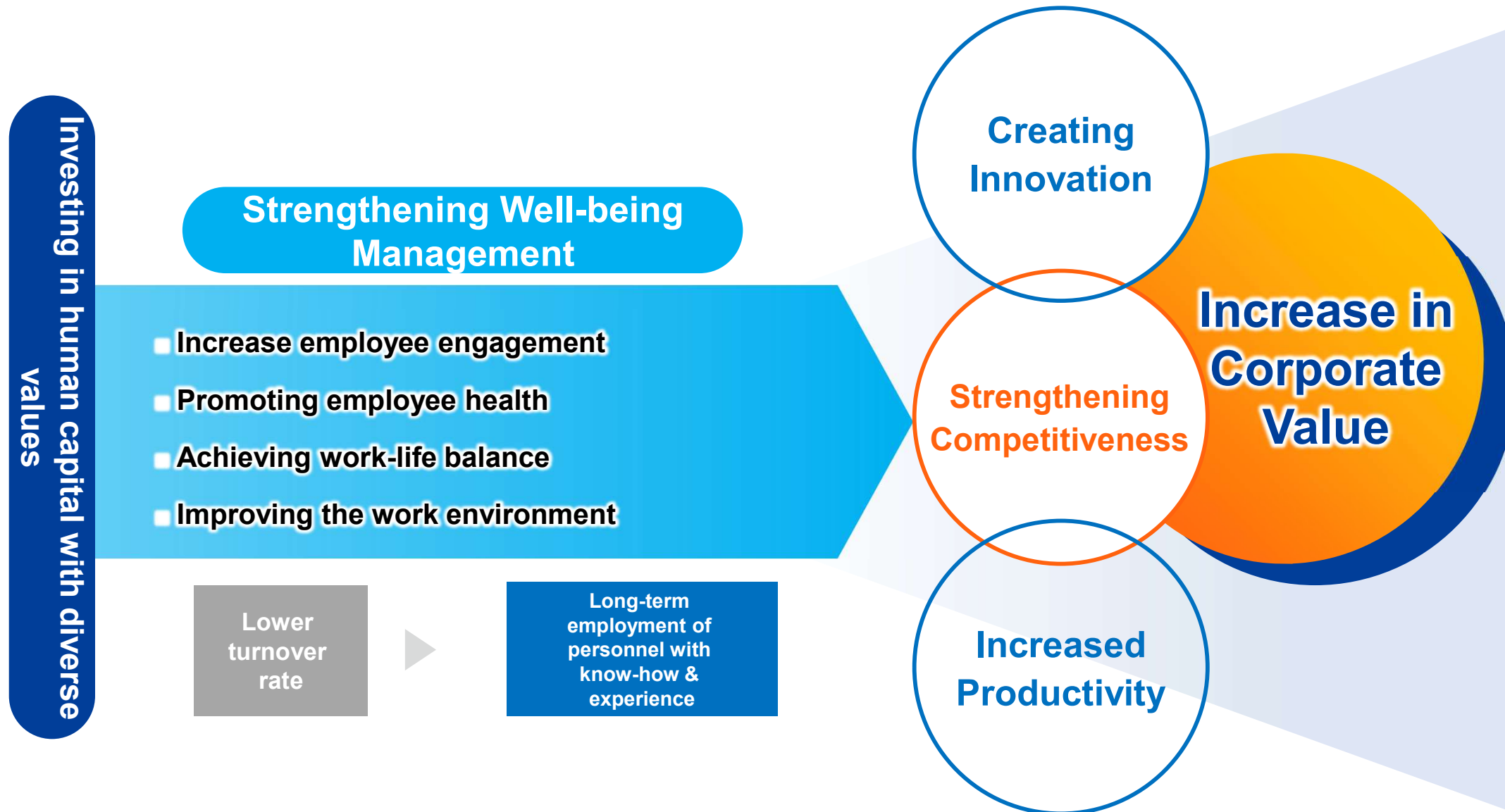
We aim to reduce the environmental impact by expanding sales of high value-added products such as long-life filters for construction machinery and NanoWHELP.



Products	Overview
Return and line filters for large construction machinery	By achieving a significantly longer life, this contributes to reducing waste and CO ₂ emissions.
Air filters NanoWHELP	This product has been highly praised for reducing CO ₂ emissions by 23% per year compared to our previous products.
Masks	We contribute to resource conservation and waste reduction through the development of reusable products.
Transmission filters	By changing the materials used in parts, we have achieved weight reduction, which contributes to reducing CO ₂ emissions during the transportation of raw materials and products.
Filter media	We are promoting research into reducing waste emissions throughout the entire life cycle by using biomass materials as filter media.

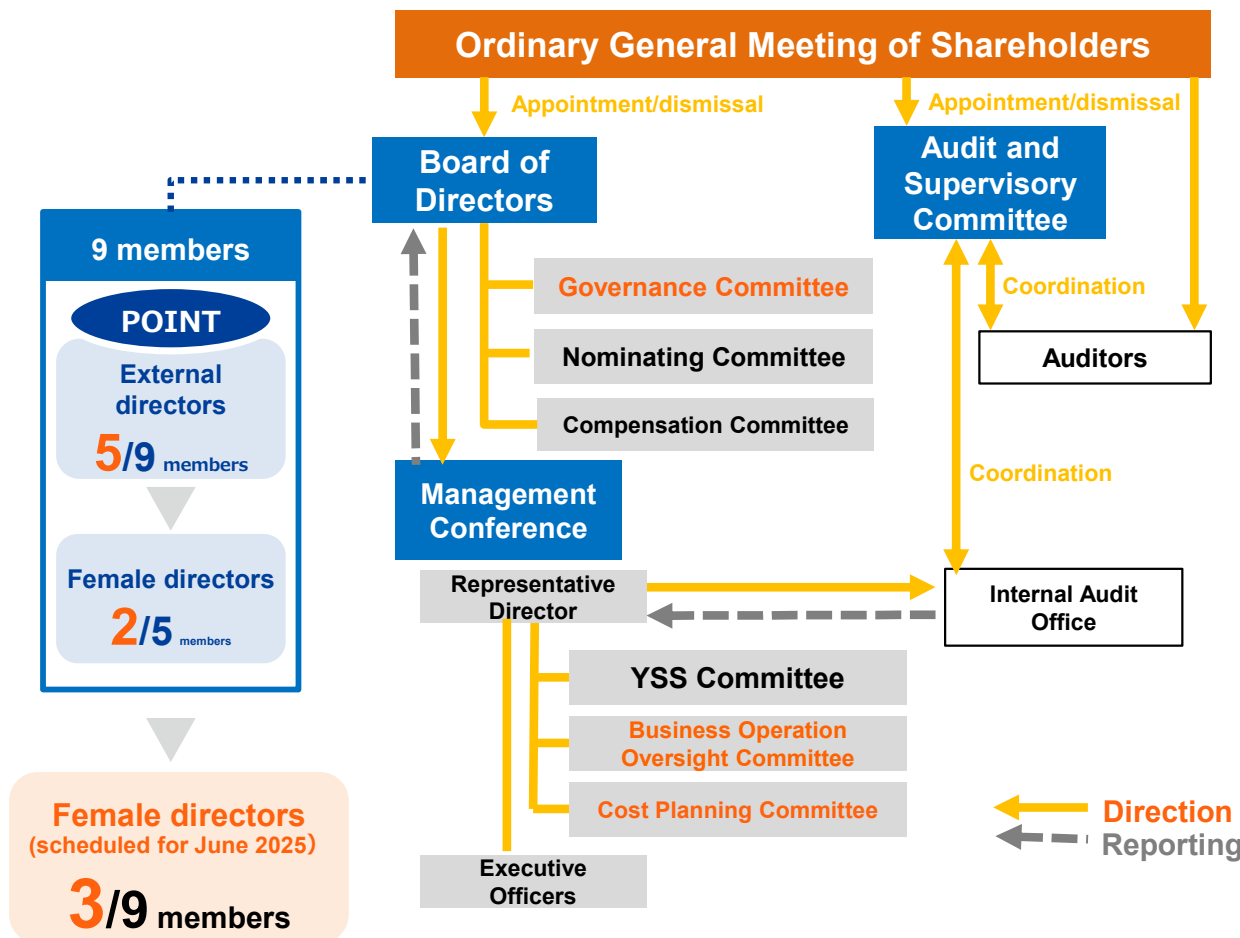
Our Approach to Human Resources

Through management that emphasizes employee happiness and physical and mental health (well-being), we aim to encourage investment in human capital with diverse values and increase corporate value.



We are strengthening the management support system by improving group governance through various committees while ensuring the skills and diversity of the Board of Directors members.

Corporate Governance System



Governance Committee

This committee consists of independent external directors to discuss corporate governance and the effectiveness of the Board of Directors and provide advice to the Board of Directors.

Business Operation Oversight Committee

This committee manages and monitors risks related to the business execution of group companies and strengthens management efficiency and control of the entire group.

Cost Planning Committee

From the new product development stage onwards, we promote cost planning to achieve the quality and functionality that customers require at the lowest possible cost.

YSS Committee

This committee promotes our sustainability initiatives. The YSS initialism stands for Yamashin Sustainable Solutions.

| Appendix

Quantitative Targets (Construction Machinery Filters)

The following measures will be taken to improve MAVY's:

- 1 Expand market share through diverse approaches
- 2 High-value-added products
- 3 Advance aftermarket activities

Key Goal Indicator (KGI)	Key Performance Indicator (KPI)	Key Success Factor (KSF)	Departments	
<p>* KPI figures are based on the following.</p> <p>FY2023 Results</p> <p>FY2027 Targets</p>	<p>Operating income margin FY2023 Result 8.6% FY2027 Target 17.9%</p> <p>Gross profit margin FY2023 Result 43.8% FY2027 Target 47.2%</p> <p>SG&A ratio FY2023 Result 35.3% FY2027 Target 29.2%</p> <p>Working capital turnover rate FY2023 Result 2.5 FY2027 Target 3.2</p> <p>Capital turnover rate FY2023 Result 0.9 FY2027 Target 0.9</p> <p>Fixed asset turnover rate FY2023 Result 1.8 FY2027 Target 3.1</p>	<p>Sales growth ratio FY2023 Result -3.5% FY2027 Target 8.7%</p> <p>Cost to sales ratio FY2023 Result 56.2% FY2027 Target 52.8%</p> <p>Depreciation cost ratio FY2023 Result 4.2% FY2027 Target 3.1%</p> <p>R&D cost ratio FY2023 Result 2.6% FY2027 Target 2.5%</p> <p>Personnel cost ratio FY2023 Result 17.3% FY2027 Target 13.8%</p> <p>Accounts receivable turnover rate FY2023 Result 4.1 FY2027 Target 4.7</p> <p>Inventory turnover rate FY2023 Result 4.2 FY2027 Target 5.7</p> <p>Accounts payable turnover rate FY2023 Result 7.0 FY2027 Target 6.9</p> <p>Tangible fixed asset turnover rate FY2023 Result 2.0 FY2027 Target 3.6</p> <p>Intangible fixed asset turnover rate FY2023 Result 83.3 FY2027 Target 120.2</p>	<p>ROIC FY2023 Result 5.8% FY2027 Target 11.6%</p> <p>WACC FY2023 Result 7.5% FY2027 Target 7.3%</p> <p>New product development, increase the ratio of genuine products</p> <p>Enhance buying power, improve yield ratio</p> <p>Investment plan</p> <p>Narrowing down themes, prioritization</p> <p>Optimal staffing</p> <p>Accounts receivable management</p> <p>Setting appropriate inventory levels</p> <p>Accounts payable management</p> <p>Capital plan (R&D, Production)</p> <p>Investment plan</p>	<p>MAVY's FY2023 Result -1.7% FY2027 Target 4.3%</p> <p>Sales, R&D</p> <p>Production</p> <p>Management Planning, Finance & Accounting</p> <p>R&D</p> <p>HR, General Affairs</p> <p>Sales, Finance & Accounting</p> <p>Production, Sales</p> <p>Production</p> <p>Management Planning, General Affairs, Production, R&D</p> <p>Management Planning, Finance & Accounting</p>

Quantitative Targets (Air Filters)

The following measures will be taken to improve MAVY's:

1

Strengthen existing commercial distribution

2

Enhance direct sales system

3

Expand sales of filter media

Key Goal Indicator (KGI)	Key Performance Indicator (KPI)	Key Success Factor (KSF)	Departments
<p>* KPI figures are based on the following.</p> <p>FY2023 Results</p> <p>FY2027 Targets</p>	<p>Operating income margin</p> <p>FY2023 Result 3.5%</p> <p>FY2027 Target 5.3%</p>		
	<p>Gross profit margin</p> <p>FY2023 Result 30.8%</p> <p>FY2027 Target 31.8%</p>	<p>Sales growth ratio</p> <p>FY2023 Result -0.7%</p> <p>FY2027 Target 3.3%</p>	<p>New product development, increase the ratio of genuine products</p> <p>Sales</p>
	<p>SG&A ratio</p> <p>FY2023 Result 27.3%</p> <p>FY2027 Target 26.5%</p>	<p>Cost to sales ratio</p> <p>FY2023 Result 69.2%</p> <p>FY2027 Target 68.2%</p>	<p>Enhance buying power, improve yield ratio</p> <p>Production</p>
		<p>Depreciation cost ratio</p> <p>FY2023 Result 4.6%</p> <p>FY2027 Target 4.3%</p>	<p>Investment plan</p> <p>Administration</p>
		<p>Personnel cost ratio</p> <p>FY2023 Result 14.4%</p> <p>FY2027 Target 14.4%</p>	<p>Optimal staffing</p> <p>Administration</p>
		<p>Accounts receivable turnover rate</p> <p>FY2023 Result 2.9</p> <p>FY2027 Target 3.3</p>	<p>Accounts receivable management</p> <p>Sales, Administration</p>
		<p>Inventory turnover rate</p> <p>FY2023 Result 19.8</p> <p>FY2027 Target 22.5</p>	<p>Setting appropriate inventory levels</p> <p>Production, Sales</p>
		<p>Accounts payable turnover rate</p> <p>FY2023 Result 5.8</p> <p>FY2027 Target 5.5</p>	<p>Accounts payable management</p> <p>Production</p>
		<p>Tangible fixed asset turnover rate</p> <p>FY2023 Result 0.7</p> <p>FY2027 Target 0.9</p>	<p>Capital plan (Production)</p> <p>Production, Administration</p>
		<p>Intangible fixed asset turnover rate</p> <p>FY2023 Result 395.4</p> <p>FY2027 Target 184.3</p>	<p>Investment plan</p> <p>Administration</p>
	<p>Working capital turnover rate</p> <p>FY2023 Result 3.6</p> <p>FY2027 Target 4.5</p>		
	<p>Capital turnover rate</p> <p>FY2023 Result 0.6</p> <p>FY2027 Target 0.7</p>		
	<p>Fixed asset turnover rate</p> <p>FY2023 Result 0.7</p> <p>FY2027 Target 0.8</p>		
<p>MAVY's</p> <p>FY2023 Result -6.0%</p> <p>FY2027 Target -4.6%</p>	<p>ROIC</p> <p>FY2023 Result 1.5%</p> <p>FY2027 Target 2.7%</p>		
	<p>WACC</p> <p>FY2023 Result 7.5%</p> <p>FY2027 Target 7.3%</p>		



The forward-looking statements in this document, including the forecast of results of operations, are based on information currently available to YAMASHIN. Actual results may differ from these forecasts due to a variety of factors, including market trends and business conditions.

For inquiries regarding these materials, please contact our Public Relations & Investor Relations manager

TEL

045-680-1680

E-mail

ir@yamashin-filter.co.jp