

# YAMASHIN-FILTER | 6240 (TSE Prime)

## Company Report

December 2, 2025

Strategy Advisors Inc.

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## FY3/26 H1 Results: Record High Sales and Net Profit. Full-Year Forecast Upgraded as Line Parts Thrive on New Vehicle Filter Installations. New Business Plans are Taking Shape. Looking Forward to The New Vision Announcement on December 4th

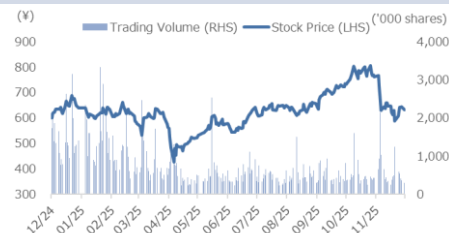
YAMASHIN-FILTER reported results for FY3/26 H1. Sales increased to ¥10.289 bn (+3.8% YoY), operating income decreased to ¥1.371 bn (-0.3% YoY), ordinary profit decreased to ¥1.35 bn (-5.9% YoY) and net profit attributable to owners of parent increased to ¥909 mn (+4.5% YoY). This marks the highest H1 sales and net profit in the company's history. Sales exceeded ¥10 bn for the first time in H1. Line parts catering to new construction machinery demand grew significantly, and service parts for used machinery also performed well. However, the Air Filter Business remained sluggish, leading to a slight decrease in operating income and ordinary profit.

The company revised upward its earnings forecast for FY3/26, disclosed on May 15, 2025. The revised plan projects sales of ¥20.84 bn (+2.1% from the previous forecast), operating income of ¥2.87 bn (+5.5%), ordinary profit of ¥2.87 bn (+4.4%) and net profit attributable to parent company shareholders of ¥1.97 bn (+3.1%). While the previous forecast already projected record profits for the second consecutive term, these figures have been revised further upward.

Although the Air Filter Business faced some challenges in H1, internal restructuring has been completed. The Construction Machinery Filter Business is performing strongly, driving overall company performance. Supply of high-value-added line parts is expanding and sales of service parts are expected to remain at high levels. The effects of business restructuring and cost reduction activities are also evident. The impact of U.S. tariff policies is expected to be minimal, achieved through appropriate pricing adjustments for construction machinery manufacturers and cost reductions. While upfront investments and increased costs associated with launching new businesses are anticipated, the company expects to achieve record-high performance.

Compared to the mid-term management plan disclosed in November 2024, the Construction Machinery Filter Business is providing strong traction, indicating a smooth start. Market share gains aligned in line parts with model changes at North American construction machinery manufacturers for standard products, along with the shift to high-value-added products, are progressing smoothly. A virtuous cycle is being established where supplying standard products leads to future sales of service parts. Following the upward revision of the FY3/26 company forecast, the company has also revised its upward forecast for MAVY's (=ROIC - WACC).

## Stock Price & Trading Volumes



Source: Strategy Advisors

## Key Indicators

Stock Price (12/1/25)	631
52-Week High (10/27/25)	806
52-Week Low (4/7/25)	427
All-Time High (1/11/18)	1,552
All-Time Low (1/21/16)	73
Number of Shares Issued (mn)	69.6
Market Capitalization (¥ bn)	43.9
EV (¥ bn)	39.6
Equity Ratio (FY3/25, %)	84.9
ROE (FY3/25 Actual, %)	7.9
PER (FY3/26 CoE, Times)	22.3
PBR (FY3/25 Actual, Times)	2.0
Yield (FY3/26 CoE, %)	2.9

Source: Strategy Advisors

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The company announced it will hold a briefing on December 4th regarding “YAMASHIN FILTER VISION 2030”, its new vision for enhancing corporate value, including prospects for new businesses. The current mid-term management plan only touched on the direction for the new YAMASHIN Nano Filter™ business. We look forward to more concrete details in “YAMASHIN FILTER VISION 2030”.

Going forward, the company is expected to demonstrate progress in line with or exceeding its mid-term plan's core growth strategy and capital cost-conscious management, while also presenting compelling concrete plans for its new businesses. This should further heighten market attention on the company and provide material to support an upward revision in its valuation.

## Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	Operating Income (¥ mn)	YoY (%)	Ordinary Profit (¥ mn)	YoY (%)	Net Income (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
3/25 H1	9,908	13.8	1,376	227.1	1,435	243.8	870	285.0	12.3	5.0
<b>3/26 H1</b>	<b>10,289</b>	<b>3.8</b>	<b>1,371</b>	<b>-0.3</b>	<b>1,350</b>	<b>-5.9</b>	<b>909</b>	<b>4.5</b>	<b>13.0</b>	<b>8.0</b>
3/23	18,605	-1.1	1,235	-8.1	915	-30.5	645	—	9.0	6.0
3/24	18,024	-3.1	1,411	14.3	1,415	54.7	787	22.0	11.0	6.0
25/3	20,104	11.5	2,630	86.4	2,669	88.6	1,723	119.1	24.3	12.0
3/26 CoE	20,840	3.7	2,870	9.1	2,870	7.5	1,970	14.3	28.3	18.0

Source: Company Data. Compiled by Strategy Advisors.

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## 1. Financial Results for H1 FY3/26

### FY26/3 H1 Sales and Profits Reach Record Highs

YAMASHIN-FILTER reported its first half (H1) results for FY3/26. Sales increased to ¥10.289 bn (+3.8% YoY), operating income decreased to ¥1.371 bn (-0.3% YoY), ordinary profit decreased to ¥1.35 bn (-5.9% YoY) and net income attributable to owners of parent increased to ¥909 mn (+4.5% YoY). This marks the highest H1 sales and net income in the Company's history (Figure 1). Sales exceeded ¥10 bn for the first time in H1. Line parts meeting new demand for construction machinery grew significantly, and service parts for used machinery also performed well. However, the Air Filter Business remained sluggish, leading to a slight decrease in operating income and ordinary profit.

**Figure 1. Sales and Profit Trends**

(¥ mn)	3/22 H1	3/23 H1	3/24 H1	3/25 H1	3/26 H1
Sales	9,556	9,123	8,709	9,908	10,289
YoY	45.6%	-4.5%	-4.5%	13.8%	3.8%
Operating Income	887	521	420	1,376	1,371
YoY	–	-41.3%	-19.3%	227.1%	-0.3%
Operating Income Margin	9.3%	5.7%	4.8%	13.9%	13.3%
Ordinary Profit	876	458	417	1,435	1,350
YoY	–	-47.7%	-8.9%	243.8%	-5.9%
Ordinary Profit Margin	9.2%	5.0%	4.8%	14.5%	13.1%
Profit Attributable to Owners of Parent	328	271	226	870	909
YoY	–	-17.4%	-16.7%	285.0%	4.5%
Net Profit Margin	3.4%	3.0%	2.6%	8.8%	8.8%

Source: Company Data.

### Construction Machinery Filter Business Remains Robust

By segment, the core Construction Machinery Filter Business continued to perform well, with sales +6.2% YoY and segment profit +8.6%. In contrast, the Air Filter Business saw sales -12.4% YoY and segment profit turn to a loss (Figure 2). Construction machinery filters achieved record-high sales for H1.

**Figure 2. Sales and Operating Income by Segment**

(¥ mn)	Sales	By Segment					
		Construction Machinery Filter	YoY	Comp. Ratio	Air Filter	YoY	Comp. Ratio
3/25 H1	9,908	8,668	17.0%	87.5%	1,240	-4.5%	12.5%
3/26 H1	10,289	9,203	6.2%	89.4%	1,086	-12.4%	10.6%

(¥ mn)	Operating Income	By Segment					
		Construction Machinery Filter	YoY	Profit Margin	Air Filter	YoY	Profit Margin
3/25 H1	1,376	1,355	255.6%	15.6%	20	-48.3%	1.6%
3/26 H1	1,371	1,473	8.6%	16.0%	-101	–	–

Source: Company Data. Compiled by Strategy Advisors.

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**Line Parts Show Significant Growth, While Service Parts Maintain High Levels**

The Construction Machinery Filter Business achieved increased revenue and profits due to robust new vehicle demand (line parts) driving sales growth and replacement demand (service parts) remaining at a high level. For line parts, revenue increased through expanded market share for new vehicles via supplying high-value-added hydraulic filters and new adoptions for transmission filters. Adoption across vehicle models is expected to continue growing. Aftermarket sales saw a slight decrease due to inventory adjustments by some customers. However, they maintained a high level by aligning construction machinery manufacturers' aftermarket strategies (Figure 3).

**Figure 3. Construction Machinery Filter Business Sales (by Product)**

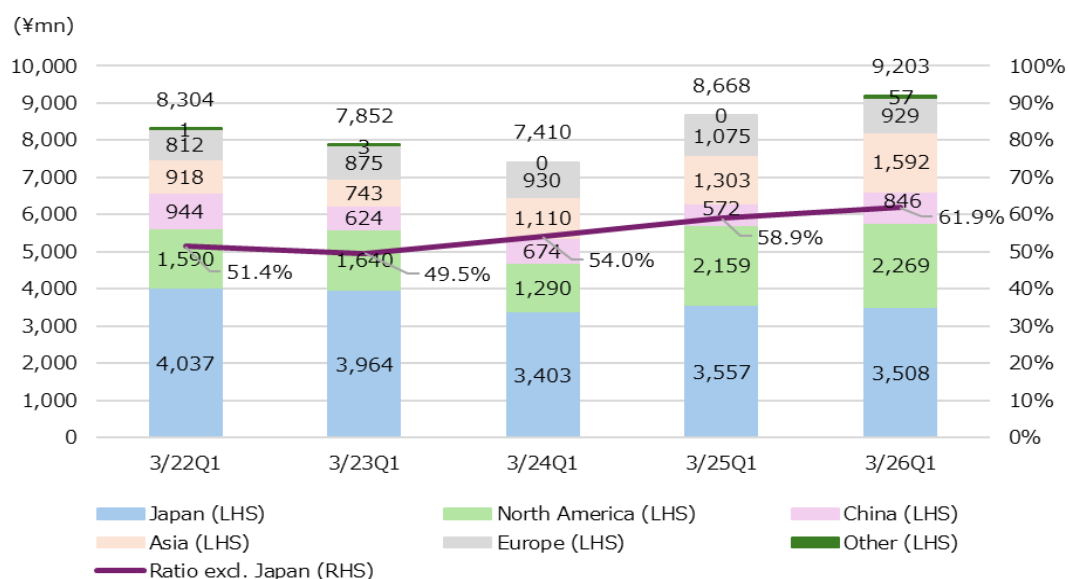
(¥ mn)	Sales	By Product					
		Construction Machinery Filter				Industrial Filter	Process Filter
		Line Parts	YoY	Service Parts	YoY		
3/25 H1	8,668	2,744	-7.6%	5,206	38.1%	354	363
3/26 H1	9,203	3,316	20.9%	5,145	-1.2%	387	352

Source: Company Data. Compiled by Strategy Advisors.

**Asia, North and South America and China are Experiencing Significant Growth**

Sales by region have grown significantly in Asia, North and South America and China (Figure 4). In Asia, sales of service parts have increased due to strong relationships with construction machinery manufacturers, their local sales subsidiaries and construction machinery users, aligned with infrastructure investment initiatives. In North and South America, sales increased due to a rise in the share of line parts in North America. In China, sales have turned upward due to increased demand for new mining machinery and efforts by Japanese manufacturers to encourage construction machinery users to use genuine parts.

**Figure 4. Construction Machinery Filter Business Sales by Region & Half**



Source: Company Data. Compiled by Strategy Advisors.

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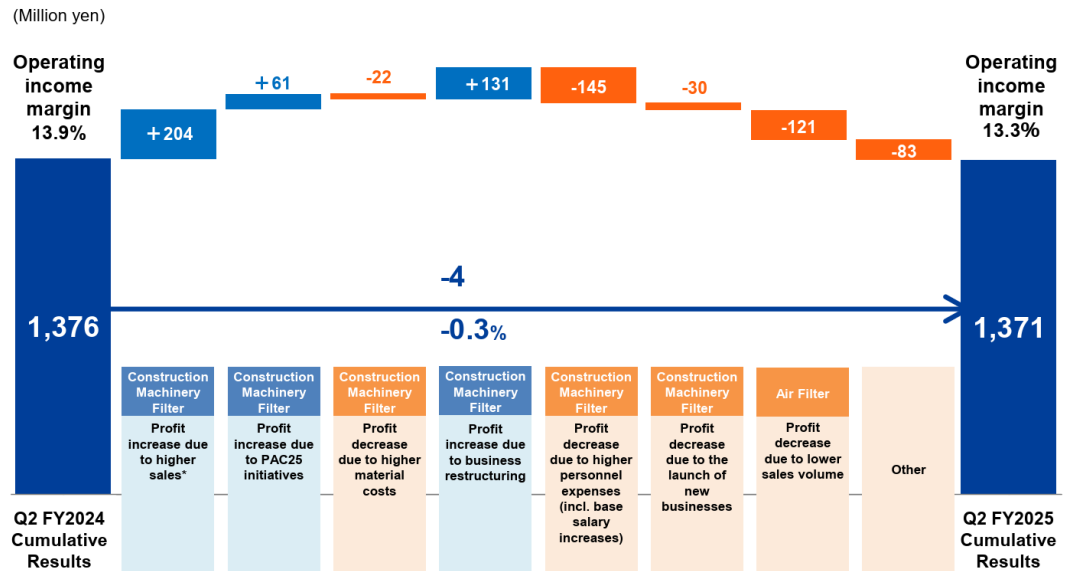
## Air Filter Production and Shipments Delays, But Improving

The Air Filter Business experienced a revenue decline and fell into the red in H1 due to production and shipment delays caused by the introduction of a core system in FY3/25. Operational stabilization and supply system improvements were implemented in Q2, narrowing the loss (Q1: ¥80 mn loss ⇒ Q2: ¥20 mn loss). Internal preparations for demand recovery are now complete. Sales have been recovering month by month, achieving a monthly operating income in October 2025.

## Increased Revenue and Business Restructuring Drove Profit Growth

The factors contributing to the change in operating income for H1 of FY3/26 are shown in Figure 5. Increased revenue contributed ¥204 mn to profit growth, representing the largest single factor. Next was the ¥131 mn profit increase resulting from structural reforms implemented overseas last year. Personnel expenses increased due to the implementation of a base pay increase and the acquisition of personnel for new business launches. The significant decline in Air Filter segment profits resulted in total operating income of ¥1.371 bn, nearly matching the previous year's level. The operating income margin decreased by 0.6% to 13.3%.

**Figure 5. Factors Behind Changes in Operating Income in H1 FY3/26**



Source: Company Data.

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**Figure 6. Half-Year/Quarterly Performance Trends (¥ mn)**

FY	3/23		3/24		3/25		3/26
	H1	H2	H1	H2	H1	H2	H1
<b>Income Statement</b>							
Sales	9,123	9,483	8,709	9,316	9,909	10,195	10,289
Cost Of Sales	5,607	5,686	5,235	5,232	5,473	5,698	5,691
Gross Profit	3,516	3,797	3,474	4,084	4,436	4,497	4,597
Gross Profit Margin	38.5%	40.0%	39.9%	43.8%	44.8%	44.1%	44.7%
SG&A Expenses	2,995	3,083	3,053	3,093	3,060	3,243	3,225
Sales to SG&A Expenses Ratio	32.8%	32.5%	35.1%	33.2%	30.9%	31.8%	31.3%
Operating Income	521	714	421	990	1,376	1,254	1,371
Operating Income Margin	5.7%	7.5%	4.8%	10.6%	13.9%	12.3%	13.3%
Non-Operating Balance	-63	-257	-3	7	59	-20	-21
Ordinary Profit	458	457	418	998	1,436	1,234	1,350
Ordinary Profit Margin	5.0%	4.8%	4.8%	10.7%	14.5%	12.1%	13.1%
Extraordinary Income/Losses	-16	-9	-68	-218	-56	-91	-13
Pretax Profit	443	447	350	789	1,380	1,142	1,337
Total Corporate Tax, etc.	171	74	124	228	510	289	428
(Corporate Tax Rate)	38.6%	16.6%	35.4%	28.9%	37.0%	25.3%	32.0%
Net Income Attributable to Owners of Parent	271	374	226	561	870	853	909
Net Profit Margin	3.0%	3.9%	2.6%	6.0%	8.8%	8.4%	8.8%

FY	3/24				3/25				3/26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Income Statement</b>										
Sales	4,302	4,407	4,599	4,717	4,818	5,091	5,036	5,159	5,096	5,193
Cost Of Sales	2,665	2,570	2,534	2,698	2,696	2,777	2,798	2,900	2,837	2,854
Gross Profit	1,638	1,836	2,065	2,019	2,122	2,314	2,239	2,258	2,258	2,339
Gross Profit Margin	38.1%	41.7%	44.9%	42.8%	44.0%	45.5%	44.5%	43.8%	44.3%	45.0%
SG&A Expenses	1,525	1,528	1,547	1,546	1,522	1,538	1,564	1,679	1,598	1,627
Sales to SG&A Expenses Ratio	35.4%	34.7%	33.6%	32.8%	31.6%	30.2%	31.1%	32.5%	31.4%	31.3%
Operating Income	113	308	518	472	599	777	675	579	659	712
Operating Income Margin	2.6%	7.0%	11.3%	10.0%	12.4%	15.3%	13.4%	11.2%	12.9%	13.7%
Non-Operating Balance	-18	15	5	2	-40	99	-12	-8	-12	-9
Ordinary Profit	95	323	523	475	559	877	662	572	647	703
Ordinary Profit Margin	2.2%	7.3%	11.4%	10.1%	11.6%	17.2%	13.1%	11.1%	12.7%	13.5%
Extraordinary Income/Losses	-40	-28	-10	-218	31	-87	-76	-15	-12	-1
Pretax Profit	55	295	532	257	590	790	586	556	635	702
Total Corporate Tax, etc.	35	89	120	108	204	306	227	62	218	210
(Corporate Tax Rate)	63.6%	30.2%	22.6%	42.0%	34.6%	38.7%	38.7%	11.2%	34.3%	29.9%
Net Income Attributable to Owners of Parent	20	206	412	149	386	484	360	493	417	492
Net Profit Margin	0.5%	4.7%	9.0%	3.2%	8.0%	9.5%	7.1%	9.6%	8.2%	9.5%

Source: Company Data. Compiled by Strategy Advisors.

## 2. Outlook for FY3/26

### Revised Upward its Earnings Forecast for FY3/26, Projecting Record Profits for the Second Consecutive Period and Announced a Dividend Increase

The company has revised its earnings forecast upward for FY3/26. Sales are now projected to increase by 2.1% compared to the previous forecast, operating income by 5.5%, and net income attributable to owners of the parent by 3.1%. While the previous forecast already anticipated record profits for the second consecutive period, this represents a further upward revision (Figure 7). The year-end dividend forecast has also been raised from ¥8 to ¥10 per share. The annual dividend is expected to be ¥18, +¥6 from YoY, with a dividend payout ratio of 63.6%.

**Figure 7. Sales and Profit Trends (¥ mn)**

FY	3/22	3/23	3/24	3/25	3/26CoE Initial	3/26CoE Revised
Sales	18,821	18,605	18,024	20,104	20,420	20,840
YoY	29.0%	-1.1%	-3.1%	11.5%	1.6%	3.7%
Operating Income	1,344	1,235	1,411	2,630	2,720	2,870
YoY	n.a.	-8.1%	14.3%	86.4%	3.4%	9.1%
Operating Income Margin	7.1%	6.6%	7.8%	13.1%	13.3%	13.8%
Net Income Attributable to Owners of Parent	47	645	786	1,723	1,910	1,970
YoY	-93.7%	1270.5%	21.9%	119.1%	10.8%	14.3%
Net Profit Margin	0.3%	3.5%	4.4%	8.6%	9.4%	9.5%
DPS (¥)	6	6	6	12	16	18

Source: Company Data. Compiled by Strategy Advisors.

By segment, sales in the Construction Machinery Filter Business increased by 4.2% compared to the previous forecast, with segment profit rising by 10.8%. The Air Filter Business saw sales decrease by 12.5%, with segment profit turning to a loss (Figure 8).

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**Figure 8. Sales and Operating Income by Segment, Company Plan**

(¥ mn)	Sales	By Segment					
		Construction Machinery Filter	YoY	Comp. Ratio	Air Filter	YoY	Comp. Ratio
3/25	20,104	17,489	13.7%	87.0%	2,615	-1.0%	13.0%
3/26 CoE Initial	20,420	17,770	1.6%	87.0%	2,650	1.3%	13.0%
3/26 CoE Revised	20,840	18,520	5.9%	88.9%	2,320	-11.3%	11.1%

(¥ mn)	Operating Income	By Segment					
		Construction Machinery Filter	YoY	Profit Margin	Air Filter	YoY	Profit Margin
3/25	2,630	2,554	93.5%	14.6%	75	-17.3%	2.9%
3/26 CoE Initial	2,720	2,645	3.5%	14.9%	75	-0.7%	2.8%
3/26 CoE Revised	2,870	2,930	14.7%	15.8%	-60	-	-

Source: Company Data. Compiled by Strategy Advisors.

**The Order Backlog as of the End of September 2025 is Near a Record High, and Sales of Line Parts are Expected to Increase**

The Construction Machinery Filter Business is expected to see increased revenue and profits due to anticipated growth in line parts sales. The confirmed order backlog approached ¥4 bn as of the end of September 2025, remaining near record levels. Demand for new vehicles is increasing, particularly in North America, and the company is expanding their market share, especially in high-value-added products, leading to expectations of steady performance.

Sales of service parts declined in H1 due to inventory adjustments by some customers, but remain at a high level, and full-year sales are projected to increase. Regarding U.S. tariff policies, the company can respond through appropriate pricing adjustments for construction machinery manufacturers and cost reductions, anticipating only a minor impact.

**Figure 9. Construction Machinery Filter Business Sales (By Product) - Company Plan**

(¥ mn)	Sales	By Product					
		Construction Machinery Filter				Ind. Filters	Process Filters
		Line Parts	YoY	Service Parts	YoY		
3/25	17,489	5,599	-2.3%	10,481	26.6%	708	699
3/26CoE Initial	17,770	5,981	6.8%	10,405	-0.7%	672	711
3/26CoE Revised	18,520	6,503	16.1%	10,608	1.2%	720	687

Source: Company Data. Compiled by Strategy Advisors.

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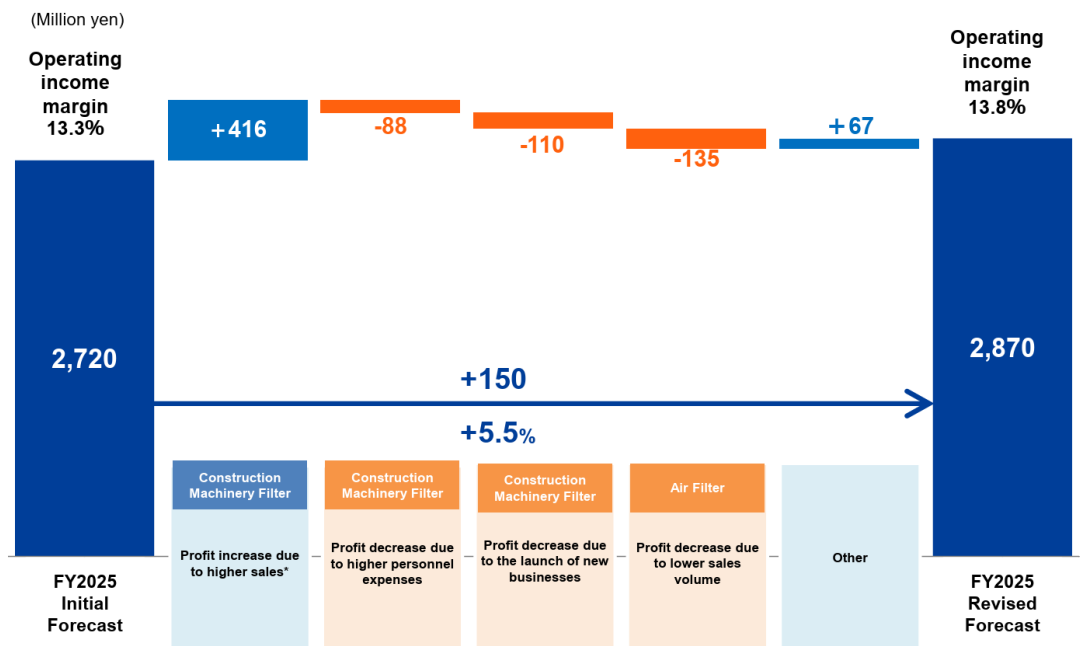
**Air Filters are Still Affected by Increased SG&A Expenses, but are Expected to Return to Operating Profit in the H2**

The Air Filter Business continues to be impacted by increased sales and administrative expenses throughout the fiscal year due to the implementation of core systems centered around H1. Sales revenue is increasing, and October 2025 recorded an operating income on a single-month basis. Operations are returning to a steady state, and the business is expected to achieve an operating income in H2 of the fiscal year.

**Covering the Impact of Increased Costs to Boost Profits While Also Striving to Improve Engagement**

The factors affecting the operating income forecast for FY3/26 are as shown in Figure 10. Sales are expected to remain strong, primarily driven by The Construction Machinery Filter Business. This is supported by the success of cost reduction initiatives (PAC25 promotion) and the effects of ongoing business restructuring efforts. This is planned to offset the weak performance of The Air Filter Business and achieve profit growth. Against the backdrop of strong performance, the company anticipates increased personnel expenses due to base pay increases and other factors, while also striving to enhance employee engagement.

**Figure 10. FY3/26 Company Plan Operating Income Fluctuation Factors**



\* Starting from Q2 of FY2025, changes in ocean freight costs are included in "Profit increase due to higher sales."

Source: Company Data.

## 3. Topics

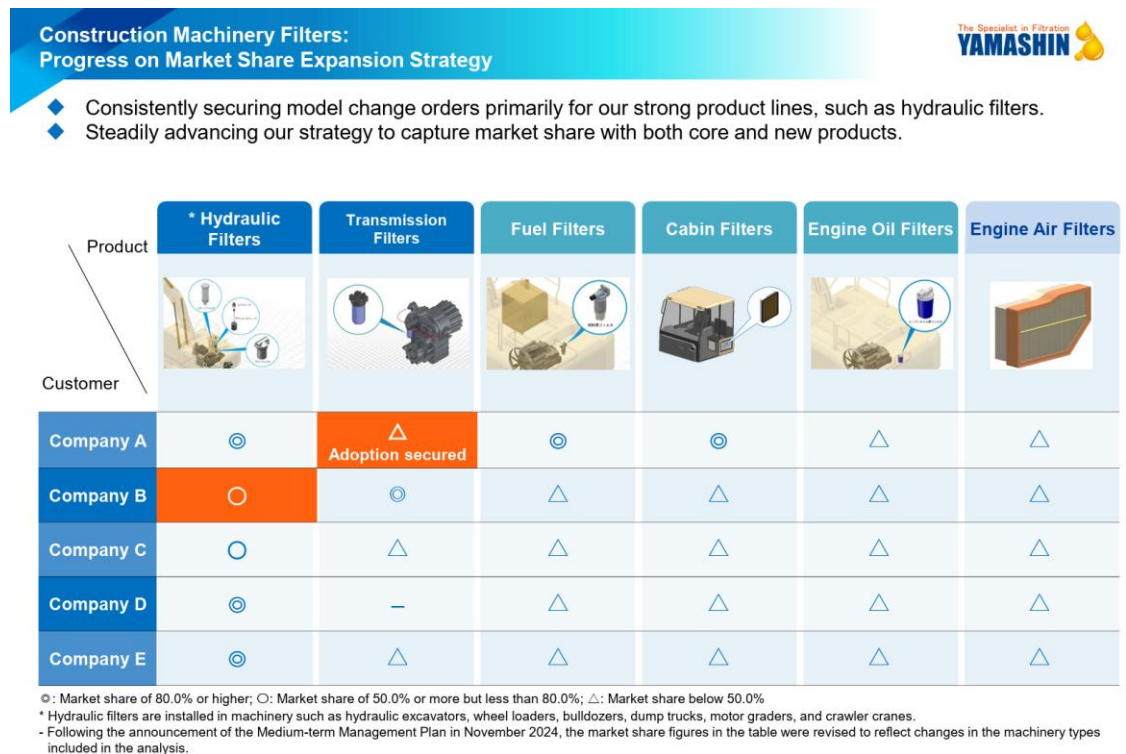
### 1) Mid-Term Management Plan Progress

**The Current Medium-Term Plan is Progressing Better Than Expected**

The company's mid-term management plan "Fly to the next stage!", announced in November 2024, targets high growth with a CAGR of 7.2% for sales and 28.7% for operating income from FY3/24 to FY3/28. The plans are to increase operating profit by 2.7x and EPS by 3.7x. One year has passed since the announcement, and the company is already exceeding its expectations thanks to the favorable performance of its Construction Machinery Filter Business.

The Construction Machinery Filter Business is expected to remain robust mid-term due to progress on both "quantity" and "quality" fronts. On the "quantity" side, this reflects progress in the market share expansion strategy shown in Figure 11. For Company B's hydraulic filters, the status changed from "△ (market share below 50%)" as of May 2025 to "○ (market share 50% or above but below 80%)". Furthermore, Company A's transmission filters have achieved "adoption". These are being installed in new vehicles following model changes, and market share is expected to increase as new vehicle production progresses.

**Figure 11. Progress of Market Share Expansion Strategy**



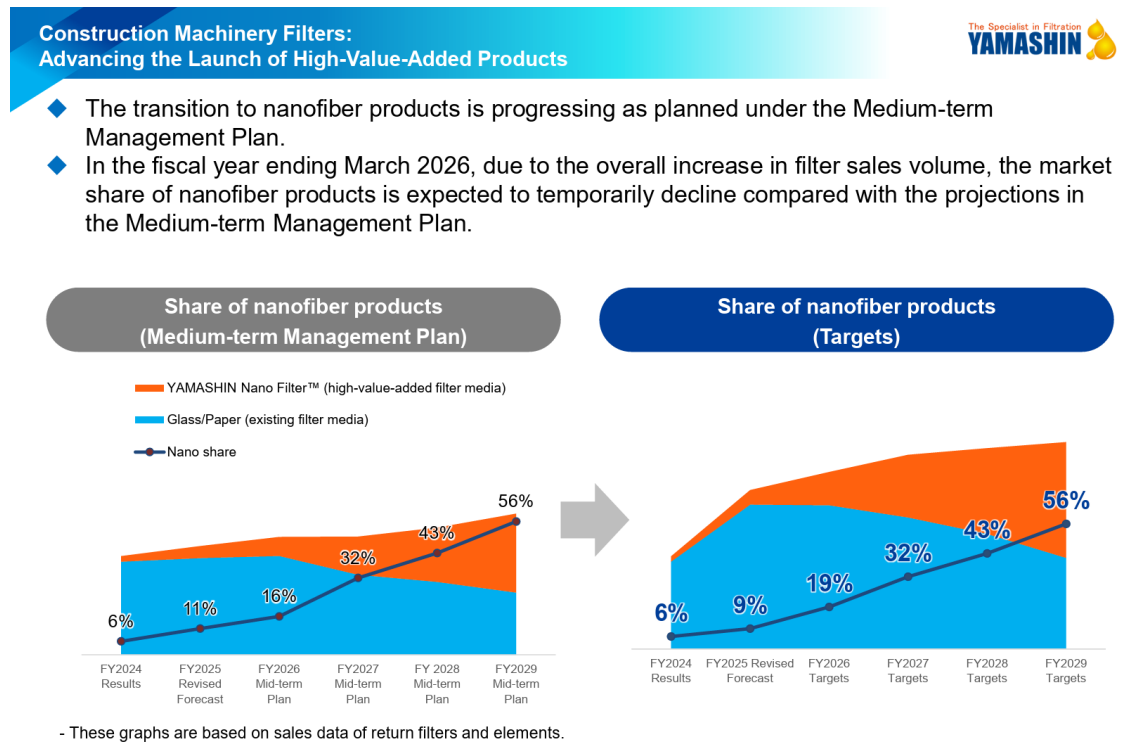
Source: Company Data.

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## The Transition to Nanofiber Products is Proceeding Smoothly

In terms of “quality”, this refers to the progress in introducing high-value-added products, as shown in Figure 12. At the time of formulating the current medium-term plan, the market share of nanofiber products for FY3/26 was projected to be 11%. This time, it has been revised downward to 9%. This reduction in market share is because, while the shift to nanofiber products is progressing smoothly, overall filter sales volume has been stronger than anticipated. The introduction of high-value-added products is expected to proceed as planned toward 2030.

**Figure 12. Progress in Introducing High-Value-Added Products**



Source: Company Data.

## 2) About YAMASHIN FILTER VISION 2030

### Announcement of “YAMASHIN FILTER VISION 2030” on December 4, 2025, With an Explanation of the Highlights

In the current medium-term management plan, the new business related to YAMASHIN Nano Filter™ was only mentioned in terms of direction. However, the company announced on December 4, 2025, that it would publish “YAMASHIN FILTER VISION 2030”. It plans to present a new vision and equity story aimed at enhancing corporate value, including the outlook for this new business. A highlighted version of the Vision was explained at the financial results briefing held on November 18.

### Aiming to Develop into a Functional Materials Manufacturer by 2030

The Vision states that the “desired state by 2030” is “leveraging the strengths of existing businesses to evolve from a comprehensive filter manufacturer into a functional materials manufacturer”. The company aims to establish new businesses utilizing its proprietary functional material, nanofiber, to further enhance corporate value. The numerical targets for the Vision are shown in Figure 13.

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Targeting an Operating Income 4x Over 5 Years

**Figure 13. Numerical Targets for YAMASHIN FILTER VISION 2030**

	FY3/25	FY3/30 Target	(Incl. New Businesses)
Sales (¥ mn)	20,104	50,000	21,300
Operating Income (¥ mn)	2,630	10,500	4,500
EPS (¥)	24.32	107	46
Market cap (¥ bn)	410	3,000	—

Source: Company Data. Compiled by Strategy Advisors.

This is an aggressive target to increase sales revenue by approximately 2.5x and operating income by approximately 4x over 5 years. Over 40% of both sales revenue and operating income are expected to be generated from new businesses.

Selecting the Market Segments of “Functional Textiles”, “Life Sciences” and “Industrial Materials”

The company's proprietary nanofiber is a fiber material boasting a high specific surface area (large surface area per unit mass) and high proportion (large proportion of air contained within the fiber material). It offers overwhelming advantages over conventional products in terms of thermal insulation, sound absorption, weight reduction, thin-film formation and moisture permeability. The company has identified “functional textiles”, “life sciences” and “industrial materials” as market areas where these advantages can be leveraged.

Products and Launch Strategies are also Being Developed for each Market Segment

In the “Functional Textiles” segment, the company is entering the apparel/fire-resistant clothing market with thin, high-performance insulation products. As seen in the press release [“Announcement of Sales Launch for TEXIFIL™, a Functional Apparel Material Born from Filter Technology”](#) disclosed by the company on November 5, productization is already underway. The product excels in mobility, thermal insulation and moisture regulation, promising new developments.

In “Life Sciences,” the company aims to enter the market for biosensors using high-precision electrodes. Launch is scheduled for Q4 of FY3/27.

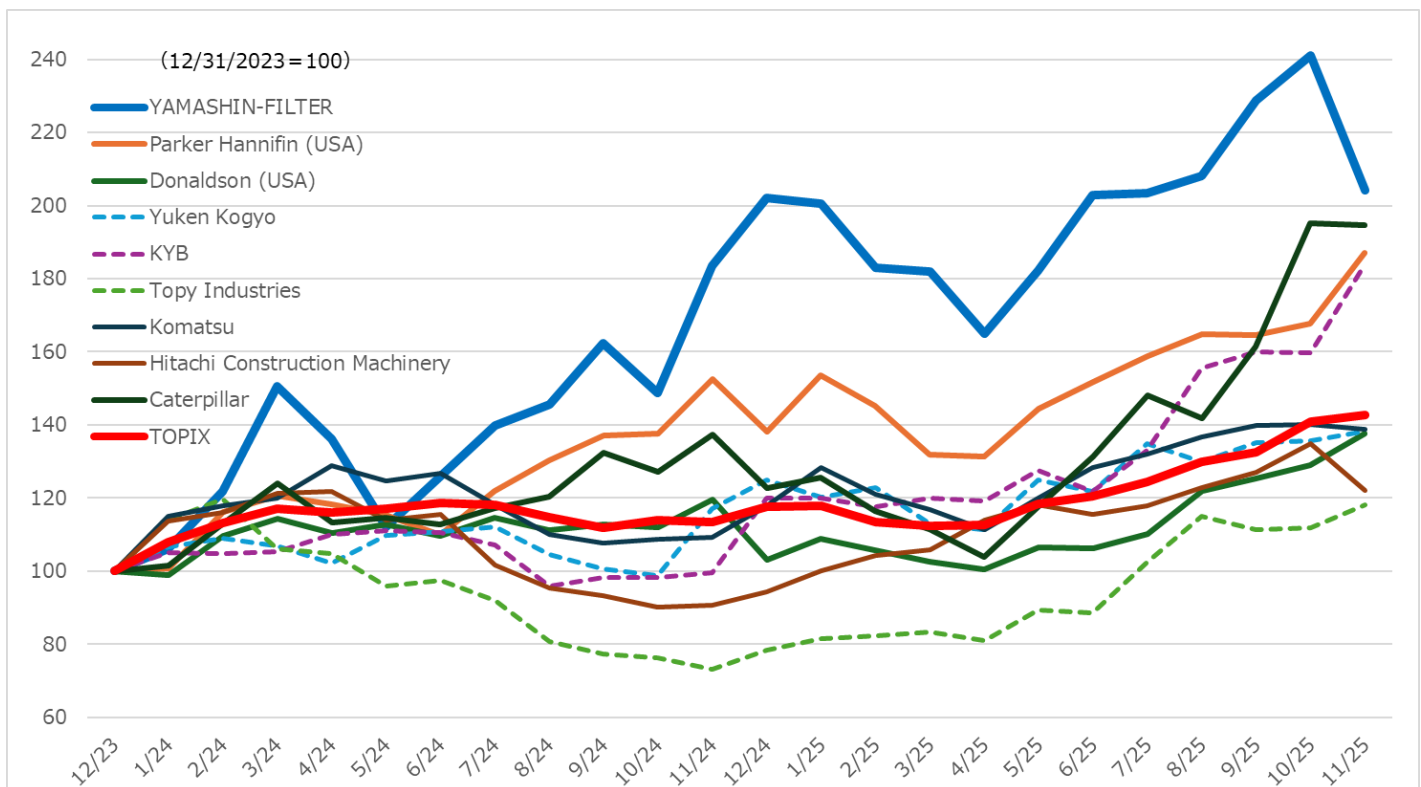
In “Industrial Materials,” the company is exploring the use of next-generation protective materials as heat-resistant/insulating materials and EMI (Electromagnetic Interference) shields. Launch is scheduled for Q1 of FY3/29. The direction for each market segment is considered to be well defined.

We look forward to receiving more specific details at the Vision briefing to be held on December 4, 2025.

## 4. Stock Price Trends and Valuations

To see the company's stock price trends to date, we have plotted the stock price trends of listed peer filter manufacturers, manufacturers providing construction machinery-related products and construction machinery manufacturers. This figure also includes the TOPIX (Tokyo Stock Price Index), as an index. Figure 14 shows the relative stock price trends, with the year-end 2023 stock price set as 100.

**Figure 14. Stock Price Trends of Filter Manufacturers, Manufacturers Providing Construction Machinery-Related Products, and Construction Machinery Manufacturers (from 2024 Onwards)**



Source: Compiled by Strategy Advisors.

### The Company's Stock Exceeded Expectations in 2024

Until 2023, the company's relative stock price had been below the TOPIX and that of other similar companies. Entering 2024, expectations for a recovery in performance grew as the company's results for FY3/24 became increasingly likely to exceed initial projections. Consequently, the stock began to outperform the TOPIX and peers on a relative basis. The announcement of the new medium-term management plan, originally scheduled for May 2024, was postponed due to delays in negotiations with a specific client, resulting in a temporary stagnation in the stock price.

However, the stock price subsequently began to rise again due to a significant increase in profits in FY3/25 Q1. This was due to increased public investment in the United States, expectations of higher demand for construction machinery and the announcement of the new medium-term management plan in November 2024. The company's stock significantly outperformed that of its peers in 2024.

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**Valuation Exceeds that of Similar Domestic Companies. PER is at the Same Level as Overseas Peers**

In 2025, the company's stock price reached levels exceeding ¥800 at times, driven by The Construction Machinery Filter Business performance exceeding expectations, despite the market decline influenced by U.S. tariff policies, which are expected to have a limited impact on the company. However, it has not returned to the levels seen in 2017-18 (over ¥1,500) or 2020 (over ¥1,200). The stock price has declined slightly due to reduced operating income and ordinary profit in the H1 results, attributed to the sluggish Air Filter Business. In terms of valuation, the PER is around 22x and the PBR is around 2.0x.

Compared with similar companies, it significantly exceeds domestic construction machinery-related firms and manufacturers in terms of PER and PBR. However, its PER is broadly in line with that of overseas peers. On the other hand, based on the company's forecast EPS (¥41.0) for FY3/28 in the current medium-term plan announced in November 2024, the implied PER would be around 15x. This falls below the current PER of overseas peers and remains at the average level for the Japanese stock market.

**The Medium-Term Plan is Progressing Smoothly, with Potential for Valuation Improvement**

The medium-term management plan calls for ROIC to increase from 8.2% in FY3/25 to 10.2% in FY3/28. The company also plans to implement capital policies to lower its WACC, further widening the spread between ROIC and WACC. As of FY3/26 H1, the plan is progressing smoothly. Considering factors such as the expansion of market share in construction machinery filters, the full-scale launch of high-value-added product supply and progress in "expansion into new fields", the current stock price does not appear to be overvalued. This suggests that the stock market may not have fully priced in the company's growth expectations and the outlook for improved capital efficiency. Progress in capital policies aimed at growing profits and lowering WACC, along with the realization of expansion into new domains, is expected to serve as a catalyst for a future increase in the company's valuation.

**If the Medium-Term Plan Progresses Steadily and Specific Measures for New Businesses are Presented, the Stock Price Valuation Will Move From "Phase 2" to "Phase 3"**

Strategy Advisors summarized the following phases in [a report on YAMASHIN-FILTER issued on February 20, 2025](#): The first phase involves a stock price rise driven by short-term performance from the second half of 2023; the second phase focuses on performance over the medium-term plan period, emphasizing the re-acceleration of growth in the Construction Machinery Filter Business; and the third phase consider a scenario centered on becoming a comprehensive filter manufacturer from FY3/29 onwards.

The medium-term plan is progressing smoothly and the stock valuation is steadily advancing through the second phase. If convincing and concrete measures for YAMASHIN Nano Filter™ are presented in "YAMASHIN FILTER VISION 2030", the stock is likely to be evaluated with the third phase in mind.

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**Figure 15. Comparison of Valuations with Peers**

Company Name	Code	FY	Stock Price	Market Cap.	PER	PBR	Dividend Yield	ROE
			(Dec. 1) (Local Curr.)		CoE (x)	Actual (x)	CoE (%)	Actual (%)
<b>YAMASHIN-FILTER</b>	<b>6240</b>	<b>03/25</b>	<b>631</b>	<b>43,933</b>	<b>22.3</b>	<b>2.0</b>	<b>2.9</b>	<b>7.9</b>
Parker Hannifin (USA)	PH	06/25	856.12	16,948,305	28.6	8.0	0.8	27.4
Donaldson (USA)	DCI	07/25	88.06	1,583,183	21.9	7.0	1.3	24.9
[Reference: Hydraulic Equipment or Construction Machinery Related]								
Yuken Industry	6393	03/25	3,005	11,122	13.3	0.5	5.0	5.3
KYB	7242	03/25	4,450	195,308	8.2	1.0	3.4	10.2
Topy Industries	7231	03/25	2,994	65,097	8.2	0.5	4.3	4.9
[Reference: Construction Machinery Manufacturer]								
Komatsu Ltd.	6301	03/25	5,111	4,640,488	14.5	1.5	3.7	13.4
Hitachi Construction Machinery	6305	03/25	4,629	984,758	13.3	1.2	3.8	8.5
Caterpillar	CAT	12/24	568.06	41,230,613	30.6	13.7	1.0	52.7

Note: As US companies do not disclose their EPS forecasts, PER is calculated using consensus EPS forecasts.

Note: Because US companies do not disclose their dividend forecasts, dividend yields are calculated using the most recent actual dividend per share. Market capitalization is converted to USD\$1 = ¥154.93

Source: SPEEDA. Compiled by Strategy Advisors.

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**Figure 16. Consolidated Statement of Income (¥ mn)**

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26 CoE
Sales	13,168	13,811	12,674	14,587	18,821	18,605	18,024	20,104	20,840
Cost of Sales	7,094	7,332	7,152	8,785	11,218	11,293	10,467	11,171	
Gross Profit	6,074	6,479	5,522	5,803	7,604	7,313	7,558	8,933	
Gross Profit Margin	46.1%	46.9%	43.6%	39.8%	40.4%	39.3%	41.9%	44.4%	
SG&A Expenses	4,163	4,516	4,745	5,948	6,259	6,078	6,146	6,303	
Operating Income	1,911	1,963	777	-146	1,344	1,235	1,411	2,630	2,870
Operating Income Margin	14.5%	14.2%	6.1%	-1.0%	7.1%	6.6%	7.8%	13.1%	13.8%
Non-Operating Income	18	10	28	50	39	38	128	89	
Non-Operating Expenses	104	58	202	40	66	358	124	50	
Ordinary Profit	1,825	1,916	603	-135	1,317	915	1,416	2,670	2,870
Ordinary Profit Margin	13.9%	13.9%	4.8%	-0.9%	7.0%	4.9%	7.9%	13.3%	13.8%
Extraordinary Income	35	1	17	1,267	44	1	9	138	
Extraordinary Loss	4	6	23	176	1,024	26	286	285	
Pretax Profit	1,856	1,911	597	956	337	890	1,139	2,522	
Corporate Tax, Resident Tax, Business Tax	604	517	161	262	394	231	423	626	
Corporate Tax Adjustments	2	-20	-172	-57	-104	13	-71	174	
Total Corporate Tax, etc. (Corporate Tax Rate)	606	497	-11	205	290	245	352	799	
Net Income to Parent company of the subsidiaries	1,250	1,414	608	751	47	645	786	1,723	1,970
Net Profit Margin	9.5%	10.2%	4.8%	5.1%	0.3%	3.5%	4.4%	8.6%	9.5%
EPS (¥)	19.71	20.44	8.79	10.69	0.66	9.03	11.01	24.32	28.29
Capital Investment	816	2,257	3,150	5,229	2,836	607	439	404	
Depreciation	303	414	534	723	870	823	767	751	
Operating Cash Flow	1,064	800	2,099	87	290	2,408	2,632	2,763	
CFPS (¥)	15.4	11.6	30.3	1.2	4.1	33.6	36.9	38.7	
ROE	10.6%	8.1%	3.3%	3.9%	0.2%	3.1%	3.7%	7.8%	8.7%
ROIC	7.0%	7.8%	3.3%	-1.4%	4.7%	3.1%	4.9%	8.2%	8.4%
Dividend (¥)	3.60	6.00	6.00	6.00	6.00	6.00	6.00	12.00	18.00
Average Number of Shares during the Period (mn shares)	63.4	69.1	69.1	70.2	71.3	71.5	71.4	70.8	
End of Period Shares (mn shares)	69.1	69.1	69.1	71.3	71.4	71.5	71.3	71.3	

Source: Company Data. Compiled by Strategy Advisors.

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**Figure 17. Consolidated Balance Sheet (¥ mn)**

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26 H1
<b>Current Assets</b>	<b>15,391</b>	<b>13,982</b>	<b>15,323</b>	<b>13,964</b>	<b>12,923</b>	<b>13,487</b>	<b>14,434</b>	<b>14,440</b>
Cash and Deposits	9,489	8,506	7,229	3,750	4,113	5,065	6,014	5,304
Accounts Receivable	3,252	3,405	4,285	4,696	4,447	4,815	4,740	4,991
Inventory	2,370	1,826	3,021	4,775	4,141	3,408	3,330	3,663
Others	280	245	788	743	221	199	348	480
<b>Fixed Assets</b>	<b>5,641</b>	<b>7,607</b>	<b>12,868</b>	<b>12,747</b>	<b>12,658</b>	<b>12,455</b>	<b>12,208</b>	<b>12,562</b>
Tangible Fixed Assets	3,540	6,636	10,813	11,609	11,683	11,328	11,146	11,150
Intangible Fixed Assets	346	367	330	236	172	209	229	242
Investments and Other Assets	1,754	603	1,724	901	801	917	833	1,169
Investment Securities	1,364	28	1,010	26	31	0	0	0
Deferred Tax Assets	204	411	462	552	542	619	444	433
Others	186	164	252	323	228	298	389	736
<b>Total Assets</b>	<b>21,032</b>	<b>21,590</b>	<b>28,191</b>	<b>26,712</b>	<b>25,581</b>	<b>25,943</b>	<b>26,642</b>	<b>27,002</b>
<b>Current Liabilities</b>	<b>2,353</b>	<b>2,810</b>	<b>5,539</b>	<b>4,634</b>	<b>3,343</b>	<b>3,827</b>	<b>3,389</b>	<b>4,034</b>
Trade Payables	1,288	1,187	1,952	2,213	1,453	1,647	1,615	1,583
Accounts Payable and Accrued Expenses	310	356	1,649	449	393	441	368	419
Interest-Bearing Debt	200	765	1,089	487	767	718	388	1,018
Short-Term Borrowings	0	520	600	0	280	225	0	900
Current Portion of Long-Term Borrowings	200	245	489	487	487	493	388	117
Asset Retirement Obligations	—	—	160	128	—	25	—	—
Others	555	502	689	1,357	730	996	1,018	1,014
<b>Fixed Liabilities</b>	<b>565</b>	<b>578</b>	<b>1,969</b>	<b>1,506</b>	<b>1,260</b>	<b>816</b>	<b>633</b>	<b>611</b>
Interest-Bearing Debt	200	150	1,702	1,255	991	517	138	0
Long-Term Borrowings	0	150	1,702	1,255	991	517	138	0
Accrued Retirement Benefits	190	250	225	232	257	290	289	305
Others	175	178	42	19	12	9	206	306
<b>Net Assets</b>	<b>18,113</b>	<b>18,201</b>	<b>20,682</b>	<b>20,571</b>	<b>20,977</b>	<b>21,299</b>	<b>22,619</b>	<b>22,356</b>
Capital Stock	18,063	18,221	20,585	20,255	20,523	20,557	21,887	21,518
Capital Surplus	10,608	10,608	12,637	12,687	12,739	12,882	12,924	12,883
Retained Earnings	7,455	7,613	7,948	7,567	7,784	7,907	9,063	8,809
Treasury Stock	0	0	0	0	0	-232	-99	-174
Accumulated Other Comprehensive Income	49	-19	72	315	454	742	731	837
Stock Acquisition Rights	—	—	24	—	—	—	—	—
Non-Controlling Interests	—	—	—	—	—	—	—	—
<b>Total Liabilities and Net Assets</b>	<b>21,032</b>	<b>21,590</b>	<b>28,191</b>	<b>26,712</b>	<b>25,581</b>	<b>25,943</b>	<b>26,642</b>	<b>27,002</b>
Interest-Bearing Debt	400	915	2,791	1,742	1,758	1,235	526	1,018
Equity ratio	86.1%	84.3%	73.4%	77.0%	82.0%	82.1%	84.9%	82.8%
D/E ratio (x)	0.02	0.04	0.12	0.08	0.08	0.06	0.02	0.05

Source: Company Data. Compiled by Strategy Advisors.

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**Figure 18. Consolidated Cash Flow Statement (¥ mn)**

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25
<b>Cash Flows from Operating Activities</b>								
Income before income taxes	1,856	1,911	597	956	337	890	1,139	2,522
Depreciation	303	414	622	723	870	823	767	751
Working Capital	-791	-694	992	-1,277	-1,760	239	687	112
Others	-304	-831	-112	-315	843	456	39	-622
<b>Total</b>	<b>1,064</b>	<b>800</b>	<b>2,099</b>	<b>87</b>	<b>290</b>	<b>2,408</b>	<b>2,632</b>	<b>2,763</b>
<b>Cash Flows from Investing Activities</b>								
Payments for Acquisition of Property, Plant and Equipment	-602	-2,251	-3,042	-3,494	-3,132	-1,012	-278	-414
Payments for Acquisition of Intangible Fixed Assets	-224	-18	-130	-84	-46	-29	-96	-72
Others	714	21	120	-821	901	-129	-167	-44
<b>Total</b>	<b>-112</b>	<b>-2,248</b>	<b>-3,052</b>	<b>-4,399</b>	<b>-2,277</b>	<b>-1,170</b>	<b>-541</b>	<b>-530</b>
<b>Cash Flows from Financing Activities</b>								
Net Increase/Decrease in Short-Term Borrowings	–	–	520	80	-600	280	-55	-225
Net Increase/Decrease in Long-Term Borrowings	-500	-350	-200	1,608	-403	-403	-403	-403
Issuance of Shares	9,184	–	–	1,980	–	–	–	–
Purchase of Treasury Stock	0	0	–	–	–	–	-473	-0
Dividend Payment	-174	-325	-449	-415	-428	-429	-431	-566
Others	-2	-1	-140	-40	-123	-166	-104	-103
<b>Total</b>	<b>8,508</b>	<b>-676</b>	<b>-269</b>	<b>3,213</b>	<b>-1,554</b>	<b>-718</b>	<b>-1,466</b>	<b>-1,298</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	34	-7	-31	96	63	-156	119	1
Cash Increase/Decrease	9,485	-2,131	-1,253	-1,004	-3,479	363	744	936
Cash Beginning Balance	2,100	11,586	9,455	8,202	7,198	3,719	4,082	4,826
Ending Cash Balance	11,585	9,455	8,201	7,197	3,718	4,081	4,825	5,762

Source: Company Data. Compiled by Strategy Advisors.

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