

REFRA

SHINAGAWA REFRA CO., LTD.
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New Year's Edition

New Year's Greeting

2025: Under Challenging Conditions – A Summary



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President and CEO

Happy New Year to everyone in the Shinagawa Refra Group!

I would like to express my sincere gratitude to all for your continued dedication and efforts in carrying out your duties in support of the growth and development of the Shinagawa Refra Group.

Last year, the Shinagawa Refra Group celebrated its 150th anniversary and implemented a series of significant changes, including a new company name, corporate logo, headquarters location, and the establishment of a new corporate philosophy.

This coming year, the Group will embark on a new step forward toward the future. At the beginning of this promising year of 2026, I would like to share my thoughts and aspirations with all of you.

Looking Back on 2025

Business Environment

In 2025, we faced an extremely challenging business environment, a continuation of the difficulties from the previous year. In the steel industry — our largest customer base for both the Refractories and Engineering sectors — crude steel production in Japan remained

sluggish due to weak domestic demand and a decline in steel exports, caused by the deterioration of overseas market conditions. Overseas, crude steel production lacked growth in regions such as Europe and Brazil.

Furthermore, in both the Insulation and Advanced Device & Material sectors, demand throughout the year lacked momentum, particularly in the semiconductor manufacturing equipment field, which had been anticipated as a major source of growth.

Business Results

Despite this challenging business environment, the Group's business performance for the first half of FY25 (Fiscal Year 2025 ending March 31, 2026) exceeded our initial plan. Moreover, we currently expect full-year performance to slightly surpass the original plan in both sales and profit. Specifically, we are forecasting an increase from the initial plan of 174 billion yen to 176 billion yen for consolidated sales, 22.5 billion yen to 23.0 billion yen for EBITDA, and 13.5 billion yen to 14.5 billion yen for operating profit.

The only reason we are able to achieve such results during this milestone year marking our 150th anniversary, despite a more challenging business environment than originally anticipated, is due to everyone's dedication and efforts. I would like to express my deepest respect for your hard work and extend my sincerest gratitude to each and every one of you. However, the business environment changes rapidly, so we must not become complacent. With

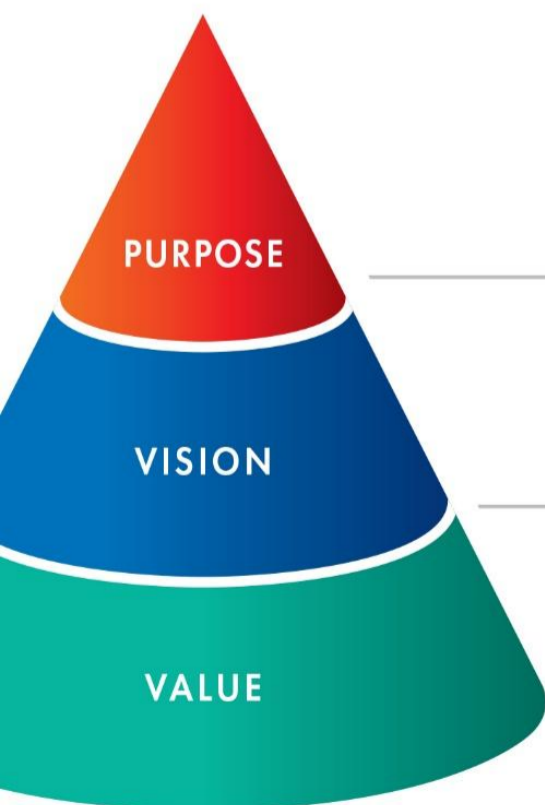
only three months remaining in FY25, let's stay focused and work together to exceed our targets.

While the Group as a whole delivered solid results, performance varied considerably by sector.

In the Refractories and Engineering sectors, domestic businesses are forecast to outperform their respective plans. Even amid a challenging business environment marked by sluggish crude steel production, great results were achieved through initiatives such as cost reductions, price corrections, and efforts to expand sales.

Overseas businesses are steadily performing well in general; however, we are facing continuous difficulties in Brazil, where the refractories business in particular is under pressure. They require implementation of critical measures to improve profitability.

Additionally, the Insulation and Advanced Device & Material sectors are expected to record a significant decline in profit compared with the initial plan. The main reason for this is that demand in the semiconductor manufacturing equipment field has remained at a level far below our initial forecast. Nevertheless, unexpected deterioration in the business environment can always occur, so we cannot accept a substantial shortfall in our plans on that basis. With three months remaining in FY25, I ask that every possible measure be taken to recover performance and close the gap.



PURPOSE

To Achieve the "Optimum" through Ceramics

We offer customized solutions through ceramic technology, contributing to the advancement of industries and society globally.

VISION

We Share a Common Vision as One Group and Work Together Towards its Fulfillment

- To foster continuous growth by deploying global solutions.
- To cultivate a workplace where employees can experience personal growth and a fulfilling life.
- To pass on a better environment and society for future generations through our business.

VALUE

We Share the Values that are Important to Us as One Group:

- Endeavor:** We endeavor with courage, embracing challenges unafraid of failure.
- Rapidness:** We make decisions rapidly and take prompt actions.
- Flexibility:** We remain flexible, adapting to change and continuously reassessing our approaches.
- Accomplishment:** We pursue actions plans with dedication to accomplish our goals once committed.
- Relationship:** We actively build relationships through collaboration with individuals and organizations, both within and beyond our company.

2026 Policy and Moving Toward Organic Growth

2026 Policy

Business Environment

Looking ahead to 2026, it is unlikely a substantial improvement in the business environment will occur.

The decline in domestic steel demand will be a continuing trend, and it is unlikely that China's excessive steel production and aggressive exports of low-cost steel, which are key factors worsening overseas market conditions, will subside easily anytime soon.

Other demand-related industries must also be prepared to remain exposed to a wide range of risks in the landscape of the international political economy, including global conflicts and trade-related issues.

Management Policy — Achieving Organic Growth

A company cannot survive without generating profits, and without growth, it will inevitably face gradual decline. I have consistently emphasized this since assuming the role of President and CEO. This year as well, let us move forward together as one united Group toward expanding profits and growing our business scale. As we approach the fiscal year-end, work on formulating the FY26 management plan is underway; however, we must not base our plan on expectations of an improving business environment. Assuming that challenging business conditions will continue, let us identify concrete measures that will enable each sector to achieve sales and profit growth even under such turbulent circumstances.

While formulating the FY26 plan, it is essential to achieve "organic growth" in both sales and profit within our existing businesses. The term "organic" typically refers to agricultural production and cultivation methods that utilize natural processes without relying on fertilizers or pesticides. In a business context, however, "organic growth" refers to growth generated naturally by existing businesses through the effective use of their internal management resources, without relying on the acquisition of external resources through measures such as M&A. Over the past several years, the Group has expanded rapidly in scale. However, this growth has been achieved primarily by introducing external capacity through M&A; as a result, the contribution from our existing businesses has not been particularly significant.

As the domestic market is expected to gradually contract over medium- to long- term, achieving



organic growth in our existing businesses will not be easy. However, without organic growth, the Group would be forced to rely indefinitely on M&A as a means of growth, which is not sustainable regardless of the amount of capital available. For the Shinagawa Refra Group to continue growing in a sustainable manner, it is essential to achieve organic growth in both sales and profit.

In order to achieve organic growth, we must expand our market share with existing customers both in Japan and overseas while also strengthening our sales in markets where our presence has not yet been fully established. At the same time, I ask that everyone pursue cost reductions vigorously. For existing businesses, this is a very challenging task. However,

the Group possesses the capabilities necessary to accomplish it. We must carefully consider what each division — sales, manufacturing, development, and procurement — needs to do. How the activities of these areas can be aligned toward the achievement of our objectives and how the corporate functions can provide effective support to enable each sector to fulfill its role are essential issues. Please take the time to thoroughly think through these issues, engage in constructive discussion, formulate concrete plans, and execute them diligently.

Furthermore, in our overseas business — which represents a key growth area — while many companies are steadily expanding profits, others are facing severe business conditions. Let's rally the Group's full strength and deploy every possible measure to overcome these challenges. Please strengthen global collaboration among companies, maximize synergies, and achieve sustainable growth in both sales and profit across our businesses.

Putting VALUE into Practice

Once a plan has been formulated, it should be executed swiftly. A plan is, by its nature, a hypothesis of what is expected to work. We must evaluate the effectiveness of our actions, and if the results do not meet expectations, we should not hesitate to implement secondary or tertiary measures. Moreover, if the business environment assumed at the time of planning changes, we must revise accordingly, develop new measures, and execute them promptly in pursuit of our original objectives. We must not easily lower our targets in the face of a challenging environment.



Let us make this a year in which the entire Shinagawa Refra Group takes on challenges together in pursuit of organic growth!

This is akin to climbing a mountain. Even if changing weather conditions require a temporary pause or a shift to a safer route, the destination remains the summit. I recognize that these expectations are highly demanding. However, based on my four and a half years of experience as President and CEO, I am confident that everyone possesses more than sufficient skills and capacity to rise to this challenge.

Endeavor → Verify → Learn → and Endeavor again. In difficult times like these with limited visibility into the future, only companies that can repeat this cycle quickly and continuously will be able to achieve sustainable growth. This is where our corporate philosophy — built on PURPOSE, VISION, and VALUE — becomes of the utmost importance. In particular, by embedding the VALUE of "Endeavor," "Rapidness," "Flexibility," "Accomplishment," and "Relationship" into our daily actions, we can accelerate and elevate the cycle of Endeavor → Verify → Learn → and Endeavor again. Changing the way we work is not easy, but let us take on this effort together as a Group.

Safety Initiatives

Our approach to safety is where the implementation of our VALUE is most directly reflected. Thanks to everyone's daily efforts, workplace safety and health conditions have steadily improved. However, accidents caused by momentary lapses in judgement or violations of work rules remain difficult to fully eliminate. Recognizing that human beings are inherently prone to error, we must further promote the intrinsic safety of our facilities and operations.

Additionally, last year saw a serious incident within the construction sector that requires deep reflection. The incident arose from a blind trust in familiar work methods and a failure to recognize the inherent risks they contained. Let us set aside our preconceived notions, re-examine procedures that we have long taken for granted, actively refer to successful practices at other worksites, and promptly review and improve our work methods through repeated trial and error.

This concludes my thoughts and ambitions for the new year.

Finally, I would like to conclude my New Year's message by wishing all companies in the Shinagawa Refra Group and our partner companies a happy and healthy new year.