

Company Report

June 10, 2025

Strategy Advisors Inc.

Yoshifumi Aratake



FY3/2025 Financial Results: Record-High Profits. Construction Machinery Filters Expand Market Share & Improve Profitability. Strong Sales of Service Parts Lead to Continued Growth.

Yamashin-Filter's FY3/2025 financial results showed sales up 11.5% YoY, operating income up 86.4% and net income up 119.1%, reaching new record highs. The Construction Machinery Filter Business saw an increase in sales volume of service parts and progress in optimizing sales prices, leading to a 13.7% increase in sales and a 93.5% increase in operating income, which was a major driver of business performance. With the business performing well, the Company is proceeding with business restructuring, including the reorganization of overseas subsidiaries and is expanding shareholder returns.

For FY3/2026, the company plans to increase sales by 1.6% YoY, operating income by 3.4% and net income by 10.8%. It expects to set a new record for the second consecutive fiscal year. The company expects profits to continue to increase due to an expansion in the supply of high value-added products in line parts that meet the demand for new construction machinery, as well as the effects of business restructuring and cost reduction activities. The company also expects the impact of US tariff policies to be minor.

The mid-term management plan disclosed in November 2024 is off to a good start, driven beyond expectation by the Construction Machinery Filter Business. The supply of products that match construction machinery manufacturers is proving successful for service parts. For line parts, the company is making steady progress in gaining market share in line with model changes, mainly at North American construction machinery manufacturers. The company is also moving forward with the replacement of its products with high value-added product, and a virtuous cycle is being established in which the supply of line parts leads to future sales of service parts. Although the Air Filter Business is somewhat stagnant, the Construction Machinery Filter business is significantly exceeding expectations and the quantitative targets for the business are expected to be achieved.

The company manages its operations based on an index called MAVY's (=ROIC-WACC). It is highly conscious of capital costs and sets targets based on a projected balance sheet before implementing capital policies such as shareholder return measures. In the mid-term plan, it aims to increase financial leverage and reduce capital costs.

MAVY's turned positive for the first time in seven years in FY3/2025. The stock price has responded favorably since the announcement of FY3/2025 results. If the growth strategy for the core business and strengthening management with a focus on capital costs outlined in the mid-term plan proceed as planned, the stock will attract more attention in the stock market, which will support an increase in the valuation.

Stock Price & Trading Volumes



Source: Strategy Advisors

Key Indicators

Stock Price (Jun. 9)	544
52-Week High (12/23/24)	688
52-Week Low (8/5/24)	331
Highest Price Since Listing	1,552
Lowest Price Since Listing	73
Shares Issued (mn)	71.0
Market Capitalization (¥bn)	38.6
EV (¥bn)	32.9
Equity Ratio (3/25, %)	84.9
ROE (3/25, %)	7.9
PER (3/26CoE, x)	20.2
PBR (3/25, x)	1.8
Dividend Yield (3/26CoE, %)	2.9

Source: Strategy Advisors

YAMASHIN-FILTER | 6240 (TSE Prime)

Japanese GAAP - Consolidated

FY	Sales (¥mn)	YoY (%)	Operating income (¥mn)	YoY (%)	Ordinary Profit (¥mn)	YoY (%)	Net Income (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
3/22	18,822	29.0	1,344	-	1,317	-	47	-93.7	0.7	6.0
3/23	18,606	-1.1	1,235	-8.1	915	-30.5	645	1,270.5	9.0	6.0
3/24	18,024	-3.1	1,411	14.3	1,415	54.6	786	21.9	11.0	6.0
3/25	20,104	11.5	2,630	86.4	2,669	88.6	1,723	119.2	24.3	12.0
3/26CoE	20,420	1.6	2,720	3.4	2,750	3.0	1,910	10.9	27.4	16.0

Source: Company Data. Compiled by Strategy Advisors.

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1. Financial Results for FY3/2025

FY3/2025 Reaches Record High Profits

In the FY3/2025 financial results, sales increased 11.5% YoY to ¥20.1 billion, operating income increased 86.4% YoY to ¥2.63 billion and net income increased 119.1% YoY to ¥1.72 billion, all of which were record highs (Figure 1). After the upward revision at the time of the announcement of the second quarter financial results, the achievement rate against the company's plan was 104.2% for sales, 118.5% for operating income and 115.6% for net income attributable to owners of the parent, resulting in profits exceeding the targets by a large margin.

At the beginning of the fiscal year, the company's plan was for sales of ¥17.69 billion (down 1.9% YoY), operating income of ¥1.41 billion (down 0.1% YoY) and net income attributable to owners of the parent of ¥980 million (up 24.6% YoY). At the time of the announcement of the FY3/2025 2Q financial results, the company's plan was revised upward to sales of ¥19.30 billion (up 7.1% YoY), operating income of ¥2.22 billion (up 57.3% YoY) and net income of ¥1.49 billion (up 89.4% YoY), however final results exceeded these figures.

Figure 1. Sales and Profit Trends

(¥mn)	3/21	3/22	3/23	3/24	3/25
Sales	14,587	18,821	18,605	18,024	20,104
YoY	15.1%	29.0%	-1.1%	-3.1%	11.5%
Operating Income	-145	1,344	1,235	1,411	2,630
YoY	na	na	-8.1%	14.3%	86.4%
OP Margin	na	7.1%	6.6%	7.8%	13.1%
Net Income	750	47	645	786	1,723
YoY	23.4%	-93.7%	1270.5%	21.9%	119.1%
Net Income Margin	5.1%	0.3%	3.5%	4.4%	8.6%

Source: Company Data.

Driven by the Main Construction Machinery Filter Business

Looking at the results by segment, the mainstay Construction Machinery Filter Business saw its sales increase by 13.7% YoY and its segment profit increase by 93.5%, while the Air Filter Business saw its sales decrease by 1.0% YoY and its segment profit decrease by 17.3% YoY (Figure 2).

Figure 2. Sales and Operating Income by Segment

(¥mn)	Sales	By Segment					
		Construction Machinery Filter	YoY	Composition Ratio	Air Filter	YoY	Composition Ratio
3/24	18,024	15,383	-3.5%	85.3%	2,642	-0.7%	14.7%
3/25	20,104	17,489	13.7%	87.0%	2,615	-1.0%	13.0%

(¥mn)	OP	By Segment					
		Construction Machinery Filter	YoY	Composition Ratio	Air Filter	YoY	Composition Ratio
3/24	1,411	1,320	14.7%	8.6%	91	7.7%	3.5%
3/25	2,630	2,554	93.5%	14.6%	75	-17.3%	2.9%

Source: Company Data. Compiled by Strategy Advisors.

Construction Machinery Filter's Development Aligned with the Aftermarket Strategies of Construction Machinery Manufacturers Has Proved Successful

The Construction Machinery Filter Business saw an increase in both sales and profits due to a large increase in sales of service parts amid higher-than-expected demand for replacement compared to new vehicle demand. The company's operations are aligned with the aftermarket strategies of construction machinery manufacturers; and sales volume has expanded as construction machinery operating hours have increased and inventory adjustments have progressed. In collaboration with construction machinery manufacturers, the company is promoting the sale of line parts and service parts, appealing to construction machinery users to reduce total costs by extending the life of filters and maintain and improve the asset value of construction machinery by using genuine parts. By supplying products at fair prices, the company has significantly increased sales and operating incomes (Figure 3).

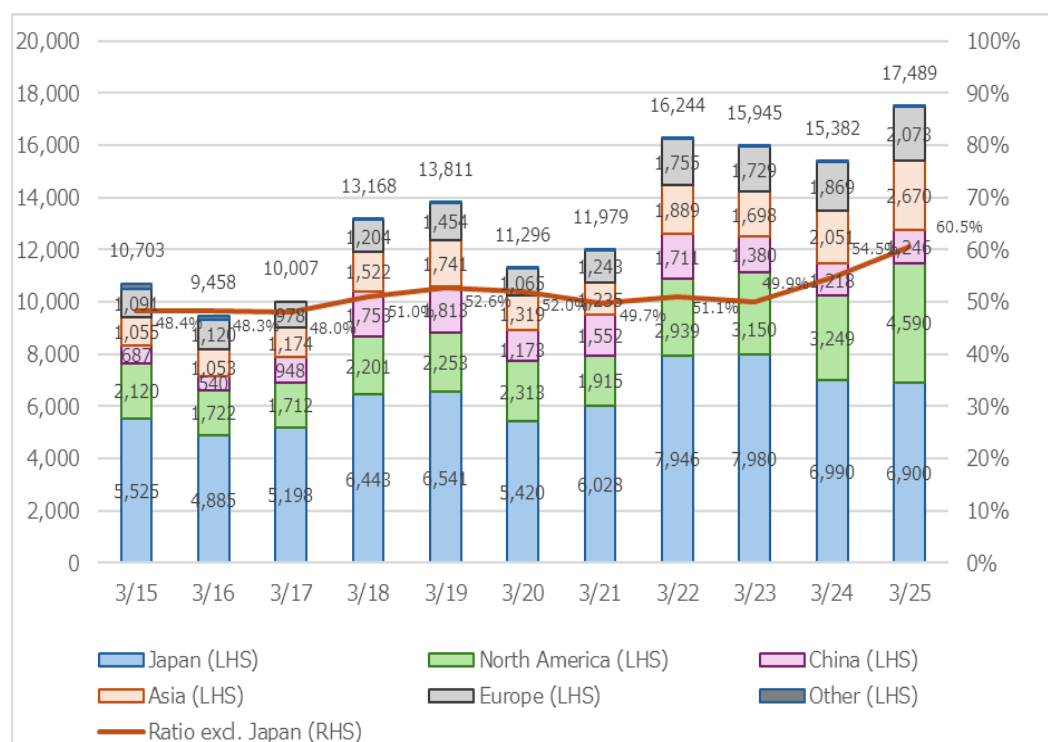
Figure 3. Construction Machinery Filter Business Sales (by Product)

(¥mn)	Sales	By Product					
		Construction Machinery Filter				Industrial Filter	Process Filter
		Line Parts	YoY	Service Parts	YoY		
3/24	15,383	5,731	-3.0%	8,276	-1.7%	648	725
3/25	17,489	5,599	-2.3%	10,481	26.6%	708	699

Source: Company Data. Compiled by Strategy Advisors.

Looking at sales by region, North America and Southeast Asia have shown strong growth, as shown in Figure 4. Thanks to strong relationships with construction machinery manufacturers and their local sales subsidiaries, the company has been able to increase sales of service parts and raise its market share for line parts.

Figure 4. Construction Machinery Filter Business Sales (by Region)



Source: Company Data. Compiled by Strategy Advisors.

Air Filter Profits Declined Due to Increased Selling and Administrative Expenses Caused by the Introduction of a Core System

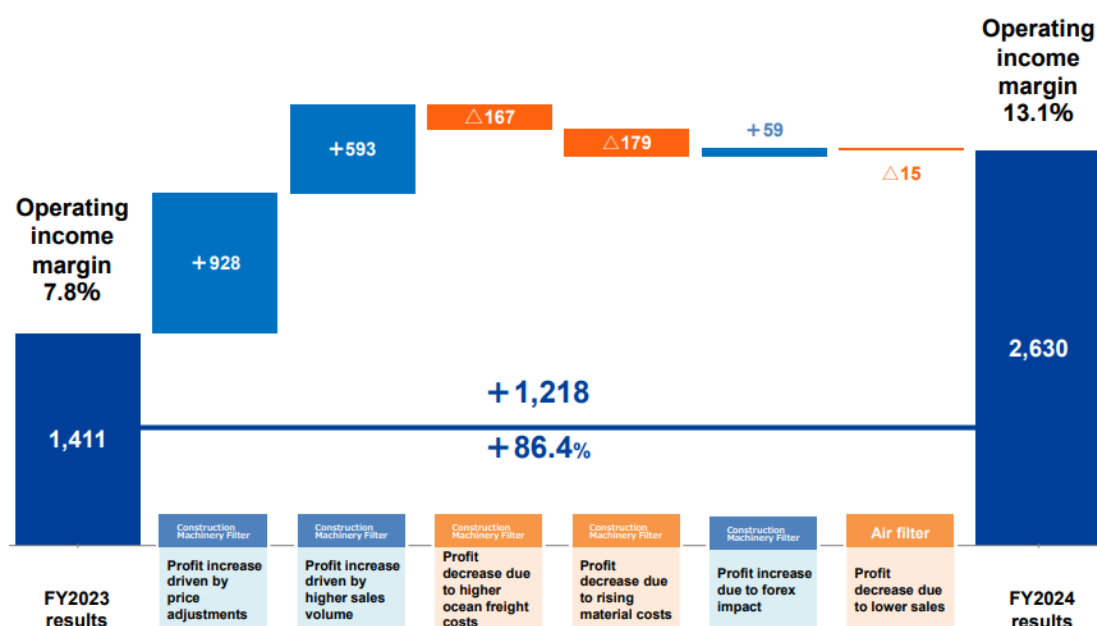
The Air Filter Business has been affected by delivery adjustments for building air conditioning filters. Although the direct sales system has been strengthened, the system is not yet in place to ensure stable sales and profits in the air conditioning air filter industry, where low-priced products tend to be selected. Furthermore, in FY3/2025, the introduction of a core system to improve profitability temporarily increased selling, general and administrative expenses, resulting in lower sales and profits.

Optimization of Prices for Construction Machinery Filters and Increased Volume Contributed to Overall Profit Growth

The factors behind the increase or decrease in operating income for FY3/2025 are as shown in Figure 5. The optimization of sales prices was a factor in the increase in profit of ¥928 million, while the increase in sales volume was a factor in the increase in profit of ¥593 million. Service parts have increased sales volume while also leading to the optimization of sales prices, making a significant contribution to the increase in profit.

Although sales of line parts have decreased slightly, the replacement of existing products with high value-added products is progressing. Although the increase in sales volume has led to an increase in ocean freight charges and a rise in material costs, the company has reduced costs by improving production technology, management and systems; and the profit base has been strengthened. As a result, the operating income margin for FY3/2025 is expected to increase 5.3% points YoY to 13.1%.

Figure 5. Factors Behind Changes in Operating Income in FY3/2025



Source: Company Data.

Despite Recording Extraordinary Losses Due to Business Restructuring, Net Income Reaches Record Highs

With the Construction Machinery Filter Business performing well, the company is carrying out business restructuring, including the reorganization of overseas subsidiaries in Suzhou, China and Brussels, Europe, in FY3/2025. Although it recorded an extraordinary loss of approximately ¥230 million, net income attributable to parent company shareholders reached a record high.

Net Assets & Equity Ratio Exceed Mid-Term Targets

Regarding the balance sheet at the end of FY3/2025, due to a significant increase in profits, net assets amounted to ¥22.62 billion and the equity ratio was 84.9%, both figures higher than the target at the time the medium-term plan was formulated.

Shareholder Returns to Be Significantly Increased in Line with Mid-Term Plan Targets

In the mid-term plan, the company has revised its capital policy to enhance shareholder returns, and in FY3/2025, the company has increased its dividend per share to ¥12 (¥6 in FY3/2024) and its DOE to 3.9% (2.0%); almost double the amount from the previous year, as targeted in the mid-term plan.

YAMASHIN-FILTER | 6240 (TSE Prime)

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

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

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

Source: Company Data. Compiled by Strategy Advisors.

2. Outlook for FY3/2026

**Record Profits
Expected Again in
FY3/2026**

For FY3/2026, the company is forecasting a 1.6% YoY increase in sales, a 3.4% YoY increase in operating income and a 10.8% YoY increase in net income attributable to owners of the parent. It is expected to reach a new record high for the second consecutive fiscal year (Figure 7).

Figure 7. Sales and Profit Trends (¥ mn)

FY	3/22	3/23	3/24	3/26	3/26CoE
Sales	18,821	18,605	18,024	20,104	20,420
YoY	29.0%	-1.1%	-3.1%	11.5%	1.6%
Operating Income	1,344	1,235	1,411	2,630	2,720
YoY	-	-8.1%	14.3%	86.4%	3.4%
Operating Income Margin	7.1%	6.6%	7.8%	13.1%	13.3%
Net Income	47	645	786	1,723	1,910
YoY	-93.7%	1270.5%	21.9%	119.1%	10.8%
Net Profit Margin	0.3%	3.5%	4.4%	8.6%	9.4%

Source: Company Data. Compiled by Strategy Advisors.

By segment, sales in the Construction Machinery Filter Business are expected to increase by 1.6% YoY, segment profits by 1.4% and sales in the Air Filter Business are expected to increase by 3.6% YoY, with segment profits remaining unchanged from the previous term (Figure 8). Although there is a possibility that costs will increase by around ¥400 million due to the US tariff policy, the company believes that this can be managed by optimizing sales prices to construction machinery manufacturers and reducing costs.

Figure 8. Sales and Operating Income by Segment Company Plan

(¥ mn)	Sales	By Segment					
		Construction Machinery Filter	YoY	Composition Ratio	Air Filter	YoY	Composition Ratio
3/25	20,104	17,489	13.7%	87.0%	2,615	- 1.0%	13.0%
3/26CoE	20,420	17,770	1.6%	87.0%	2,650	1.3%	13.0%

(¥ mn)	OP	By Segment					
		Construction Machinery Filter	YoY	OP Margin	Air Filter	YoY	OP Margin
3/25	2,630	2,554	93.5%	14.6%	75	-17.3%	2.9%
3/26CoE	2,720	2,645	3.6%	14.9%	75	0.0%	2.8%

Source: Company Data. Compiled by Strategy Advisors.

The Order Backlog at FY3/2025 End to Reach a Record High, and Sales of Line Parts Are Expected to Increase

The Construction Machinery Filter Business is expected to see increased sales and profits due to the expected increase in sales of line parts. The confirmed order backlog is expected to reach a record high of approximately ¥3.9 billion at the end of FY3/2025. Demand for new vehicles is increasing, mainly in North America and the company is expected to remain strong by working to expand its market share, mainly with high value-added products. Sales of service parts are also expected to remain at a high level.

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

(¥ mn)	Sales	By Product					
		Construction Machinery Filter				Industrial Filter	Process Filter
		Line Parts	YoY	Service Parts	YoY		
3/25	17,489	5,599	-2.3%	10,481	26.6%	708	699
3/26CoE	17,770	5,981	6.8%	10,405	-0.7%	672	711

Source: Company Data. Compiled by Strategy Advisors.

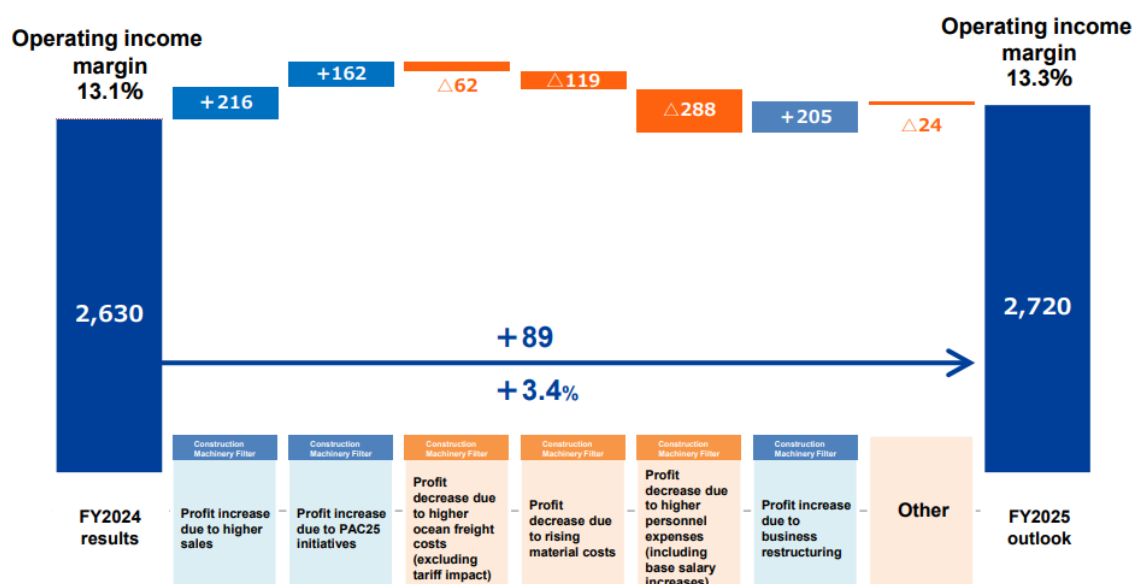
Air Filter Profits Expected to Remain Flat

The Air Filter Business is expected to see an increase in sales, but operating income will remain flat. High-value-added products using nanofiber filter media are developing new customers and are expected to see an increase in sales, but the impact of sales confusion due to the introduction of the core system and increased selling and administrative expenses will remain, so profits are expected to remain flat as a result.

Increased Profits Will Be Achieved by Offsetting the Impact of Increased Costs, while Efforts Will also Be Made to Improve Engagement

The factors behind the increase or decrease in operating income forecast for FY3/2026 are as shown in Figure 10. Sales are expected to remain strong; and with the success of cost reduction initiatives (PAC25 promotion) and the effects of ongoing business restructuring, the company plans to increase profits by covering the impact of increases in ocean freight rates and soaring material costs. With favorable business performance as a backdrop, the company expects an increase in labor costs due to base pay increases, etc., and is also working to improve engagement.

Figure 10. FY3/2026 Company Plan Operating Income Increase/Decrease Factors (Unit: ¥ mn)



Source: Company Data.

Strengthening Shareholder Returns with DOE of 5.0% & Total Return Ratio of 128.4% in FY3/2026

The dividend per share for FY3/2026 is expected to be ¥16, up ¥4 from the previous year. In addition, on May 15, the company resolved to buy back its own shares up to a maximum of ¥1.5 billion and is working to strengthen shareholder returns, with a DOE of 5.0% and a total return ratio of 128.4% expected for FY3/2026.

3. Progress of the Mid-Term Business Plan: "Fly to the Next Stage!"

Mid-Term Management Plan Off to a Good Start

The medium-term management plan "Fly to the next stage!" for FY3/2025 to FY3/2028, disclosed in November 2024, has the strategies of "Initiatives to create new value", "Strengthen management with a focus on capital costs" and "Promote ESG Management" and is off to a good start.

Figure 11. Medium-Term Management Plan (¥ bn)

Items	3/24	3/25	3/26	3/26	3/27	3/28	Difference FY3/28 & FY3/24	CAGR (FY3/24- FY3/28)
	Actual	Actual	CoE (As of May 25)	Mid-Term Plan	Mid-Term Plan	Mid-Term Plan		
Sales	18.02	20.1	20.42	20.42	22.03	23.79	+32.0%	7.2%
Operating Income	1.41	2.63	2.72	2.72	3.22	3.88	2.7x	28.7%
OP Margin	7.8%	13.1%	13.3%	13.3%	14.6%	16.3%	+8.5%	-
MAVY's	-2.6%	0.1%	0.2%	0.2%	1.3%	2.9%	+5.5%	-
ROIC	4.9%	8.2%	8.1%	8.1%	8.9%	10.2%	+5.3%	-
WACC	7.5%	8.1%	7.9%	7.9%	7.6%	7.3%	-0.2%	-
EPS (¥)	11.0	24.3	27.4	27.5	33.2	41.0	3.7x	-
Total Assets	25.94	26.64	27.24	28.0	30.0	32.0	+23.3%	5.4%
Equity Ratio	82.1%	84.9%	81.3%	79.2%	73.2%	67.7%	-14.4%	-
Financial Leverage (x)	1.22	1.18	1.23	1.26	1.37	1.48	+1.2x	-
WACC	7.5%	8.1%	7.9%	7.9%	7.6%	7.3%	-0.2%	-
DPS (¥)	6.0	12.0	16.0	-	-	-	-	-
DOE	2.0%	3.9%	5.0%	5.0%	7.4%	10.3%	+8.3%	-
Dividend Payout Ratio	54.5%	49.3%	58.4%	58.1%	72.2%	82.9%	+28.4%	-
Total Return Ratio	121.0%	52.9%	128.4%	113.5%	119.3%	122.0%	+1.0%	-

Source: Company Data. Compiled by Strategy Advisors.

Figure 12. Mid-Term Management Plan by Segment (¥ bn)

Construction Machinery Filter								
Financial Items	3/24	3/25	3/26	3/26	3/27	3/28	Difference FY3/28 & FY3/24	CAGR (FY3/24- FY3/28)
	Actual	Actual	CoE (As of May 25)	Mid-Term Plan	Mid-Term Plan	Mid-Term Plan		
Sales	15.38	17.49	17.77	17.52	19.03	20.69	+34.5%	7.7%
Operating Income	1.32	2.55	2.65	2.6	3.07	3.71	2.8x	29.5%
OP Margin	8.6%	14.6%	14.9%	14.8%	16.1%	17.9%	+9.3%	-
MAVY's	-1.7%	2.0%	1.7%	1.5%	2.6%	4.3%	+6.0%	-
ROIC	5.8%	10.2%	9.6%	9.4%	10.2%	11.6%	+5.8%	-
WACC	7.5%	8.1%	7.9%	7.9%	7.6%	7.3%	-0.2%	-
Air Filter								
Financial Items	3/24	3/25	3/26	3/26	3/27	3/28	Difference FY3/28 & FY3/24	CAGR (FY3/24- FY3/28)
	Actual	Actual	CoE (As of May 25)	Mid-Term Plan	Mid-Term Plan	Mid-Term Plan		
Sales	2.64	2.62	2.65	2.9	3.0	3.1	+17.3%	4.1%
Operating Income	0.09	0.08	0.08	0.12	0.15	0.17	1.8x	16.0%
OP Margin	3.5%	2.9%	2.8%	4.1%	5.0%	5.3%	+1.8%	-
MAVY's	-6.0%	-8.3%	-6.6%	-5.8%	-5.1%	-4.6%	+1.4%	-
ROIC	1.5%	-0.2%	1.4%	2.1%	2.5%	2.7%	+1.2%	-
WACC	7.5%	8.1%	7.9%	7.9%	7.6%	7.3%	-0.2%	-

Source: Company Data. Compiled by Strategy Advisors.

Closer Relationships with Construction Machinery Manufacturers.

As mentioned above, the results for FY3/2025 exceeded the company's plans after the upward revision at the time of disclosing the second quarter financial results by 4.2% in sales & 18.4% in operating income. The reason for this is that the company's "Initiatives to create new value" is progressing better than expected.

Service Parts Initiative to Create New Value is Progressing Faster Than Planned

In the Construction Machinery Filter business, sales of service parts have progressed more than expected. with both sales and operating incomes having increased beyond planned levels. In addition to higher-than-expected demand for replacements, the company's product supply, which matches the aftermarket strategy of construction machinery manufacturers, has been successful. In the case of the company, service parts are supplied through construction machinery manufacturers, so there is no conflict of interest with the manufacturers and it is possible to build close relationships.

The Supply of High-Value-Added Products for Construction Machinery Line Parts is Now in Full Swing

As for line parts, we have begun to fully supply high-value-added products. High-value-added products using nanofibers produced from YAMASHIN Nano Filter™ have a longer life than conventional products, contributing to reducing environmental impact and downtime of construction machinery by reducing the number of filter replacements. Since they have a high dust capture capacity and are easy to process, they can be made smaller, which also contributes to improving the design flexibility of construction machinery manufacturers.

We Expect to Strengthen the Foundation of Service Parts in the Future.

Construction machinery manufacturers consider which parts to adopt when they change models every four years, but by deepening the relationships with construction machinery manufacturers, the firm has gradually increased the adoption rate, leading to an increase in orders for line parts. Sales of line parts are expected to increase from FY3/2026. As line parts increase, there is a higher possibility that Yamashin filters will be used again when replacing filters in the future, strengthening the foundation of service parts.

The company supplies both line parts and service parts through close relationships with construction machinery manufacturers. Furthermore, in its mid-term plan, the company aims to secure long-term repeat customers by participating in warranties for users of construction machinery manufacturers and the extent of the company's involvement in warranties will be a focus of attention in the future. The company's expansion, which is in line with the aftermarket strategies of construction machinery manufacturers, is likely to contribute to profits over the medium to long term.

Air Filters Remain an Issue

Issues remain regarding air filters. Although the direct sales system has been strengthened, the system is not yet in place to generate stable sales and profits in the air conditioning air filter industry, where low-priced products tend to be chosen. In FY3/2025, the company introduced a core system to improve profitability, but has yet to realize the benefits of the system.

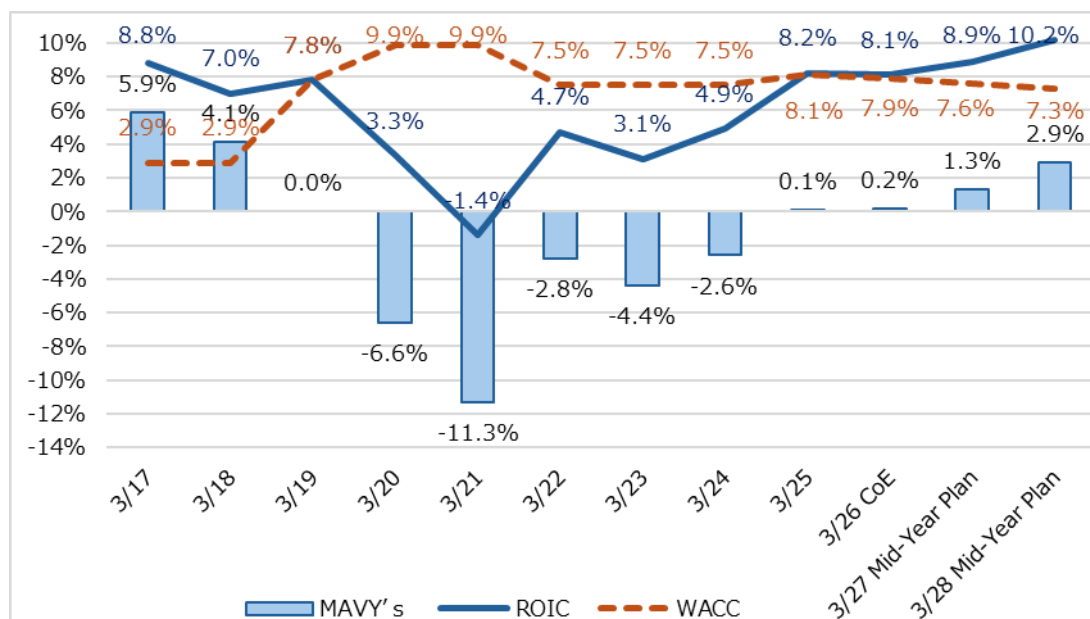
YAMASHIN Nano Filter™ as a Material is Progressing Smoothly

In the mid-term plan, Yamashin are planning to use YAMASHIN Nano Filter™ as a material for "expanding into new fields". Research and development is progressing smoothly with the aim of expanding into the automobile, aircraft and apparel fields. In particular, in the apparel field, the firm is planning to add properties such as moisture absorption and heat generation and ultra-lightweight, reduce costs and expand on a large-scale in this area in the future.

MAVY's Has Turned Positive for the First Time in 7-Years, and the Positive Margin is Expected to Continue to Grow

MAVY's (ROIC-WACC), which we set as "Strengthen management with a focus on capital costs," turned positive for the first time in 7-years at 0.1% in FY3/2025. In the mid-term plan, the firm aims to turn it positive in FY3/2026, but since ROIC exceeded the forecast at the time of the mid-term plan's formulation by 1.5%, one-year ahead of schedule. The firm aims to reduce WACC by reviewing capital policy and reducing the equity ratio. Together with the increase in ROIC, MAVY's is expected to expand further (Figure 13). The cash conversion cycle was 143.5 days in FY3/2025, reduced by 27.9 days from the previous year. Capital efficiency has improved significantly through supply chain optimization and thorough inventory level management.

Figure 13. MAVY's Trends



Source: Company Data.

Striving to Improve Employee Engagement by Increasing Base Salaries

As part of "Promote ESG Management", the company was recognized as an "A-list company" for the first time in February 2025, achieving its target CDP score ahead of schedule for FY3/2028. The company's FTSE score is 2.7 and it aims to reach 3.3 in FY3/2026 and be included in FTSE Blossom Japan. In April 2025, the company received SBT certification from the SBT initiative for its greenhouse gas emissions reduction target by FY2030. In March 2025, the company issued its first integrated report and is working to increase communication with stakeholders.

Off to a Good Start. Expectations Are High For Future Increases in Corporate Value

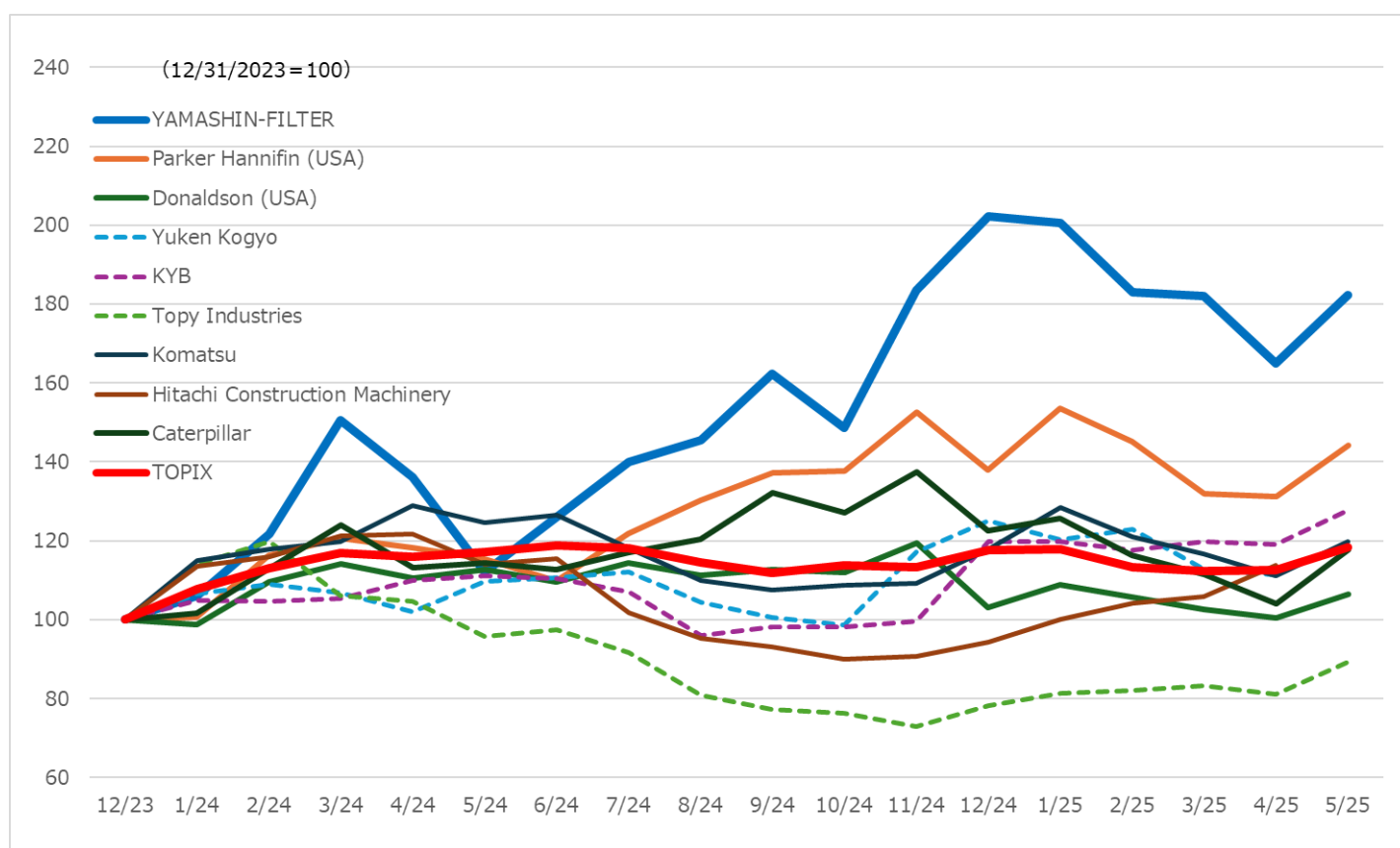
In this way, the mid-term management plan "Fly to the next stage!" announced in November 2024 is off to a good start overall. Collaboration with construction machinery manufacturers is deepening further by having a "customer touchpoints" that understands the design philosophy of the construction machinery manufacturers and a "technology touchpoints" based on the technical requirements and our own technological seeds. Although the industry environment may fluctuate, it can be said that the company is establishing a position that is less susceptible to adverse effects. The company is also highly conscious of capital policy and is steadily working to increase financial leverage and improve capital efficiency. We can expect the company's corporate value to increase in the future.

4. Stock Price Trends & Valuations

Stock Prices Are Rising But Still Below 2017-18 And 2020 Levels

To see the company's stock price trends to date, we have plotted the stock price trends of listed filter manufacturers, manufacturers providing construction machinery-related products, construction machinery manufacturers and TOPIX (Tokyo Stock Price Index). Figure 14 shows the relative stock price trends when the stock price at the end of 2023 is set at 100.

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



Source: Strategy Advisors.

Valuation Exceeds That of Similar Domestic Companies, But There is Room for Further Improvement Due to Future Improvements in ROIC & Lower WACC

The company's relative stock price up until 2023 was below TOPIX and other companies. In 2024, as the prospects for FY3/2024 performance exceeding the initial plan increased, expectations of a recovery in performance grew; and the relative stock price began to exceed TOPIX and other companies. The announcement of the new medium-term management plan scheduled for May 2024 was postponed due to delays in negotiations with certain business partners, causing the stock price to temporarily stagnate; but it then began to rise again due to a significant increase in profits in the first quarter of FY3/2025, increased public investment in the United States and expectations of increased demand for construction machinery. The announcement of

YAMASHIN-FILTER | 6240 (TSE Prime)

the new medium-term management plan in November 2024 has driven the stock price up further. In 2024, the company's stock significantly outperformed other companies.

The stock price has been hovering around the ¥500 range. It has risen from the early ¥300 range in January 2024, but has not yet reached the levels of over ¥1,500 in 2017-18 and over ¥1,200 in 2020. In terms of valuation, the PER is around 20x and the PBR is around 1.8x. Compared to similar companies, the PER and PBR are significantly higher than domestic construction machinery-related companies and construction machinery manufacturers, but the PER is at the same level as overseas peers.

On the other hand, based on the company's forecast EPS (¥41.0) for FY3/2028 in the medium-term management plan announced in November 2024, the PER is about 15x. This is lower than the PER of overseas peers for this fiscal year and remains at the same level as the Japanese stock market average. In addition, the plan calls for ROIC to increase from 8.2% in FY3/2025 to 10.2% in FY3/2028. The company plans to further expand the spread between ROIC and WACC by implementing a capital policy to lower WACC.

Considering the expansion of market share in construction machinery filters, the full-scale launch of high value-added product supply and progress in "expanding into new fields", the stock price at least does not seem overvalued; and it is possible that the stock market has not fully factored in growth expectations and the outlook for improved capital efficiency. It is believed that progress in capital policies aimed at growing profits and lowering WACC will encourage an increase in valuation in the future.

Figure 15. Comparison of Valuations with Peers

Company Name	Code	FY	Stock Price (Jun. 6) (Local Curr.)	Market Cap. (¥mn)	PER CoE (x)	PBR Actual (x)	Dividend Yield CoE (%)	ROE Actual (%)
YAMASHIN-FILTER	6240	03/25	543	38,555	20.2	1.8	2.9	7.9
Parker Hannifin (USA)	PH	06/24	671.26	12,424,112	30.3	7.1	0.9	25.4
Donaldson (USA)	DCI	07/24	70.38	1,218,430	20.5	5.7	1.4	29.5
[Reference: Hydraulic Equipment or Construction Machinery Related]								
Yuken Industry	6393	03/25	2,641	10,012	9.5	0.4	5.7	5.4
KYB	7242	03/25	3,115	149,219	8.5	0.7	3.9	6.7
Topy Industries	7231	03/25	2,309	50,923	6.5	0.4	5.6	4.6
[Reference: Construction Machinery Manufacturer]								
Komatsu Ltd.	6301	03/25	4,470	4,125,129	13.4	1.3	4.3	14.2
Hitachi Construction Machinery	6305	03/25	4,442	944,829	11.4	1.2	3.9	10.4
Caterpillar	CAT	12/24	353.35	24,072,013	15.9	8.8	1.5	55.4

Note: US companies do not disclose EPS forecasts, so PER is calculated using consensus EPS forecasts. Since US companies do not disclose dividend forecasts, dividend yields are calculated using the most recent actual dividend per share. USD\$1 = ¥144.85.

Source: SPEEDA. Compiled by Strategy Advisors.

YAMASHIN-FILTER | 6240 (TSE Prime)

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	18,822	18,606	18,024	20,104	20,420
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	2,720
OP Margin	14.5%	14.2%	6.1%	-1.0%	7.1%	6.6%	7.8%	13.1%	13.3%
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	2,750
Ordinary Profit Margin	13.9%	13.9%	4.8%	-0.9%	7.0%	4.9%	7.9%	13.3%	13.5%
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.	606	497	-11	205	290	245	352	799	
(Corporate Tax Rate)	32.7%	26.0%	-1.8%	21.4%	86.1%	27.5%	30.9%	31.7%	
Net Income to Owners of The Parent	1,250	1,414	608	751	47	645	786	1,723	1,910
Net Profit Margin	9.5%	10.2%	4.8%	5.1%	0.3%	3.5%	4.4%	8.6%	9.4%
EPS (¥)	19.71	20.44	8.79	10.69	0.66	9.03	11.01	24.32	27.35
Capital Investment	816	2,257	3,150	5,229	2,836	607	439	497	
Depreciation	303	414	622	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%	8.5%
ROIC	7.0%	7.8%	3.3%	-1.4%	4.7%	3.1%	4.9%	8.2%	8.1%
Dividend (¥)	9.20	6.00	6.00	6.00	6.00	6.00	6.00	12.00	16.00
Average Number of Shares during the Period (Million Shares)	63.4	69.1	69.1	70.2	71.3	71.5	71.4	70.8	
End of Period Shares (Million Shares)	69.1	69.1	69.1	71.3	71.4	71.5	70.5	71.0	

Source: Company Data. Compiled by Strategy Advisors.

Figure 17. Consolidated Balance Sheet (¥ mn)

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Current Assets	17,198	15,391	13,983	15,323	13,965	12,924	13,488	14,434
Cash and Deposits	11,620	9,490	8,507	7,230	3,751	4,114	5,065	6,015
Accounts Receivable	3,366	3,253	3,406	4,286	4,696	4,447	3,484	3,902
Inventory	1,799	2,370	1,827	3,022	4,775	4,141	3,408	3,330
Others	413	278	243	785	743	222	1,531	1,187
Fixed Assets	3,568	5,641	7,608	12,868	12,748	12,658	12,456	12,208
Tangible Fixed Assets	1,654	3,540	6,637	10,814	11,609	11,684	11,328	11,146
Intangible Fixed Assets	413	347	367	330	237	173	210	229
Investments and Other Assets	1,501	1,755	604	1,725	902	801	918	833
Investment Securities	1,356	1,364	28	1,010	27	32	-	-
Deferred Tax Assets	-	-	411	463	553	542	619	445
Others	145	391	165	252	322	227	299	388
Total Assets	20,766	21,033	21,591	28,191	26,712	25,582	25,944	26,643
Current Liabilities	2,969	2,354	2,810	5,540	4,634	3,343	3,828	3,389
Trade Payables	1,518	1,289	1,187	1,953	2,214	1,453	1,647	1,616
Accounts Payable and Accrued Expenses	341	310	356	1,649	449	394	442	368
Interest-Bearing Debt	350	200	765	1,089	487	767	718	320
Short-Term Borrowings	-	-	520	600	-	280	225	-
Current Portion of Long-Term Borrowings	350	200	245	489	487	487	493	320
Asset Retirement Obligations	-	-	-	160	129	-	26	-
Others	760	555	502	689	1,355	729	995	1,085
Fixed Liabilities	797	566	578	1,969	1,507	1,261	817	634
Interest-Bearing Debt	400	200	150	1,702	1,255	991	517	-
Long-Term Borrowings	-	-	150	1,702	1,255	991	517	-
Accrued Retirement Benefits	175	190	250	225	233	258	290	289
Others	222	176	178	42	19	12	10	345
Net Assets	16,999	18,113	18,202	20,682	20,571	20,978	21,299	22,620
Capital Stock	16,969	18,063	18,222	20,586	20,255	20,523	20,557	21,888
Capital Surplus	10,608	10,608	10,608	12,638	12,688	12,740	12,882	12,924
Retained Earnings	6,361	7,455	7,614	7,949	7,568	7,784	7,907	9,063
Treasury Stock	0	0	0	0	0	0	-233	-100
Accumulated Other Comprehensive Income	30	50	-20	72	316	454	742	732
Stock Acquisition Rights	-	-	-	24	-	-	-	-
Non-Controlling Interests	-	-	-	-	-	-	-	-
Total Liabilities and Net Assets	20,766	21,033	21,591	28,191	26,712	25,582	25,944	26,643
Interest-Bearing Debt	750	400	915	2,791	1,742	1,759	1,234	320
Equity ratio	81.9%	86.1%	84.3%	73.3%	77.0%	82.0%	82.1%	84.9%
D/E ratio (x)	0.04	0.02	0.05	0.13	0.08	0.08	0.06	0.01

Source: Company Data. Compiled by Strategy Advisors.

Figure 18. Consolidated Cash Flow Statement (¥ mn)

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Cash Flows from Operating Activities								
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
Total	1,064	800	2,099	87	290	2,408	2,632	2,763
Cash Flows from Investing Activities								
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
Total	-112	-2,248	-3,052	-4,399	-2,277	-1,170	-541	-530
Cash Flows from Financing Activities								
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	-6
Dividend Payment	-174	-325	-449	-415	-428	-429	-431	-566
Others	-2	-1	-140	-40	-123	-166	-104	-98
Total	8,508	-676	-269	3,213	-1,554	-718	-1,466	-1,298
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	11,586	9,455	8,202	7,198	3,719	4,082	4,826	5,762

Source: Company Data. Compiled by Strategy Advisors.

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Strategy Advisors

Address: Central Building 703, 1-27-8 Ginza, Chuo-Ku, Tokyo 104-0061

