

ビジョン2030^{及び} 第6次中期経営計画

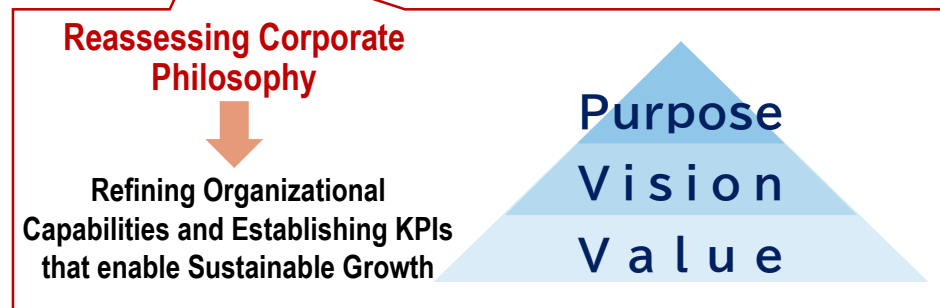
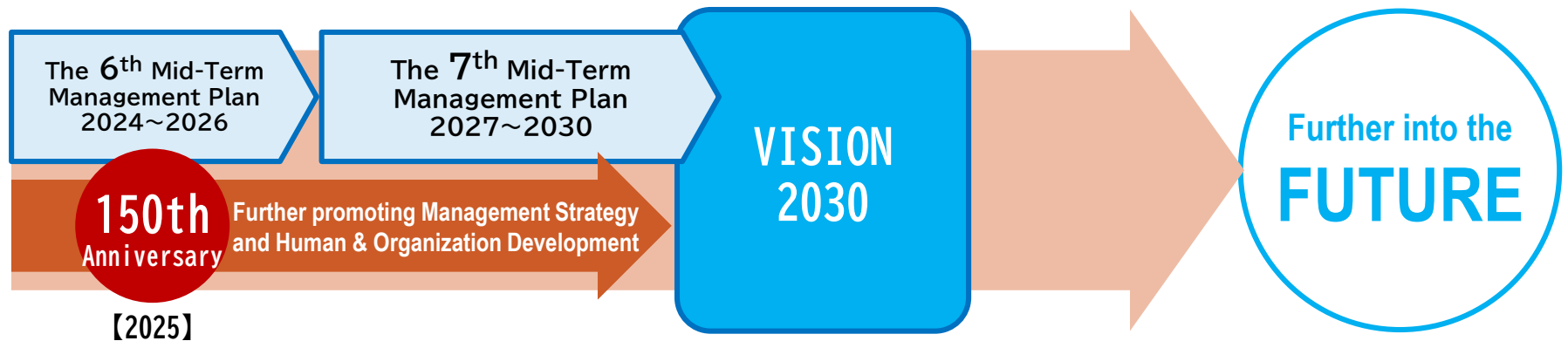
VISION 2030 & The 6th Mid-Term Management Plan

SKY IS THE LIMIT:
SHAPING THE FUTURE OF REFRACTORIES

VISION 2030 & The 6th Mid-Term Management Plan

- Defining VISION 2030, our future vision toward 2030, in the VUCA* era of rapid environmental changes
- Formulating The 6th Mid-Term Management Plan (2024-2026) by back-casting from VISION 2030
- Taking the opportunity of celebrating the 150th Anniversary in 2025, reassessing our corporate philosophy to further promote management strategy and human & organization development for the future

* VUCA: 「Volatility, Uncertainty, Complexity & Ambiguity





VISION 2030

VISION 2030: Fundamental Policy & Future Vision

【VISION 2030: Fundamental Policy】

Pursuing Business Growth while Solving Social Issues simultaneously

【Future Vision = Shinagawa Group's To-Be】

Go Global × Enter New Market Segments × Pursue Sustainability

～ From Japan to the World, From Refractory to Insulation/Ceramics/Engineering, From Iron & Steel to Other Market Segments ～

Go Global

Global Business Expansion

- Securing a firm position in the global market as a leading heat solution provider
⇒ Be a Global Full Lineup Supplier by implementing PROXIMITY: On-site Sales & On-site Production
- Production optimization and further expanding R&D capabilities in Japan to support global activities

Enter New Market Segments

Sector Driven Business Expansion

- Expanding business portfolio at each business sector: Refractory, Insulation, Advanced Device & Material (Ceramics) and Engineering
- Implementing active business & capital investments based on ROIC as a leading KPI

Pursue Sustainability

Addressing Climate Changes

- Providing heat solutions that contribute to customers' decarbonization
- #### Executing Human Capital Strategies
- Building a management foundation with focus on "Talent Acquisition," "Talent Retention" and "Human resources / Organizational Development"

Business
Growth

Implementing Mutually Reinforcing
Business Activities

Creating Solutions
to Social Issues

VISION 2023: Goals

As a Corporate Group promoting Sustainable Growth, Shinagawa have set both **“Financial Goals”** and **“Sustainability Goals”** as long-term goals.

(Goals in 2030)

Financial Goals

	2023 Results	2030 Goals
Net Sales	144 B JPY	240 B JPY
ROS (Operating Income)	9.6%	12%
ROIC	9.1%	10%
Overseas Sales Ratio	29.8%	50%

• Increasing profit margins and secure ROIC of 10% while actively making business and capital investments.

Sustainability Goals

KPI addressing Climate Changes

CO₂ Emissions (Consolidated, Scope 1&2)

2022 Results
139 Kt※

2030 Goal
50% Reduction

Recycled Raw Material Usage (Non-consolidated)

2022 Results
8.0%

2030 Goal
15.0%

※ : Third-party certification is scheduled to be obtained during the first half of 2024

Human Capital Strategies

- ① Human resources and organizational development aligning with corporate strategy
- ② Further improving Diversity and Inclusion
- ③ Creating a comfortable work environment



The 6th Mid-Term Management Plan

The 6th Mid-Term Management Plan 2024~2026

【Rationale】

The 1st step towards the future as celebrating 150th Anniversary

~A new step forward as the Shinagawa Group promoting Sustainable Growth~

*Shinagawa was founded in 1875 and welcomes the 150th Anniversary in 2025

【Priority Measures】

1
**Sector Driven Business
Expansion**

2
**Production
Optimization in Japan**

3
**Accelerating Global
Expansion**

4 **Promoting Sustainability Management**

The 6th Mid-Term Management Plan: Goals

As a milestone towards implementing “VISION 2030,” Shinagawa strengthens the organizational capabilities essential for sustainable growth and take steps toward achieving financial targets and becoming a more sustainable company.

Financial Goals

	2023 Results		2026 Goals
Net Sales	144 B JPY		180 B JPY
ROS (Operating Income)	9.6%		11%
ROIC	9.1%		10%
Overseas Sales Ratio	29.8%		45%

【Goals for 2026】

- Starting 2024, although the shutdown of blast furnaces at major customers will somewhat negatively impact our financial performances, Shinagawa plans to increase both sales and profits through business expansion specifically in overseas and cost reductions initiatives.
- Sales for 2026 include M&A/JV projects currently under consideration that have a high possibility of being realized.

【Sustainability Goal】

- Regarding the sustainability goals set in "Vision 2030," Shinagawa plans to continue considering various measures during the period of the "Sixth Medium-Term Management Plan": Therefore the specific targets for 2026 as a milestone are not available at this time.

• Increasing profit margins and secure ROIC of 10% while actively making business and capital investments.

1 Sector Driven Business Expansion: Promoting ROIC Management

Shinagawa group's response to implement management that is conscious of capital costs and stock prices

From The 6th Mid-Term Management Plan, we use ROIC as a leading KPI and focus on achieving an effect that exceeds the cost of capital (6.5%) in management decisions such as reviewing the allocation of management resources in existing businesses and making new business and capital investments.

Advancing Growth Strategy by further creating and strengthening
“Earning Power” ⇒ Maximizing Corporate Value

ROIC Management

Building a Management Strategy that emphasizes Capital Efficiency

Growth Strategy

Advancing Growth Strategy by further creating and strengthening “Earning Power”

**Maximizing
Corporate Value**

Reinvesting for further growth and enhancing returns to stakeholders by utilizing the results obtained by maximizing corporate value

Net Sales and Operating Profits by Sector

		The 6th Mid-Term Management Plan		
(Unit: B JPY)		2023 Results	2024 Plan	2026 Plan
Net Sales by Sector※ <ul style="list-style-type: none"> In 2024, sales in the “Refractory Sector” and “Engineering Sector” are expected to decrease due to the impact of customers' production structure restructuring From 2025, each sector plans to expand its business portfolio and increase sales 	Refractory Sector	98.4	96.2	1,03.4
	Insulation Sector	18.5	19.8	22.0
	Advanced Material & Device Sector	3.5	4.6	5.4
	Engineering Sector	24.5	22.9	24.9
Operating Profits by Sector <ul style="list-style-type: none"> In 2024, operating profits in the “Engineering Sector” is expected to decrease due to the impact of customers' production structure restructuring, but “Refractory Sector” is expected to increase them by improving its sales mix From 2025, each sector plans to expand its business portfolio and increase sales 	Refractory Sector	8.0	9.0	11.3
	Insulation Sector	3.4	3.5	4.2
	Advanced Material & Device Sector	0.1	0.2	0.4
	Engineering Sector	1.7	1.3	1.7
EBITDA by Sector <ul style="list-style-type: none"> As we strengthen global expansion, Shinagawa makes each sector's EBITDA (Operating Income + Depreciation + Goodwill Amortization) a leading management KPI from the 6th Medium-Term Management Plan 	Refractory Sector	10.6	11.4	14.3
	Insulation Sector	4.1	4.3	5.1
	Advanced Material & Device Sector	0.2	0.5	0.8
	Engineering Sector	1.9	1.5	2.0

※ : Net Sales (Consolidated) in VISION 2030 (P.5) and the goals set in the 6th Medium-Term Management Plan (P.8) include “Real estate/Elimination of intra-company transactions” and “M&A projects with high possibility of realization” and do not match the total sales by each sector in the table

2 Production Optimization in Japan

Reorganize and integrate production bases in the West and East to build an optimal production system for further expanding sales in Japan and growing businesses in the global market

West Area

Okayama, Hyogo, Tamashima, Teiyo, Hinase, Ako

Consolidating Monolithic from 3 Locations to "Ako"

- Ako** → **Ako**
- Hinase** → Specialized in mold powder
- Teiyo** → Closed

No Change

- Tamashima** → Specialized in refractories for iron making

Consolidating Monolithic Production in the West area to Enhance Competitiveness (Locations: 4 ⇒ 2)

- The state-of-the-art plant built at the Ako Plant is scheduled to begin operation in June 2024 as the central production location for monolithic refractories in the western Japan area
- ⇒ Teiyo: Closed, Hinase: Specialized for mold powder production
- Further restructuring of the optimal production system at the Okayama Plant will also be planned

East Area

Fukushima, Yumoto, Ibaraki, Kashima

Consolidating Monolithic from Yumoto to Others

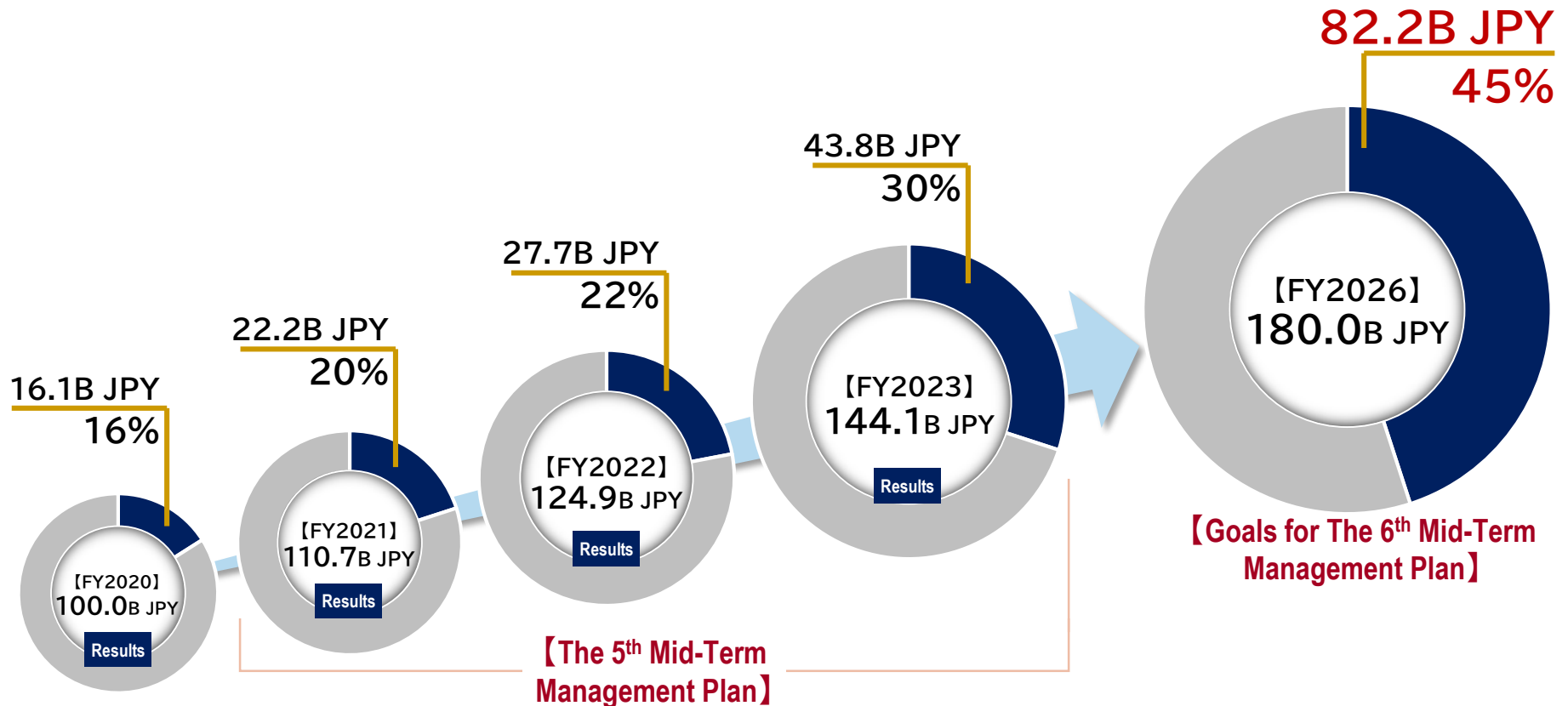
- Yumoto** → **Yumoto** (Shaped Refractories including Precast Blocks)
- Yumoto** → **Kashima** (Monolithic Production Location in the East)
- Yumoto** → **Ako** (West Area)

Initiate consolidating production bases in the East area during the 6th Mid-Term Management Plan period

- In response to the changes in customers' blast furnace operations, monolithic refractories other than precast blocks from the Yumoto Plant will be consolidated into the Kashima Plant and the Ako Plant in the West (to be completed in March 2024)
- Plan on upgrading the continuous casting refractories production lines at Yumoto Plant to make it as the Mother Factory for these products among Shinagawa Group's overseas operations

3 Accelerating Global Expansion

Overseas sales rapidly expanded under the 5th medium-term plan: By further promoting PROXIMITY strategy during the 6th Mid-Term Management Plan, Shinagawa plans to achieve overseas sales of 82.2 billion yen, with an overseas sales ratio of 45%.



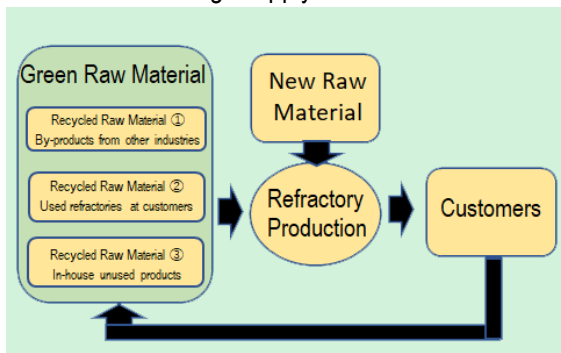
Establishing initiatives to address climate changes through business activities as Shinagawa's key growth strategy element

[Specific Examples] Promoting decarbonization initiatives within Shinagawa group

Promoting Recycling (Scope 3·Upstream)

- ▶ Established a organization exclusively in charge of Recycling (April 2024)
- ▶ Improving technologies to sort/process used refractories
- ▶ Developing & Promoting Green Refractory

Contributing to CO₂ emission reduction through supply chain



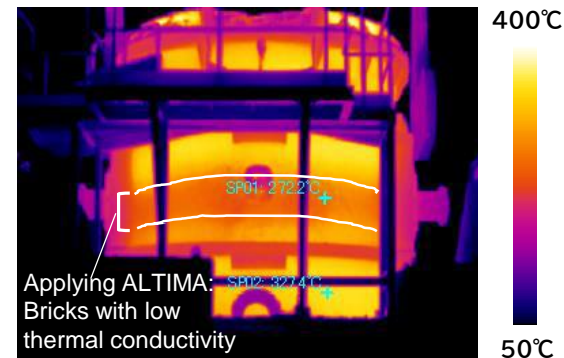
Promoting Energy Conservation (Scope 1&2)

- ▶ Switching to fuels that reduce CO₂ emissions, such as LNG
- ▶ Actively introducing solar power generation
- ▶ Increasing line-up of non-fired products



Contributing to customers' carbon neutrality (Scope 3·Downstream)

- ▶ Promoting heat loss reduction in high-temperature processes
⇒ Developing products with low thermal conductivity
⇒ Providing ideal solutions by combining refractory technology, insulation material technology, and furnace installation engineering technology
- ▶ Promoting the collection of used refractories (Previously treated as industrial waste)



Implementing human capital strategies as an initiatives to secure, develop and retain talents, which is the basis for sustainable growth

Human Capital Strategies

Building a management foundation with focus on “Talent Acquisition,” “Talent Retention” and “Human resources / Organizational Development”

1

Human resources and organizational development aligning with corporate strategy

Talent development required as a global company

- ▶ Enriching job level-based/specialized education and training
- ▶ Active interactions among global group companies:

One SHINAGAWA

- ▶ Organizational development aligning with corporate philosophy

2

Further improving Diversity and Inclusion

Fostering corporate culture where diverse talents can play active roles

- ▶ Focus on Diversity Recruitment
- ▶ Compliance Training
- ▶ Harassment Prevention

3

Creating a comfortable work environment

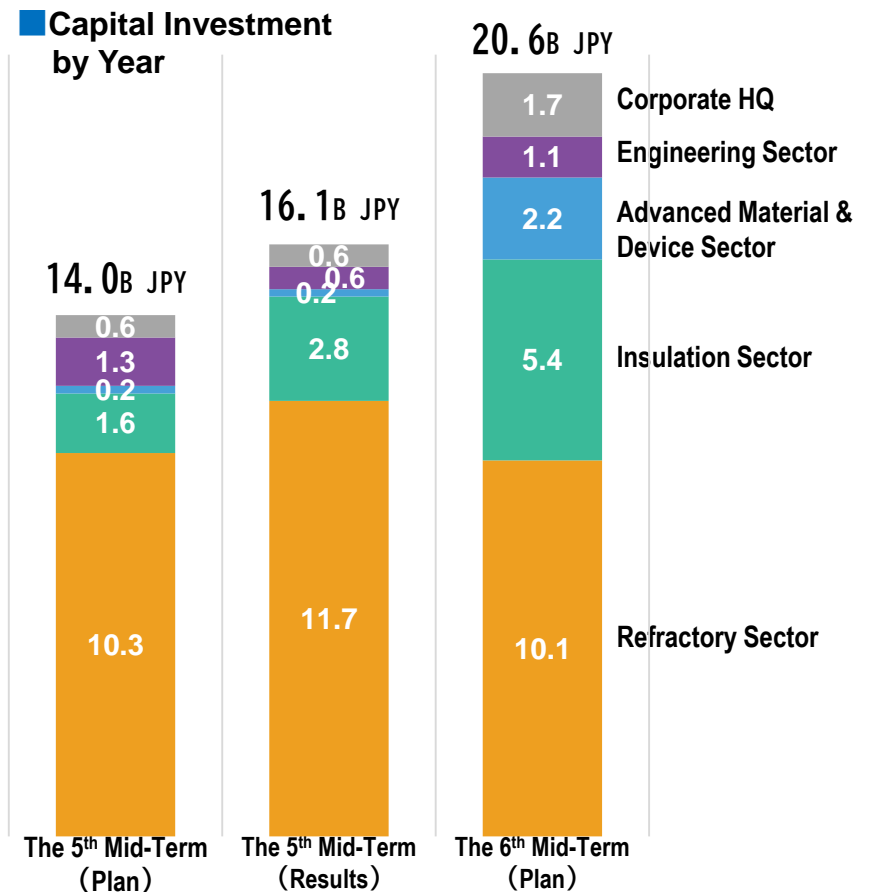
Supporting diverse work styles that suit work-life balance and individual living environments

- ▶ Introducing Flexible Working Styles (including Work from Home)
- ▶ Active Use of Family Care Leave
- ▶ Active Use of Annual Paid Leave

Accelerating growth investment including M&A as a key measure to strengthen management structure for the future

【Investment Policy】

- Actively invest in growth markets (fields & areas)
- Promoting investment considering turning production bases in Japan into mother factories in order to grow in the global market
- Accelerating sector driven business expansion, significantly increase investment in the “Insulation Sector” and “Advanced Material & Device Sector,” which are new areas to develop into untapped growth markets
- Actively promoting M&A and JV investment to accelerate business growth
- Focusing on environmental investment (decarbonization) in order to create a sustainable business management system
- Advancing with DX investment that contributes to improving operational efficiency and work style reform



Sustainable Return of Profits to our Shareholders

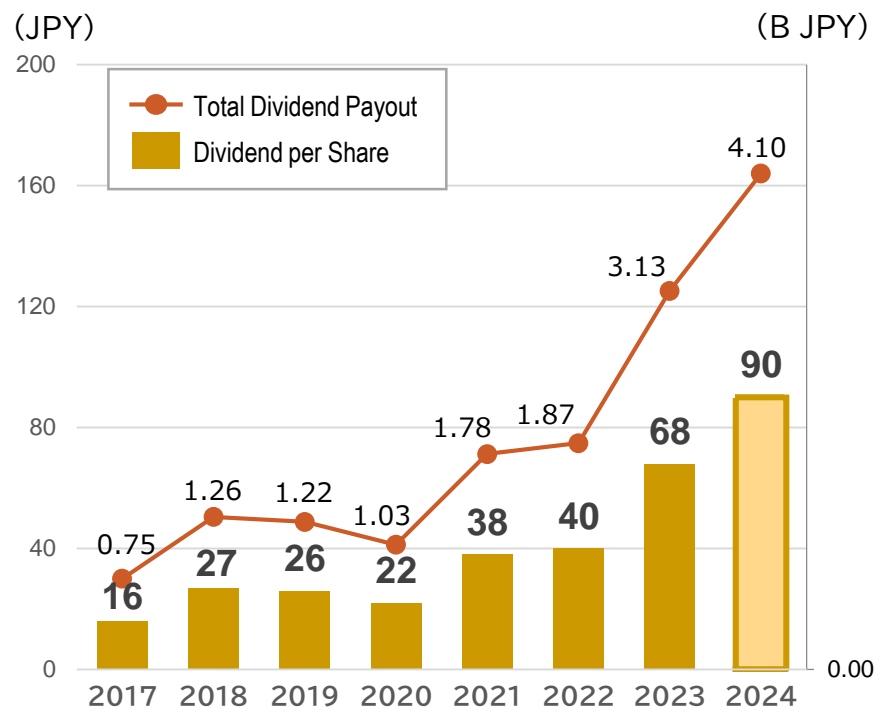
【Dividend Policy】

Considering the importance of enhancing the return of profits to shareholders, Shinagawa decided to aim for **a dividend payout ratio of 40%** * 30% until the last Mid-Term Plan

【Dividend vs Growth Investment】

- During the 6th Mid-Term Management Plan period, Shinagawa plans to accelerate growth investments including M&A. As a result, cash flow during this period will probably be allocated preferentially to growth investments.
- Furthermore, as a result of M&A, the goodwill amortization increases and profits are compressed, so even if the payout ratio is the same 40%, the total dividend amount may fluctuate.
- In order to maintain the total return amount, we plan on flexibly acquiring treasury stock based on the cash flow situation.

■ Dividend per Share & Total Dividend Payout



Note: The annual dividend above is the amount taking into account the stock split (effective October 1, 2023, splitting 1 share into 5 shares)

<Reference Information>

Acquisition of treasury stock (implemented from November 6, 2023 to March 22, 2024) • Acquired shares: 1,220,800 shares • Acquisition price: 2.24 billion JPY