Financial Results for the Fiscal Year Ending March 2025 (Japanese GAAP) (Consolidated)

May 15, 2025

Name of Listed Company	SHINAGAWA REFRACTORIES CO., LTD.			Listed Exchanges: Tokyo, Sapporo
Code Number	5351	URL: https://www.shinagawa.co.jp		
Representative	(Job title)	President and CEO	(Name) Hiroyuki Fujiwara	
Person in charge of inquiries	(Job title)	IR & Public Relations Department	(Name) Tsutomu Kariyazaki	Tel. 03 (6265) 1614
Scheduled Date of Annual Shareholders' Meeting		June 26, 2025	Scheduled Start Date of Dividend Payments	June 27, 2025
Scheduled Date of Submission of Securities Report		June 26, 2025		

Supplementary documents to explain the financial results prepared: Yes
Financial results briefing to be held: Yes (for Institutional Investors)

(rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ending March 2025 (From April 1, 2024 to March 31, 2025)

(1) Consolidated Operating Results (Percentages indicate increase/decrease compared to the previous fiscal year)

	Sales		EBITDA*		Operating profit		Ordinary profit		Quarterly net income attributable to owners of the parent	
Fiscal Year Ended	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2025	144,072	△0.1	17,953	1.5	13,278	△4.4	13,655	△8.4	9,778	△36.0
March 31, 2024	144,175	15.4	17,695	28.5	13,887	28.1	14,903	30.1	15,280	83.9

*EBITDA = Operating profit + Depreciation and amortization + Amortization of goodwill

(Note) Comprehensive income: Fiscal Year Ended March 31, 2025: 9,668 million yen (△53.0%); Fiscal Year Ended March 31, 2024: 20,583 million yen (100.1%)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating profit margin
Fiscal Year Ended	yen	yen	%	%	%
March 31, 2025	214.48	－	11.3	7.8	9.2
March 31, 2024	328.46	－	20.2	10.0	9.6

(For Reference) Equity method investment profit and loss: Fiscal Year Ended March 31, 2025: 123 million yen; Fiscal Year Ended March 31, 2024: 79 million yen

(Note) The Company conducted a stock split at 5:1 common shares, effective October 1, 2023. The net income per share for the previous fiscal year is calculated on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset per Share
Fiscal Year Ended	million yen	million yen	%	yen
March 31, 2025	195,214	93,828	45.6	1,951.55
March 31, 2024	155,137	86,967	53.8	1,830.98

(For Reference) Equity Capital: Fiscal Year Ended March 31, 2025: 88,997 million yen; Fiscal Year Ended March 31, 2024: 83,424 million yen

(3) Consolidated Cash Flow Situation

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at Year-End
Fiscal Year Ended	million yen	million yen	million yen	million yen
March 31, 2025	13,104	△29,834	21,995	26,629
March 31, 2024	11,753	2,577	△11,489	21,305

2. Dividend Status

	Annual dividend					Total Dividend Amount	Payout Ratio (Consolidated)	Dividend Yield (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of 1st quarter	End of period			
Fiscal Year Ended	yen	yen	yen	yen	yen	million yen	%	%
March 31, 2024	–	160.00	–	36.00	–	3,137	20.7	4.1
March 31, 2025	–	45.00	–	45.00	90.00	4,104	42.0	4.8
March 31, 2026 (Forecast)	–	45.00	–	45.00	90.00		51.3	

(Note) The Company conducted a stock split at 5:1 common shares, effective October 1, 2023. For the final dividend per share for the fiscal year ending March 2024, the amount that considers the impact of the stock split is provided, and the total annual dividend is expressed as "-." On the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year, the dividend per share at the end of the second quarter of the fiscal year ending March 2024 will be 32.00 yen, and the total annual dividend will be 68.00 yen.

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 2026 (From April 1, 2025 to March 31, 2026)

(Percentages indicate increase/decrease compared to the previous period)

	Sales		EBITDA		Operating Profit		Ordinary Profit		Net Income Attributable to Owners of the Parent		Net Income Per Share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	yen
Quarter 2 (Cumulative)	81,000	18.7	9,500	16.0	5,000	△21.1	5,000	△25.0	3,000	△38.9	65.78
Full Year	174,000	20.8	22,500	25.3	13,500	1.7	13,500	△1.1	8,000	△18.2	175.43

Notes

1. Significant Changes to the Scope of Consolidation: Yes
   New Companies: 2 (Names: PT. Shinagawa Refratech Perkasa, Gouda Refractories Group B.V.)
   Excluded: – companies (Company names) –

2.Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements
   ① Changes in Accounting Policies Due to factors such as Revisions of Accounting Standards, etc.: Yes
   ② Changes in Accounting Policies Other than ①: Yes
   ③ Changes in Accounting Estimates: Yes
   ④ Restatements: None
   (Note) For details, please see the attached document on page 15"3. Quarterly Consolidated Financial Statements and Major Notes (5) Notes Regarding Quarterly Consolidated Financial Statements (Notes Regarding Changes in Accounting Policies) and (Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates)."

3.Number of Shares Issued (Common Stock)

① Number of Shares Issued at the End of the Period (Including Treasury Stock)	Fiscal Year Ended March 31, 2025	47,146,830 shares	Fiscal Year Ended March 31, 2024	47,146,830 shares
② Number of Treasury Shares at the End of the Period	Fiscal Year Ended March 31, 2025	1,543,492 shares	Fiscal Year Ended March 31, 2024	1,583,940 shares
③ Average Number of Shares During the Period (Cumulative Quarterly Total)	Fiscal Year Ended March 31, 2025	45,590,481 shares	Fiscal Year Ended March 31, 2024	46,522,589 shares

(Note) The Company conducted a stock split at 5:1 common shares, effective October 1, 2023. The number of shares issued at the end of the period, the number of treasury shares at the end of the period, and the average number of shares during the period were calculated on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.

(Reference) Summary of Individual Financial Results

Individual Financial Results for the Fiscal Year Ending March 2025 (From April 1, 2024 to March 31, 2025)

(1) Individual Operating Results (Percentages indicate increase/decrease compared to the previous fiscal year)

	Sales		Operating Profit		Ordinary Profit		Net Income	
Fiscal Year Ended	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2025	85,410	△2.8	7,367	16.4	8,666	2.9	7,493	△33.7
March 31, 2024	87,883	4.3	6,332	16.2	8,422	14.9	11,301	63.5

	Net Income Per Share	Diluted Net Income Per Share
Fiscal Year Ended	yen	yen
March 31, 2025	164.38	–
March 31, 2024	242.92	–

(Note) The Company conducted a stock split at 5:1 common shares, effective October 1, 2023. The net income per share for the previous fiscal year is calculated on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

(2) Individual Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Asset per Share
Fiscal Year Ended	million yen	million yen	%	yen
March 31, 2025	140,862	69,002	49.0	1,513.11
March 31, 2024	114,988	65,314	56.8	1,433.49

(For Reference) Equity Capital Fiscal Year Ended March 31, 2025 69,002 million yen Fiscal Year Ended March 31, 2024 65,314 million yen

(Note) The financial results summary is not subject to audit by a certified public accountant or auditing firm.

Explanation Regarding the Appropriate Use of Earnings Forecasts and Other Special Notes

(Caution Regarding Future Statements)

The performance forecasts and other forward-looking statements contained in this document are based on information currently available to the company and certain assumptions that we believe to be reasonable; they do not constitute a guarantee that these results will be achieved. Actual performance may differ significantly due to factors such as various factors. For information on the conditions underlying the earnings forecasts and precautions to take when using the earnings forecasts, please refer to the attached document on page 7 "1. Overview of Business Performance, etc. (4) Future Outlook."

<How to Obtain Supplementary Financial Results Documents>

Supplementary financial results documents will be available on our website on May 15, 2025.

Additionally, we plan to hold a financial results briefing for institutional investors on Thursday, May 29, 2025.

Table of Contents of Attached Documents

1. Overview of Business Performance, etc.

(1) Overview of Business Performance for the Current Period

During the consolidated fiscal year, the global economy remained unstable due to factors such as the stagnation of the Chinese economy and geopolitical risks, including the situation in the Middle East. In the Japanese economy, significant fluctuations in exchange rates and rising prices, along with unstable international conditions, led to a generally cautious outlook, with some areas experiencing stagnation. However, the overall economy showed a gradual recovery. In the steel industry, the largest consumer of the refractory industry, domestic crude steel production for the fiscal year decreased by 4.5% year-on-year to 82.95 million tons due to factors such as sluggish demand for steel in the domestic manufacturing and construction sectors.

In this environment, the business performance by segment of the Group for this consolidated fiscal year was as follows:

<Refractory>

In the refractories business, the fourth quarter results (October to December 2024) of Gouda Refractories Group B.V. (hereinafter referred to as "Gouda"), which joined our group in October 2024, contributed to the results. However, due to factors such as a decrease in refractory sales volume due to a decrease in domestic crude steel production and a decrease in customer activity levels overseas, sales for the current consolidated fiscal year were 95.864 billion yen (down 2.6% year-on-year). Segment profit was 7.694 billion yen (down 4.6% year-on-year) overall, due to an increase in goodwill amortization, mainly due to a decrease in refractory sales volume due to a worsening demand environment both domestically and overseas, despite an increase in profits in the main domestic refractories business due to an expansion of spreads through an improvement in sales mix and cost reductions.

<Insulation>

In the insulation materials business, sales increased due to factors such as the growth in demand for insulating firebricks in the domestic market, resulting in sales of 18.779 billion yen (up 1.1% year-on-year). However, segment profits were impacted by the slowdown in demand in the European and Chinese markets, especially in automotive-related products, leading to a decline to 3.267 billion yen (down 5.1% year-on-year).

<Advanced Material & Device>

In the Advanced Material & Device business, sales of fine ceramic products continued to expand, and the contribution from the newly added KomInnovation Co., Ltd. resulted in sales of 4.340 billion yen (up 22.2% year-on-year) and segment profits of 0.17 billion yen (up 23.3% year-on-year).

<Engineering>

In the engineering business, driven by a revision of construction contract unit prices in response to rising labor costs and an increase in construction projects, sales increased to 25.730 billion yen (up 4.8% year-on-year). However, due to factors such as expenses associated with the M&A of Reframax and a pension asset impairment loss at a domestic subsidiary, segment profits decreased to 1.614 billion yen (down 6.4% year-on-year).

Consequently, our group sales reached 144.072 billion yen (down 0.1% year-on-year). The profits at each stage are as follows: EBITDA of 17.953 billion yen (up 1.5% year-on-year), operating profit of 13.278 billion yen (down 4.4% year-on-year), ordinary profit of 13.655 billion yen (down 8.4% year-on-year), and net income attributable to owners of the parent company is expected to be 9.778 billion yen (down 36.0% year-on-year), mainly due to factors such as the absence of significant gains from the sale of fixed assets compared to the previous fiscal year.

(2) Overview of Financial Position for the Current Period

Assets, liabilities and net assets

At the end of the consolidated fiscal year, total assets increased by 40.077 billion yen compared to the end of the previous fiscal year, reaching 195.214 billion yen, primarily due to factors such as increases in cash and deposits, machinery and equipment (net), lease assets (net), goodwill, and other intangible fixed assets.

Liabilities increased by 33.216 billion yen year-on-year to 101.386 billion yen, mainly due to factors such as increases in short-term and long-term borrowings.

Net assets increased by 6.861 billion yen year-on-year to 93.828 billion yen, largely driven by an increase in retained earnings and non-controlling interests.

(3) Overview of Cash Flow for the Current Period

At the end of the consolidated fiscal year, cash and cash equivalents amounted 26.629 billion yen, which is an increase of 5.323 billion yen compared to the end of the previous fiscal year.

The cash flow situation for each activity during the consolidated fiscal year is as follows:
<Cash Flow from Operating Activities>
Cash generated from operating activities was 13.104 billion yen (an increase of 11.5% year-on-year). This was mainly due to factors such as an increase in "net income before tax adjustments" of 14.840 billion yen, "depreciation expenses" of 4.246 billion yen, and "decrease in accounts receivable" of 3.756 billion yen, and a decrease of 7.860 billion yen due to factors such as "payments of corporate taxes".

<Cash Flows from Investing Activities>
The funds used as a result of investing activities amounted to 29.834 billion yen (compared to a gain of 2.577 billion yen in the same period last year). This decrease is primarily due to factors such as expenditures related to the acquisition of subsidiary shares accompanying changes in the scope of consolidation, which amounted to 24.331 billion yen, and expenditures for the acquisition of tangible fixed assets, which amounted to 5.793 billion yen.

<Cash Flows from Financing Activities>
The funds obtained from financing activities amounted to 21.995 billion yen (compared to a usage of 11.489 billion yen in the same period last year). This increase is primarily due to factors such as income from long-term borrowings, which amounted to 27.321 billion yen, while the decrease was due to factors such as expenditures for the repayment of long-term borrowings, which amounted to 3.750 billion yen, and dividend payments, which amounted to 3.692 billion yen.

(Reference) Transition of Cash Flow Indicators

	Fiscal Year Ended March 31, 2021	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2024	Fiscal Year Ended March 31, 2025
ROS(%)	8.2	9.7	9.2	10.3	9.5
ROE(%)	3.6	8.8	13.0	20.2	11.3
Equity Ratio(%)	55.1	50.3	47.3	53.8	45.6
Market Value Equity Ratio (%)	24.5	29.6	29.7	56.6	39.6
Cash Flow to Interest-Bearing Debt Ratio (Years)	1.7	2.4	3.3	2.4	4.7
Interest Coverage Ratio (Times)	87.6	99.8	59.4	53.3	26.2

ROS (Return on Sales): Ordinary Profit / Sales Revenue
ROE (Return on Equity): Net Profit Attributable to Parent Company Shareholders / Shareholders' Equity
Equity Ratio: Shareholders' Equity / Total Assets
Market-Based Equity Ratio: Market Capitalization of Shares / Total Assets
Cash Flow to Interest-Bearing Debt Ratio: Interest-Bearing Debt / Cash Flow
Interest Coverage Ratio: Cash Flow / Interest Payments
Notes
1. All calculations are based on consolidated financial figures.
2. The ROE's equity is calculated based on the average of the beginning and ending equity for the fiscal year.
3. The market value equity is calculated based on the number of shares issued excluding treasury stock.
4. Cash flow is based on operating cash flow.
5. Interest-bearing debt includes all liabilities that incur interest listed in the consolidated balance sheet.
6. The revenue recognition accounting standards, etc. were applied from the beginning of the fiscal year ending March 2022. Note that the cash flow-related indicators for the fiscal year ending March 2021 were calculated using the previous method.

(4) Future Outlook

Regarding the business environment for the fiscal year 2025, it is expected that both the global and domestic economies will remain unstable due to factors such as factors such as trends in U.S. trade policy, stagnation in the Chinese economy, and ongoing geopolitical risks. Additionally, within the domestic steel industry, which is a major customer of our group, the outlook for steel demand remains uncertain, making it difficult to forecast crude steel production volumes.

For the fiscal year 2025, it is anticipated that this challenging business environment will continue. However, we aim to expand our profits through thorough cost reductions in the production process and by procuring inexpensive raw materials, including post-consumer products, via our global supply chain. Domestically, we have restructured our sales and development departments in April 2025 to enhance our market share in the non-ferrous and industrial furnace sectors, thereby establishing a framework for business expansion in these areas.

Internationally, with the addition of Gouda Company, our group’s global network has become even stronger. We will focus on promoting sales utilizing this network and on realizing multifaceted synergies with Reframax, which we plan to acquire in the first quarter of fiscal year 2025. In the insulation sector, we will accelerate overseas expansion by entering the semiconductor thermal processing furnace maintenance business in China, expand the sales of high-performance insulation products related to energy equipment in Japan, and enhance and grow our insulation business through collaboration with other sectors. In the Advanced Material & Device sector, we will ensure the capture of products related to semiconductor manufacturing equipment, which is expected to see a recovery in demand, and promote business expansion into new fields.

At this time, for the consolidated financial forecasts for the fiscal year ending March 2026, we expect consolidated sales of 81 billion yen, EBITDA of 9.5 billion yen, operating profit of 5 billion yen, ordinary profit of 5 billion yen, and interim net profit attributable to the parent company shareholders of 3 billion yen during the second quarter consolidated cumulative period. For the full fiscal year, we forecast sales of 174 billion yen, EBITDA of 22.5 billion yen, operating profit of 13.5 billion yen, ordinary profit of 13.5 billion yen, and net profit attributable to the parent company shareholders of 8 billion yen.

(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Period

In the 6th Mid-term Management Plan, our company aims for a dividend payout ratio of 40% as a basic policy to enhance returns to our shareholders. We also intend to prioritize cash flow to accelerate growth investments, including M&A activities. The implementation of M&A is expected to increase goodwill amortization, which may compress profits, leading to fluctuations in the total amount of dividends even if the payout ratio remains at 40%. Therefore, to fundamentally maintain the total amount of returns, we will adopt a flexible approach to shareholder returns, including the acquisition of treasury shares, while considering the cash flow situation.

Regarding the year-end dividend for the current fiscal year, taking into account the above factors and the future business environment, we plan to set it at 45 yen per share. Since we have already implemented an interim dividend of 45 yen per share this fiscal year, the total annual dividend will amount to 90 yen per share, resulting in a payout ratio of 42%.

For the next fiscal year's dividends, although the payout ratio will be around 51%, considering the increase in goodwill amortization and based on the shareholder return policy of the 6th Mid-term Management Plan, we plan to maintain the return amount with an interim dividend of 45 yen and an annual dividend of 90 yen, similar to the current fiscal year.

2. Basic Considerations Regarding the Selection of Accounting Standards

Our group prepares its consolidated financial statements based on the "Regulations on Terms, Formats, and Preparation Methods for Consolidated Financial Statements (excluding Chapters 5 and 6)" (Ministry of Finance Ordinance No. 28 of 1976) to ensure comparability both between companies and over time.

Regarding the application of international accounting standards, we intend to respond appropriately in consideration of domestic and international circumstances.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheet

(Unit：million yen)

	Previous Consolidated Fiscal Year (March 31, 2024)	Current Consolidated Fiscal Year (March 31, 2025)
Assets		
Current assets		
Cash and deposits	19,515	23,024
Notes, accounts receivable, and contract assets	40,252	39,208
Electronically-recorded monetary claims	3,853	4,372
Securities	1,864	3,713
Goods and products	13,206	14,554
Products in progress	4,554	6,125
Raw materials and supplies	12,986	13,509
Other	1,380	2,496
Allowance for doubtful accounts	△48	△40
Total current assets	97,566	106,964
Fixed assets		
Tangible fixed assets		
Buildings and structures	35,401	37,054
Accumulated Depreciation	△22,641	△23,485
Buildings and Structures (Net)	12,760	13,568
Machinery, Equipment, and Vehicles	68,209	76,741
Accumulated Depreciation	△58,149	△60,018
Machinery, Equipment, and Vehicles (Net)	10,060	16,722
Land	9,680	9,449
Leased Assets	472	4,672
Accumulated Depreciation	△90	△245
Leased Assets (Net)	381	4,427
Construction in Progress	3,936	1,405
Other	4,063	4,512
Accumulated Depreciation	△3,367	△3,448
Other (Net)	696	1,063
Total Tangible Fixed Assets	37,516	46,637
Intangible Fixed Assets		
Goodwill	1,603	14,957
Other	3,620	13,125
Total Intangible Fixed Assets	5,224	28,082
Investments and Other Assets		
Investment Securities	9,752	9,222
Deferred Tax Assets	884	657
Retirement Benefit Assets	3,256	2,536
Other	1,059	1,236
Allowance for Doubtful Accounts	△123	△123
Total Investments and Other Assets	14,829	13,529
Total Fixed Assets	57,570	88,249
Total Assets	155,137	195,214

(Unit： million yen)

	Previous Consolidated Fiscal Year (March 31, 2024)	Current Consolidated Fiscal Year (March 31, 2025)
Liabilities		
Current Liabilities		
Notes Payable and Accounts Payable	18,097	20,671
Electronically Record Liabilities	1,771	1,332
Short-term Borrowings	19,122	24,854
Lease Liabilities	76	367
Accrued Expenses	2,664	1,975
Accrued Liabilities	2,543	3,134
Accrued Corporate Taxes	4,352	770
Accrued Consumption Taxes	1,153	538
Bonus Reserves	1,666	1,728
Environmental Measures Reserves	470	74
Disaster Loss Reserves	293	251
Executive Bonus Reserves	317	180
Other	957	2,077
Total Current Liabilities	53,488	57,957
Non-current Liabilities		
Long-term Borrowings	8,567	32,602
Lease Liabilities	313	4,093
Deferred Tax Liabilities	2,642	5,102
Executive Retirement Reserves	234	265
Environmental Measures Reserves	5	0
Retirement Benefit Obligations	2,147	804
Long-term Deposits Received	477	281
Other	292	279
Total Non-current Liabilities	14,681	43,429
Total Liabilities	68,170	101,386
Net Assets		
Shareholders’ Equity		
Capital Stock	3,300	3,300
Capital Surplus	450	466
Retained Earnings	74,178	80,264
Treasury Stock	△2,496	△2,432
Total Shareholders’ Equity	75,432	81,597
Other Comprehensive Income		
Unrealized Gains on Other Securities	4,034	3,827
Deferred Hedge Gains and Losses	5	42
Foreign Currency Translation Adjustments	3,696	3,071
Adjustments for Retirement Benefits	256	458
Total Other Comprehensive Income	7,992	7,399
Non-Controlling Interests	3,542	4,830
Total Net Assets	86,967	93,828
Total Liabilities and Net Assets	155,137	195,214

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Consolidated Statement of Income)

(Unit： million yen)

	Previous Consolidated Fiscal Year (From April 1, 2023 to March 31, 2024)	Current Consolidated Fiscal Year (From April 1, 2024 to March 31, 2025)
Sales	144,175	144,072
Cost of Sales	111,142	108,928
Gross Profit	33,032	35,143
Selling, General and Administrative Expenses	19,144	21,865
Operating Profit	13,887	13,278
Non-Operating Income		
Interest Income	165	372
Dividend Income	378	341
Equity Method Investment Income	79	123
Foreign Exchange Gains	366	—
Insurance Dividends	56	56
Subsidy Income	4	20
Other	413	378
Total Non-Operating Income	1,464	1,292
Non-Operating Expenses		
Interest Expenses	219	477
Foreign Exchange Losses	—	70
Syndicated Loan Fees	—	255
Property Taxes	19	20
Other	210	92
Total Non-Operating Expenses	449	915
Ordinary Profit	14,903	13,655
Extraordinary Income		
Gain on Sale of Fixed Assets	6,564	769
Gain on Sale of Investment Securities	2,102	614
Gain from Changes in Retirement Benefit Plans	—	237
Government Subsidies	57	182
Other	0	32
Total Extraordinary Income	8,725	1,836
Extraordinary Losses		
Loss on Disposal of Fixed Assets	99	111
Loss on Reduction of Fixed Assets	57	182
Impairment Losses	422	220
Disaster Losses	395	101
Business Restructuring Costs	20	—
Special Retirement Benefits	22	—
Allowance for Environmental	—	27
Other	—	7
Total Extraordinary Losses	1,018	651
Net Income Before Tax Adjustments	22,611	14,840
Corporate Tax, Resident Tax, and Business Tax	7,054	4,290
Corporate Tax Adjustments	△215	434
Total Corporate Tax, etc.	6,839	4,725
Net Income	15,771	10,115
Net Income Attributable to Non-Controlling Interests	490	337
Net Income Attributable to Owners of Parent	15,280	9,778

(Consolidated Statement of Comprehensive Income)

(Unit： million yen)

	Previous Consolidated Fiscal Year (From April 1, 2023 to March 31, 2024)	Current Consolidated Fiscal Year (From April 1, 2024 to March 31, 2025)
Net Income	15,771	10,115
Other Comprehensive Income		
Unrealized Gains on Other Securities	1,601	△207
Deferred Gains and Losses on Hedges	1	36
Foreign Currency Translation Adjustments	2,778	△490
Adjustments for Retirement Benefits	419	206
Amount Equivalent to Equity Method Affiliates	11	8
Total Other Comprehensive Income	4,812	△446
Comprehensive Income	20,583	9,668
(Breakdown)		
Comprehensive Income Attributable to Owners of Parent	19,997	9,185
Comprehensive Income Attributable to Non-Controlling Interests	586	483

(3) Consolidated Statement of Changes in Shareholders' Equity

Previous Consolidated Fiscal Year (From April 1, 2023 to March 31, 2024)

(Unit： million yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Beginning Balance	3,300	455	61,330	△245	64,840
Changes During the Period					
Dividend on Surplus			△2,432		△2,432
Net Income Attributable to Owners of Parent			15,280		15,280
Acquisition of Treasury Stock				△2,251	△2,251
Changes in Ownership Interests with Non-Controlling Interests		△4			△4
Changes in Other Comprehensive Income					
Total Changes During the Period	－	△4	12,848	△2,251	10,592
Ending Balance	3,300	450	74,178	△2,496	75,432

	Accumulated other comprehensive income					Non-Controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains and Losses	Foreign Currency Translation Adjustments	Adjustments for Retirement Benefits	Total Other Comprehensive Income		
Beginning Balance	2,443	3	991	△162	3,275	3,310	71,425
Changes During the Period							
Dividend on Surplus							△2,432
Net Income Attributable to Owners of Parent							15,280
Acquisition of Treasury Stock							△2,251
Changes in Ownership Interests with Non-Controlling Interests							△4
Changes in Other Comprehensive Income	1,591	1	2,704	419	4,716	232	4,948
Total Changes During the Period	1,591	1	2,704	419	4,716	232	15,541
Ending Balance	4,034	5	3,696	256	7,992	3,542	86,967

Current Consolidated Fiscal Year (From April 1, 2024 to March 31, 2025)

(Unit： million yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Beginning Balance	3,300	450	74,178	△2,496	75,432
Changes During the Period					
Dividend on Surplus			△3,692		△3,692
Net Income Attributable to Owners of Parent			9,778		9,778
Acquisition of Treasury Stock				△0	△0
Changes in Ownership Interests with Non-Controlling Interests		16		63	79
Changes in Other Comprehensive Income（net amount)					
Total Changes During the Period	―	16	6,085	63	6,165
Ending Balance	3,300	466	80,264	△2,432	81,597

	Other Comprehensive Income					Non-Controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains and Losses	Foreign Currency Translation Adjustments	Adjustments for Retirement Benefits	Total Other Comprehensive Income		
Beginning Balance	4,034	5	3,696	256	7,992	3,542	86,967
Changes During the Period							
Dividend on Surplus							△3,692
Net Income Attributable to Owners of Parent							9,778
Acquisition of Treasury Stock							△0
Disposal of treasury stock							79
Changes in Other Comprehensive Income (net amount)	△206	36	△625	202	△592	1,288	695
Total Changes During the Period	△206	36	△625	202	△592	1,288	6,861
Ending Balance	3,827	42	3,071	458	7,399	4,830	93,828

(4) Consolidated Cash Flow Statement

(Unit： million yen)

	Previous Consolidated Fiscal Year (From April 1, 2023 to March 31, 2024)	Current Consolidated Fiscal Year (From April 1, 2024 to March 31, 2025)
Cash Flow from Operating Activities		
Net Income Before Tax Adjustments	22,611	14,840
Depreciation Expenses	3,689	4,246
Impairment Losses	422	220
Amortization of Goodwill	118	428
Increase/Decrease in Allowance for Doubtful Accounts (△ indicates decrease)	△72	△9
Increase/Decrease in Allowance for Executive Retirement Benefits (△ indicates decrease)	△19	30
Increase/Decrease in Allowance for Retirement Benefit Liabilities (△ indicates decrease)	546	△1,059
Increase/Decrease in Allowance for Retirement Benefit Assets (△ indicates increase)	△764	720
Increase/Decrease in Allowance for Bonuses (△ indicates decrease)	70	8
Increase/Decrease in Allowance for Environmental Measures (△ indicates decrease)	△11	△2
Interest and Dividend Income	△544	△713
Interest Expenses	219	477
Equity Method Investment Income (△ indicates gain)	△79	△123
Subsidy Income	△4	△20
Gain/Loss on Sales of Fixed Assets (△ indicates gain)	△6,564	△769
Gain/Loss on Disposal of Fixed Assets (△ indicates gain)	99	111
Gain/Loss on Sale of Investment Securities and Valuation (△ indicates gain)	△2,102	△614
Government Grants	△57	△182
Loss on Reduction of Fixed Assets	57	182
Losses Due to Disasters	395	101
Increase/Decrease in Accounts Receivable (△ indicates increase)	△6,105	3,756
Increase/Decrease in Inventory (△ indicates increase)	4,569	950
Increase/Decrease in Accounts Payable (△ indicates decrease)	△2,178	477
Increase/Decrease in Unpaid Consumption Taxes (△ indicates decrease)	957	△896
Increase/Decrease in accounts payable (△ indicates a decrease)	357	△619
Increase/Decrease in Unpaid Expenses (△ indicates decrease)	175	4
Increase/Decrease in Advances Received (△ indicates decrease)	△85	△50
Other	1,111	△701
Subtotal	16,811	20,795
Interest and Dividend Income Received	590	750
Interest Paid	△220	△500
Grants Received	4	20
Payments for Disaster Losses	△74	△102
Payments or Refunds of Corporate Taxes (△ indicates payment)	△5,358	△7,860
Cash Flow from Operating Activities	11,753	13,104

(Unit： million yen)

	Previous Consolidated Fiscal Year (From April 1, 2023 to March 31, 2024)	Current Consolidated Fiscal Year (From April 1, 2024 to March 31, 2025)
Cash Flow from Investing Activities		
Increase/Decrease in Time Deposits (△ indicates increase)	63	△31
Expenditure for Acquisition of Tangible Fixed Assets	△5,456	△5,793
Income from Sale of Tangible Fixed Assets	6,297	817
Expenditure for Disposal of Tangible Fixed Assets	△78	△55
Expenditure for Acquisition of Intangible Fixed Assets	△170	△790
Income from the Sale of Investment Securities	3,102	951
Expenditure for Return of Deposits	△12	△197
Grants Received	57	182
Payments for Environmental Measures	△677	△399
Expenditure for Acquisition of Subsidiary Shares Due to Changes in Consolidation Scope	△618	△24,331
Other	70	△186
Cash Flow from Investing Activities	2,577	△29,834
Cash Flow from Financing Activities		
Net Increase/Decrease in Short-Term Borrowings (△ indicates decrease)	△5,697	2,395
Income from Long-Term Borrowings	100	27,321
Expenditure for Repayment of Long-Term Borrowings	△785	△3,750
Dividend Payments	△2,432	△3,692
Dividend Payments to Non-Controlling Interests	△203	△122
Expenditure for Acquisition of Treasury Shares	△2,251	△0
Expenditure for Acquisition of Subsidiary Shares Without Change in Consolidation Scope	△155	—
Other	△63	△156
Cash Flow from Financing Activities	△11,489	21,995
Foreign Exchange Differences Related to Cash and Cash Equivalents	267	59
Increase/Decrease in Cash and Cash Equivalents (△ indicates decrease)	3,107	5,323
Cash and Cash Equivalents at the Beginning of the Period	18,197	21,305
Cash and Cash Equivalents at the End of the Period	21,305	26,629

(5) Notes Regarding Consolidated Financial Statements

(Notes on Going Concern Assumption)

There are no applicable matters.

(Notes on Changes in Accounting Policies)

(Application of "Accounting Standards for Corporate Tax, Resident Tax, and Enterprise Tax, etc.")

We have applied the "Accounting Standards for Corporate Tax, Local Tax, and Enterprise Tax, etc." (Corporate Accounting Standards No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standards") from the beginning of the current consolidated fiscal year.

Regarding the amendments related to the classification of corporate taxes, etc. (taxation on other comprehensive income), we are following the transitional treatment outlined in the proviso of Paragraph 20-3 of the 2022 Revised Accounting Standards and the transitional treatment outlined in the proviso of Paragraph 65-2 (2) of the “Guidelines for the Implementation of Accounting Standards for Tax Effect Accounting” (Corporate Accounting Standards Implementation Guidelines No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Implementation Guidelines"). This change in accounting policy has no impact on the quarterly consolidated financial statements.

Additionally, we have applied the 2022 Revised Implementation Guidelines from the beginning of the current consolidated fiscal year regarding the review of the treatment in consolidated financial statements when profits or losses arising from the sale of subsidiary shares, etc. between consolidated companies are deferred for tax purposes. This change in accounting policy has been applied retroactively, and the quarterly consolidated financial statements and consolidated financial statements for the previous quarter and fiscal year have been adjusted retroactively. Please note that this change in accounting policy has no impact on the quarterly consolidated financial statements for the previous quarter or the consolidated financial statements for the previous consolidated fiscal year.

(Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates)

(Changes in Depreciation Methods for Tangible Fixed Assets)

The Company and certain of its domestic consolidated subsidiaries have previously used the straight-line method for the depreciation of tangible fixed assets for certain buildings, certain of the Company's factories, some offices of the Engineering Division, and equipment attached to buildings and structures acquired after April 1, 2016, and the declining balance method for all other items. However, from the beginning of the current consolidated fiscal year, the Company has changed to using the straight-line method for all other items.

The Company has been making capital investments to build an efficient, stable, optimal production system and to improve its production base. At the end of the previous consolidated fiscal year, the construction of a state-of-the-art monolithic refractory manufacturing line at our Ako Plant (Hyogo Prefecture) was completed, resulting in the consolidation of manufacturing bases in Western Japan. This has created an efficient and stable production system. Additionally, the production facilities at our other factories and domestic consolidated subsidiaries are also at low risk of technological obsolescence and are expected to operate stably for the long term. As the equipment is expected to operate stably throughout its useful lifetime, we have determined that the straight-line method, which allocates costs evenly over the equipment's useful life, is a more appropriate method of allocating costs than the declining balance method.

As a result of this change, operating income, ordinary income, and net income before tax and minority interests have each increased by 520 million yen for the current consolidated fiscal year compared to the previous method.

(Notes on Segment Information, etc.)

1. Overview of Reportable Segments

Our reportable segments are those for which separate financial information is available and regularly reviewed by the Board of Directors to make decisions about resource allocation and assess performance.

The business of our group is composed of segments based on the products and services provided, which are reported as "Refractory," "Insulation," "Advanced Material & Device," and "Engineering."

The "Refractory" segment manufactures and sells shaped Refractory, monolithic Refractory, mold powder, calcined lime, and chemical products. The "Insulation" segment manufactures and sells insulating firebricks and ceramic fibers. The "Advanced Material & Device" segment manufactures and sells fine ceramics and inorganic paints and adhesives. The "Engineering" segment involves installation projects, design, and construction of industrial kilns.

From the current consolidated fiscal year, the reportable segment previously referred to as "Ceramics" has been renamed "Advanced Material & Device." This change is simply a name change and does not affect segment information. The segment information for the previous consolidated fiscal year has been prepared based on the new reportable segment names.

2. Calculation Methods for Sales, Profits or Losses, Assets, Liabilities, and Other Items by Reportable Segment

The accounting methods for the reportable business segments are in accordance with the accounting policies adopted for preparing the consolidated financial statements. The profit for the reportable segments is based on operating profit. Inter-segment internal sales and transfers are based on market prices.

(Changes in Depreciation Methods for Tangible Fixed Assets)

As described in "Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates," the Company and certain of its domestic consolidated subsidiaries previously used the straight-line method for depreciation of tangible fixed assets for certain buildings, certain of the Company's factories, some offices of the Engineering Division, and equipment attached to buildings and structures acquired after April 1, 2016, and the declining balance method for all other items. However, from the beginning of the current consolidated fiscal year, the Company has changed to using the straight-line method for all other items.

As a result of this change, compared to the previous method, segment profits for the current consolidated fiscal year have increased by 502 million yen in the Refractory segment, 1 million yen in the Advanced Material & Device segment, 6 million yen in the Engineering segment, and 8 million yen in Other segments.

3. Sales, Profits or Losses, Assets, Liabilities, and Other Items by Reportable Segment

Previous Consolidated Fiscal Year (From April 1, 2023 to March 31, 2024)

(Unit： million yen)

	Reportable Segment					Other (Note 1)	Total	Adjustment Amount (Note 2)	Amount Recorded in Consolidated Financial Statements (Note 3)
	Refractory	Insulation	Advanced Material & Device	Engineering	Total				
Sales									
Sales to external customers	98,339	17,427	3,453	24,058	143,279	895	144,175	―	144,175
Internal Sales or Transfers	129	1,155	97	493	1,876	4	1,880	△1,880	―
Total	98,469	18,583	3,551	24,551	145,155	900	146,056	△1,880	144,175
Segment Profit	8,062	3,443	138	1,725	13,369	538	13,907	△20	13,887
Segment Assets	101,574	28,306	3,345	13,175	146,401	3,526	149,928	5,209	155,137
Other Items									
Depreciation (Note 4)	2,443	732	150	192	3,519	123	3,642	46	3,689
Amortization of Goodwill	118	―	―	―	118	―	118	―	118
Increase in Tangible and Intangible Fixed Assets (Note 4)	4,559	711	62	199	5,533	32	5,565	23	5,588

(Note)

1. The "Other" category consists of business segments not included in the reportable segments and consists of the real estate rental business.
2. The adjustment amounts are as follows:
   (1) The adjustment amount of △20 million yen for segment profit is due to factors such as the elimination of unrealized profits related to inter-segment transactions, etc.
   (2) The adjustment amount of 5.209 billion yen for segment assets includes surplus funds managed by the Company (cash and securities), long-term investment funds (investment securities), and assets in the management division.
   (3) Adjustments to other items relate to assets belonging to the management division.
3. The segment profit has been adjusted to operating profit in the consolidated statement of income.
4. Depreciation expenses and the increase in tangible and intangible fixed assets include long-term prepaid expenses and their depreciation.

Current Consolidated Fiscal Year (From April 1, 2024 to March 31, 2025)

(Unit： million yen)

	Reportable Segment					Other (Note 1)	Total	Adjustment Amount (Note 2)	Amount Recorded in Consolidated Financial Statements (Note 3)
	Refractory	Insulation	Advanced Material & Device	Engineering	Total				
Sales									
Sales to external customers	95,768	17,674	4,218	25,510	143,171	901	144,072	－	144,072
Internal Sales or Transfers	96	1,105	121	220	1,543	3	1,547	△1,547	－
Total	95,864	18,779	4,340	25,730	144,714	904	145,619	△1,547	144,072
Segment Profit	7,694	3,267	170	1,614	12,747	548	13,295	△17	13,278
Segment Assets	141,347	29,481	3,507	11,667	186,002	3,394	189,397	5,817	195,214
Other Items									
Depreciation (Note 4)	2,997	767	128	176	4,070	122	4,192	54	4,246
Amortization of Goodwill	329	－	99	－	428	－	428	－	428
Increase in Tangible and Intangible Fixed Assets (Note 4)	4,611	988	175	173	5,948	76	6,025	459	6,484

(Note)

1. The "Other" category consists of business segments not included in the reportable segments and consists of the real estate rental business.
2. The adjustment amounts are as follows:
   (1) The adjustment amount of △17 million yen for segment profit is due to factors such as the elimination of unrealized profits related to inter-segment transactions, etc.
   (2) The adjustment amount of 5,817 million yen for segment assets includes surplus funds managed by the Company (cash and securities), long-term investment funds (investment securities), and assets in the management division.
   (3) The adjustment amounts for other items related to assets belonging to the management division.
3. Segment profits have been adjusted to operating profits in the consolidated financial statements.
4. Depreciation expenses and the increase in tangible and intangible fixed assets include long-term prepaid expenses and their depreciation.

[Related Information]

Previous Consolidated Fiscal Year (From April 1, 2023 to March 31, 2024)

Information by Region

Sales

(Unit： million yen)

Japan	Asia-Oceania	North America	South America	Other Overseas	Total
101,204	20,535	7,618	12,087	2,728	144,175

(Note)

1. Sales are classified based on the location of the customer.
2. The main countries in each region are as follows:

Asia-Oceania: China, South Korea, Taiwan, India, Australia, New Zealand

North America: United States, Canada.

South America: Brazil.

Other Overseas: Poland, Germany.

Current Consolidated Fiscal Year (From April 1, 2024 to March 31, 2025)

Information by Region

Sales

(Unit： million yen)

Japan	Asia-Oceania	North America	South America	Other Overseas	Total
100,917	19,084	7,764	10,683	5,622	144,072

(Note)

1. Sales are classified based on the location of the customer.
2. The main countries in each region are as follows:

Asia-Oceania: China, South Korea, Taiwan, Australia, New Zealand, Indonesia.

North America: United States, Canada.

South America: Brazil.

Other Overseas: Netherlands, Poland, Germany.

[Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment]
Previous Consolidated Fiscal Year (From April 1, 2023 to March 31, 2024)

(Unit： million yen)

	Refractory	Insulation	Advanced Material & Device	Engineering	Other	Company Wide /Elimination	Total
Amortization for the Current Period	118	―	―	―	―	―	118
Ending Balance	1,106	―	497	―	―	―	1,603

(Note) The business combination with SR do Brasil Ltda. and Saint-Gobain Ceramics & Plastics, Inc. on December 29, 2022, was subject to provisional accounting treatment in the previous consolidated fiscal year, which has now been finalized in the current consolidated fiscal year. As a result, the amount of goodwill in the Refractory segment has decreased by 5.136 billion yen.

Current Consolidated Fiscal Year (From April 1, 2024 to March 31, 2025)

(Unit： million yen)

	Refractory	Insulation	Advanced Material & Device	Engineering	Other	Company Wide /Elimination	Total
Amortization for the Current Period	329	―	99	―	―	―	428
Ending Balance	14,559	―	397	―	―	―	14,957

(Note) In the current consolidated fiscal year, the inclusion of Gouda Refractories Group B.V. in the consolidation scope has resulted in an increase of 13.662 billion yen in goodwill for the Refractory segment.

Notes on Per Share Information

	Previous Consolidated Fiscal Year (From April 1, 2023 to March 31, 2024)	Current Consolidated Fiscal Year (From April 1, 2024 to March 31, 2025)
Net Asset per Share	1,830.98 yen	1,951.55 yen
Net Income per Share	328.46 yen	214.48 yen

(Note)

1. Since there are no potential shares, diluted net income per share is not disclosed.
2. The Company conducted a stock split at the ratio of 5:1 common shares, effective October 1, 2023. The net income per share for the previous fiscal year is calculated on the assumption that the stock split was carried out at the beginning of the previous consolidated fiscal year.
3. The basis for calculating net income per share is as follows:

	Previous Consolidated Fiscal Year (From April 1, 2023 to March 31, 2024)	Current Consolidated Fiscal Year (From April 1, 2024 to March 31, 2025)
Net Income Attributable to Owners of Parent (million yen)	15,280	9,778
Amount Not Attributable to Common Shareholders (million yen)	—	—
Net Income Attributable to Common Shareholders (million yen)	15,280	9,778
Average Number of Common Shares During the Period (shares)	46,522,589	45,590,481

Notes on Significant Subsequent Events

(Transactions under Common Control)

At the Board of Directors meeting held on January 22, 2025, the Company resolved to absorb Shinagawa Fine Ceramics Co., Ltd., a wholly owned subsidiary and entered into a merger agreement on the same date. The merger took place on April 1, 2025.

1. Overview of the Transaction

   (1) Names and Business Activities of the Merging Companies

   Name of the merging company: Shinagawa Fine Ceramics Co., Ltd.

   Business activities: Manufacturing and sales of fine ceramics.

   (2) Date of Business Combination: April 1, 2025

   (3) Legal Form of Business Combination: Absorption-type merger with our company as the surviving entity and Shinagawa Fine Ceramics Co., Ltd. as the disappearing entity.

   (4) Name of the Merged Company: SHINAGAWA REFRACTORIES CO., LTD.

   (5) Other Matters Related to the Overview of the Transaction: The purpose of the merger is to expand the fine ceramics business and implement capital investments to improve production infrastructure and expand production capacity, thereby integrating the management resources, technologies, and human resources of both companies to enhance management efficiency.

2. Overview of the Accounting Treatment Implemented

   The transaction is treated as a transaction under common control based on the "Accounting Standards for Business Combinations" (Corporate Accounting Standard No. 21, January 16, 2019) and the "Application Guidelines for Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures, etc." (Corporate Accounting Standards Implementation Guidelines No. 10, January 16, 2019).