

Presentation Material

Results for Fiscal Year Ended March 2015

June 10, 2015



— Supporting the World's Key Industries Through Technologies —

 SHINAGAWA REFRACTORIES CO.,LTD.

Securities Code Number: **5351**

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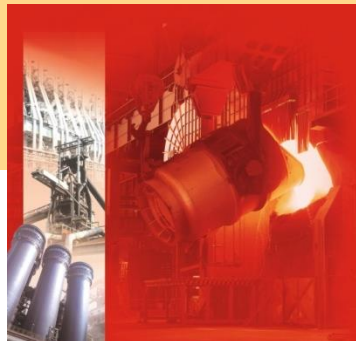
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I. Overview of Financial Results for FY2014

1. Consolidated Financial Highlights for Fiscal Year Ended March 2015

(1) Management Environment and Measures

[Management Environment]

● Steel industry

Despite a year-on-year decline in crude steel production in the latter half of the year due to a delay in recovery of housing and automobile industries, crude steel production for FY2014 remained virtually unchanged from the previous year at 109.85 million tons.

● Environment surrounding the Group

- Domestic crude steel production has remained at a high level with strong demand.
- The operating environment has been difficult, as a hike in raw material prices due to the cheaper yen placed pressure on our earnings.

[Key measures taken during FY2014]

As the final year of the second medium-term management plan, we will complete the development of the optimal production system, which we have been working on since the management integration in 2009.

- With the restructuring of plant systems that took place in April 2014, we will shift to a system to maximize the effects of consolidation of production.
- We will promote organizational streamlining, including administrative divisions, as well as the enhancement of operational efficiency

⇒ These measures are expected to contribute significantly to the improvement of profitability.

1. Consolidated Financial Highlights for Fiscal Year Ended March 2015

(2) Operating Results

(Unit: million yen)

	FY 2013	FY 2014	YoY
	Results	Results	
Net sales	96,875	100,188	+3.4%
Operating income	3,934	4,895	+24.4%
Ordinary income	4,160	5,215	+25.4%
Net income	2,224	3,098	+39.3%

- Net sales increased 3.4% as a result of strong domestic demand and sales increase from overseas subsidiaries reflecting a recovery of Australian and North American markets.
- Operating income, ordinary income and net income increased 24.4%, 25.4% and 39.3%, respectively.

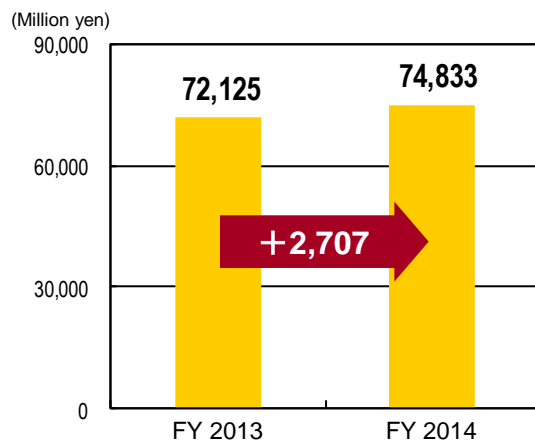
2. Net Sales by Business Segment

(Unit: million yen)

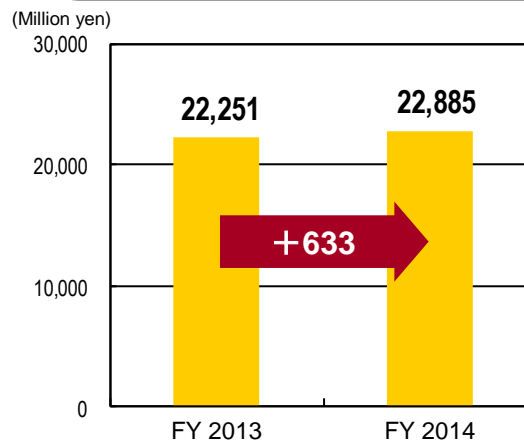
	FY 2013	FY 2014	YoY
	Results	Results	
Refractories and related products	72,125 [74.4]	74,833 [74.7]	+3.8%
Furnace construction and engineering	22,251 [23.0]	22,885 [22.8]	+2.8%
Real estate, leisure, etc.	2,498 [2.6]	2,470 [2.5]	-1.1%
Total	96,875 [100.0]	100,188 [100.0]	+3.4%

Note: Figures in square brackets [] indicate net sales share (%) by business segment.

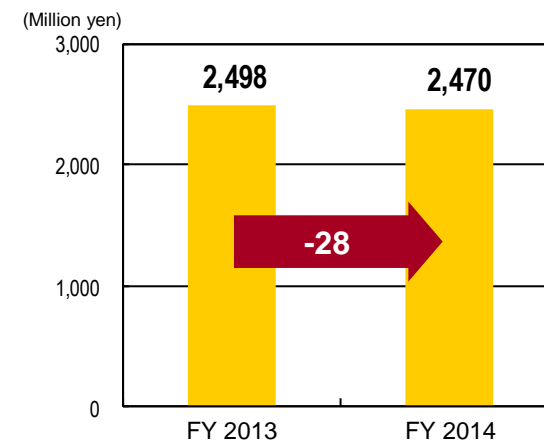
Refractories and related products



Furnace construction and engineering



Real estate, leisure, etc.



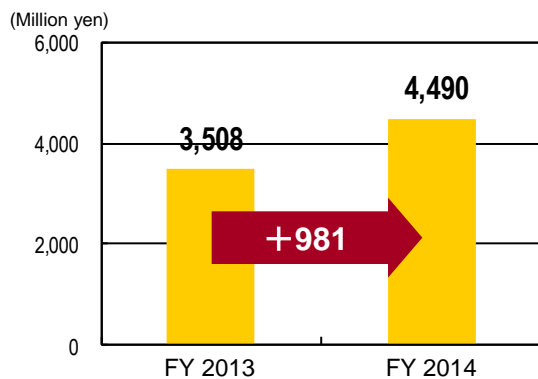
3. Operating Income by Business Segment (Segment Profit)

(Unit: million yen)

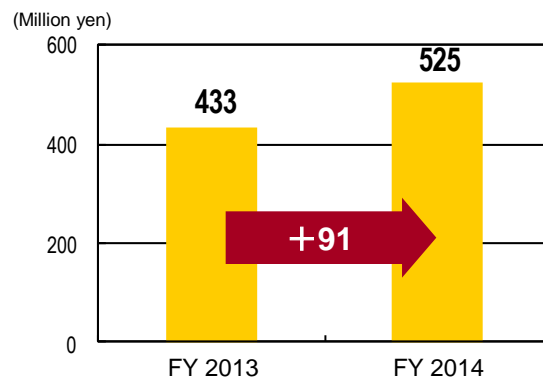
	FY 2013	FY 2014	YoY
	Results	Results	
Refractories and related products	3,508 [68.8]	4,490 [74.4]	+28.0%
Furnace construction and engineering	433 [8.5]	525 [8.7]	+21.0%
Real estate, leisure, etc.	1,159 [22.7]	1,017 [16.9]	-12.2%
Total	5,102 [100.0]	6,033 [100.0]	+18.2%
Adjustment	-1,167	-1,137	—
Total operating income	3,934	4,895	+24.4%

Note: Figures in square brackets [] indicate operating income share (%) by business segment.

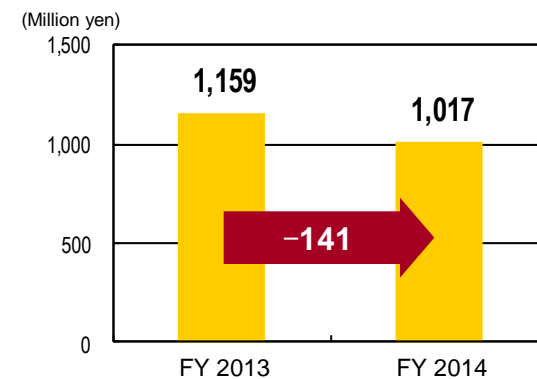
Refractories and related products



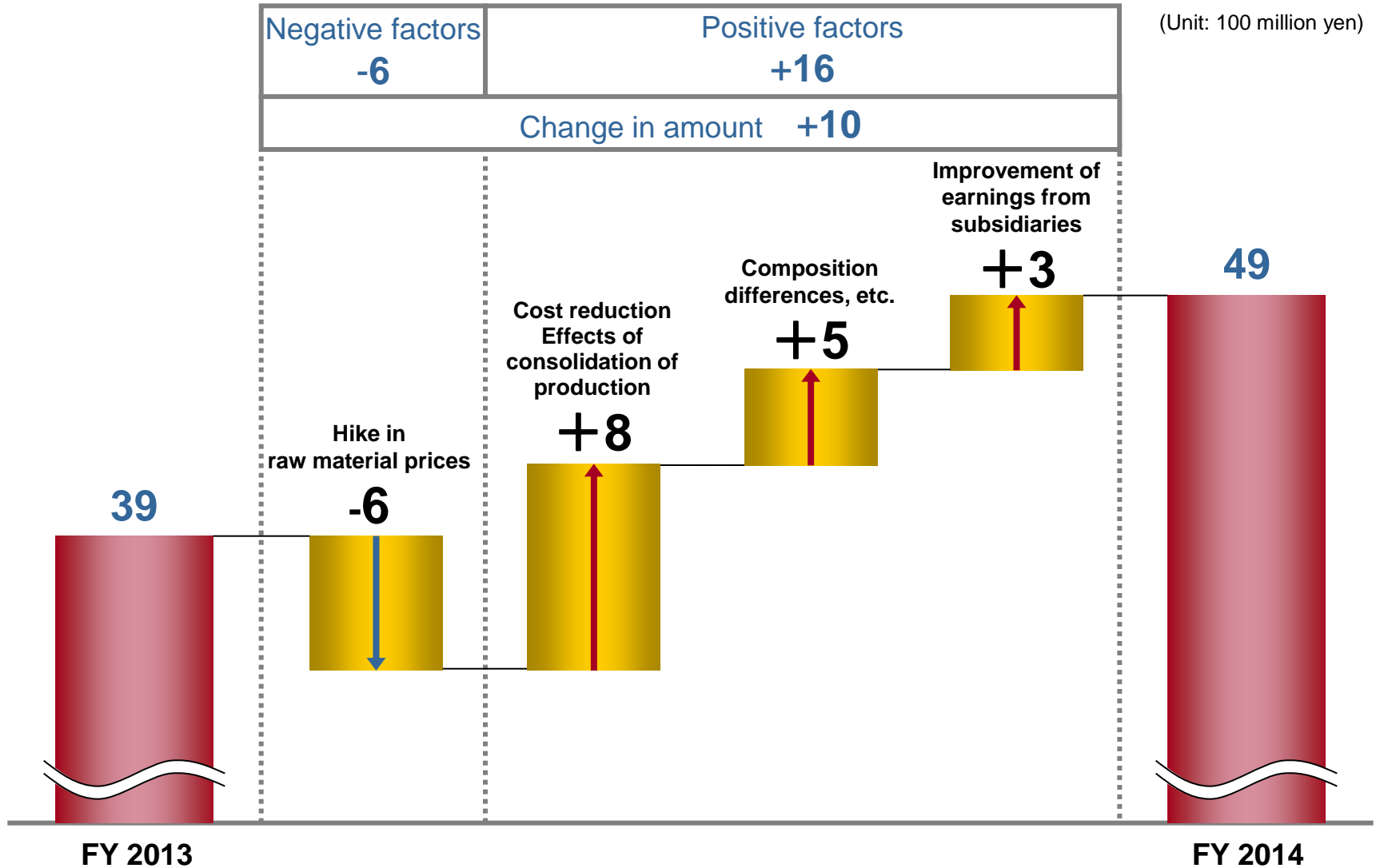
Furnace construction and engineering



Real estate, leisure, etc.



4. Factors Behind Changes in Operating Income (Year-on-Year Comparison)



5. Consolidated Balance Sheets

(Unit: million yen)

	FY 2013	FY 2014	Change	
Current assets	61,087	62,994	+1,906	• Notes and accounts receivable-trade: +1,864
Noncurrent assets	45,781	46,847	+1,065	• Investment securities: +1,872
Total assets	106,869	109,841	+2,972	
Current liabilities	42,351	41,188	-1,163	• Short-term loans payable: -2,434
Noncurrent liabilities	19,260	17,610	-1,649	• Net defined benefit liability: -1,162
Total liabilities	61,612	58,799	-2,812	
Shareholders' equity	37,784	41,084	+3,299	• Retained earnings: +3,195
Accumulated other comprehensive income	2,047	4,069	+2,021	• Valuation difference on available-for-sale securities: +1,539
Minority interests	5,424	5,888	+463	
Total net assets	45,257	51,042	+5,785	
Total liabilities and net assets	106,869	109,841	+2,972	

6. Consolidated Cash Flows

(Unit: million yen)

	FY 2013	FY 2014	Change
Cash flows from operating activities	6,873	4,448	-2,425
Cash flows from investing activities	-1,180	129	+1,309
Cash flows from financing activities	-5,121	-3,730	+1,391
Cash and cash equivalents at the end of period	10,942	11,908	+966

[Main contents of cash flows from operating activities]

- Income before income taxes and minority interests: 5,231
- Depreciation and amortization: 2,493
- Increase in notes and accounts receivable-trade: -1,644
- Increase in inventories: -827
- Income taxes paid: -1,404

[Main contents of cash flows from investing activities]

- Redemption of securities: 2,000
- Proceeds from sales of investment securities: 446
- Purchase of property, plant and equipment: -1,924

[Main contents of cash flows from financing activities]

- Repayment of long-term loans payable: -884
- Decrease in short-term loans payable: -2,122
- Redemption of bonds: -180
- Cash dividends paid: -471

• Interest-bearing debt/cash flow ratio:
5.3 years

7. Financial Strategy

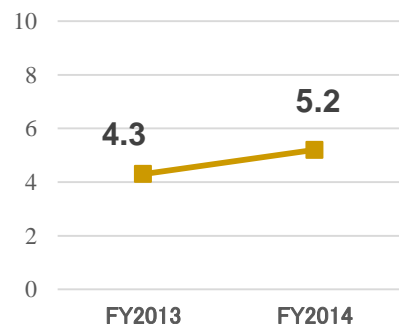
1 Securing of profitability

● ROS (Return on Sales)
and

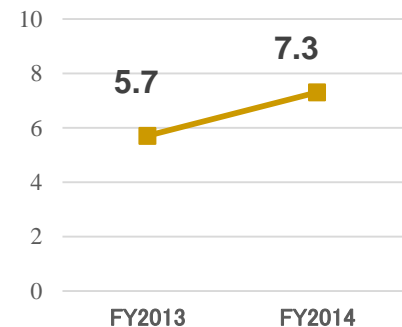
● ROE (Return on Equity)

will be set as major management indicators with the aim of enhancing management efficiency.

ROS (%)

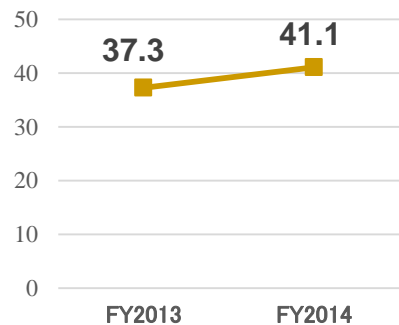


ROE (%)

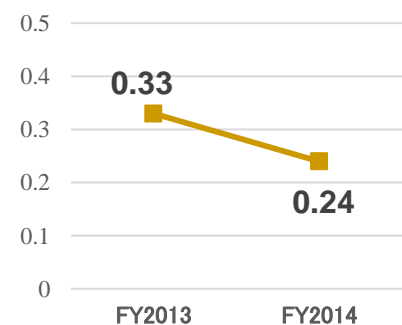


2 Improvement of financial position

Capital adequacy ratio (%)



D/E ratio



7. Financial Strategy

3 Shareholder returns

- Will aim to maintain steady dividend payouts.

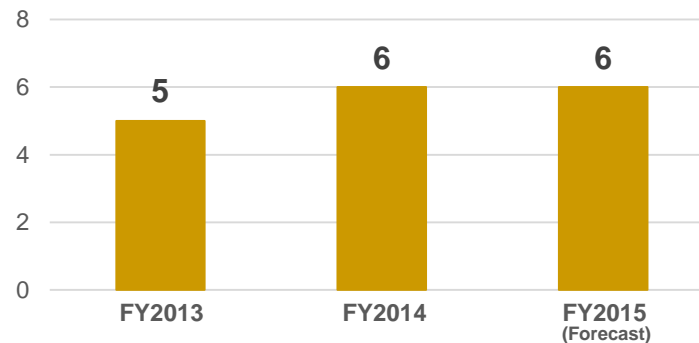
[Actual dividend payout for the fiscal year ended March 2015] (Dividend per share)

- Interim dividend: 2.50 yen (unchanged from the previous year)
- Year-end dividend: 3.50 yen (increase of 1 yen YoY)

Annual dividend: 6.00 yen

Dividend per share

(Yen)

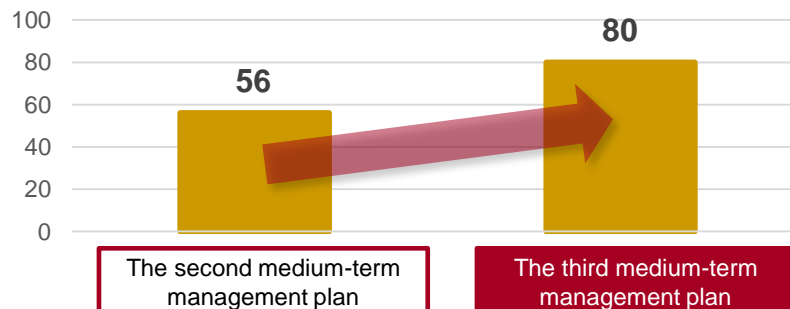


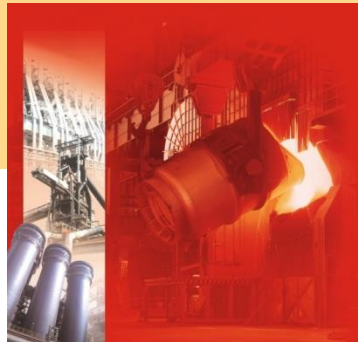
4 Investment for future growth

Amount of capital expenditure

(Actual results and medium-term plan)

(100 million yen)



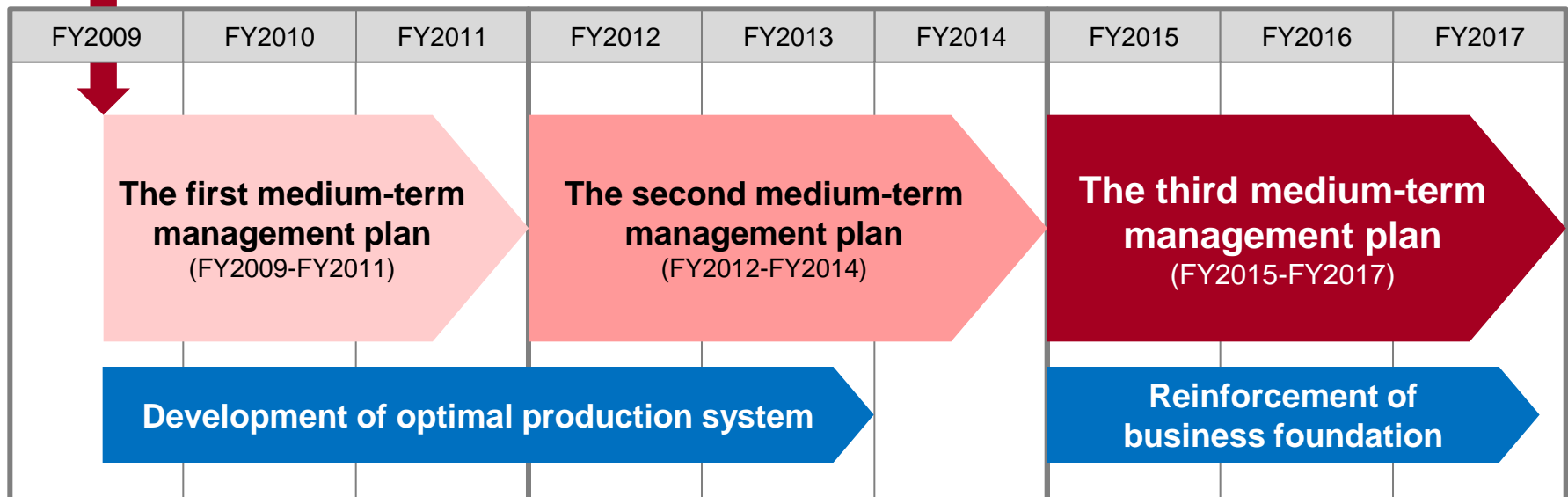


II. Future Strategies

1. Management Stage

The second medium-term management plan was completed in FY2014. Based on its achievements, we commenced the third medium-term management plan in FY2015.

Shinagawa Refractories Co., Ltd. was established as a result of a merger on October 1, 2009.



2. The Second Medium-Term Management Plan: Summary

Key challenges and achievements of the second medium-term management plan (FY2012-FY2014)

1. Early launch of optimal production system

- ➡ ● We managed to complete development of “the optimal production system” with the top priority, in accordance with the plan.

2. Reinforcement of technological advantages

- ➡ ● We developed and launched new products with innovative technology that are highly valued by our customers.

3. Enhancement of sales capability in both Japan and overseas

- ➡ ● Our measures implemented through collaboration among production, sales and technology teams based on the “product category-based strategy committee” have proven to be effective.

3. The Third Medium-Term Management Plan: Overview

Medium to long-term vision

Vision

Towards maintenance and improvement of the position as **the world's leading supplier of a full range refractory products**, will aim to **thoroughly secure profitability and realize further growth**.

Medium-term management plan: basic policy

Policy

Will aim to **secure competitive advantage** from a medium to long-term perspective towards **sustainable growth** in the future.

Medium-term management plan: top priority challenge

Main Theme

Reinforcement of business foundation from the perspectives of equipment and human resources

4. Understanding of Operating Environment (Third Medium-Term Management Plan)

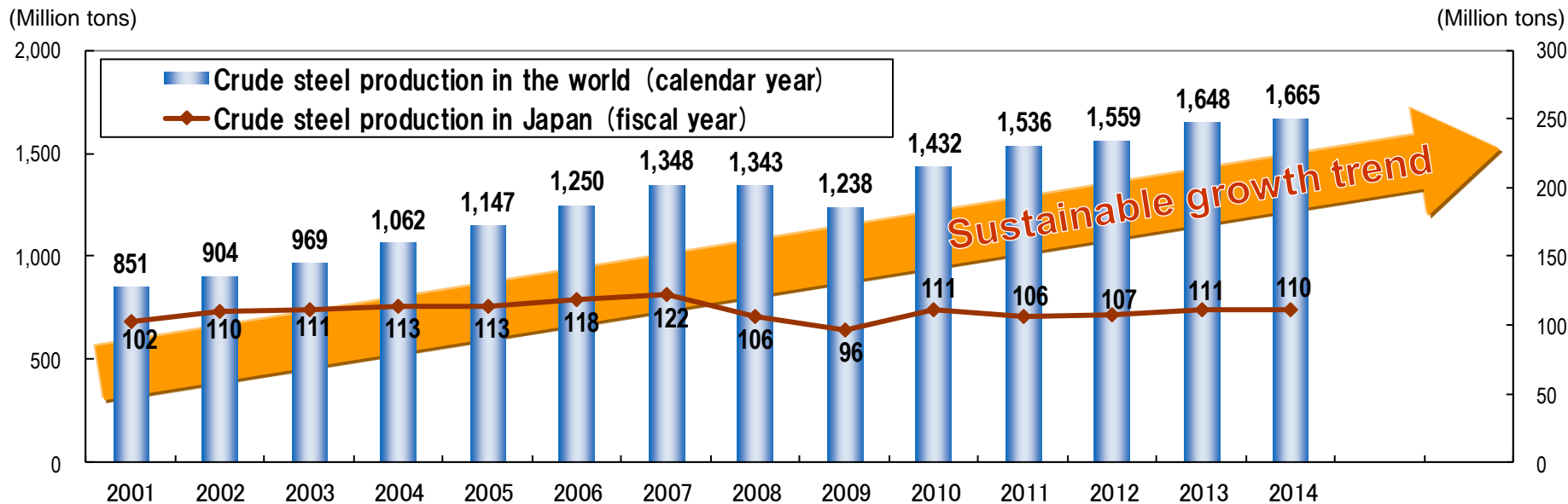
Japan → Steady

- Reconstruction demand following the Great East Japan Earthquake
- Strong production activities, etc. for the Tokyo Olympics and Paralympics in 2020

Overseas → Expanding

- Demand in steel, cement and nonferrous metal domains in line with growth in emerging countries such as China, India and other ASEAN nations, etc.
- Demand in the U.S. market, which is expected to grow steadily in the future

Trend of crude steel production



Source: "Global Changes in Crude Steel Production" (World Steel Association); "Overview of Steel Production" (Japan Iron and Steel Federation)

5. The Third Medium-Term Management Plan: Key Challenges

Key challenges

- 1) Renovation of core production equipment**
(Reinforcement of business foundation in terms of equipment)
- 2) Securing and development of human resources**
(Development of business foundation in terms of human resources)
- 3) Technological reinforcement and enhancement of sales capabilities**
- 4) Strengthening of safety activities and compliance**

6. Key Challenges (1) Renovation of Core Production Equipment

1 Objective

In the second medium-term management plan, we implemented equipment investment activities with the aim of restructuring into an “optimal production system” through “consolidation of production” towards the maximization of consolidation effects.

■ Factory Organization after “Consolidation of Production” (Started in April 2014)

East Japan Works	Yumoto Manufacturing Department
	Kashima Manufacturing Department
West Japan Works	Ako Manufacturing Department
	Hinase Manufacturing Department
	Okayama Manufacturing Department
	Tamashima Manufacturing Department
	Administration Office
	Quality Assurance Office

In the third medium-term management plan, we will renew our core manufacturing equipment for major products that will drive growth by introducing the cutting-edge models as a part of investments aimed at sustainable growth.

Objective (i)

Securing of stable supply systems

Objective (ii)

Enhancement of competitive advantages
(improvement of production, etc.)

2 Capital expenditure plan

Approx. **8.0 billion yen** in total for three years during the period of the third medium-term management plan.

Further capital investment compared to the period of the second medium-term management plan(5.6billion yen)

Concentration in core competence type of investment by scrutinizing investment targets for growth

Investment will be concentrated in FY2015, which is the first year of the third medium-term management plan

⇒ **Early realization and maximization of investment effects**

* **Shinagawa Refractories (non-consolidated): 5.0 billion yen in total for three years**
(2.35 billion yen for the first year)

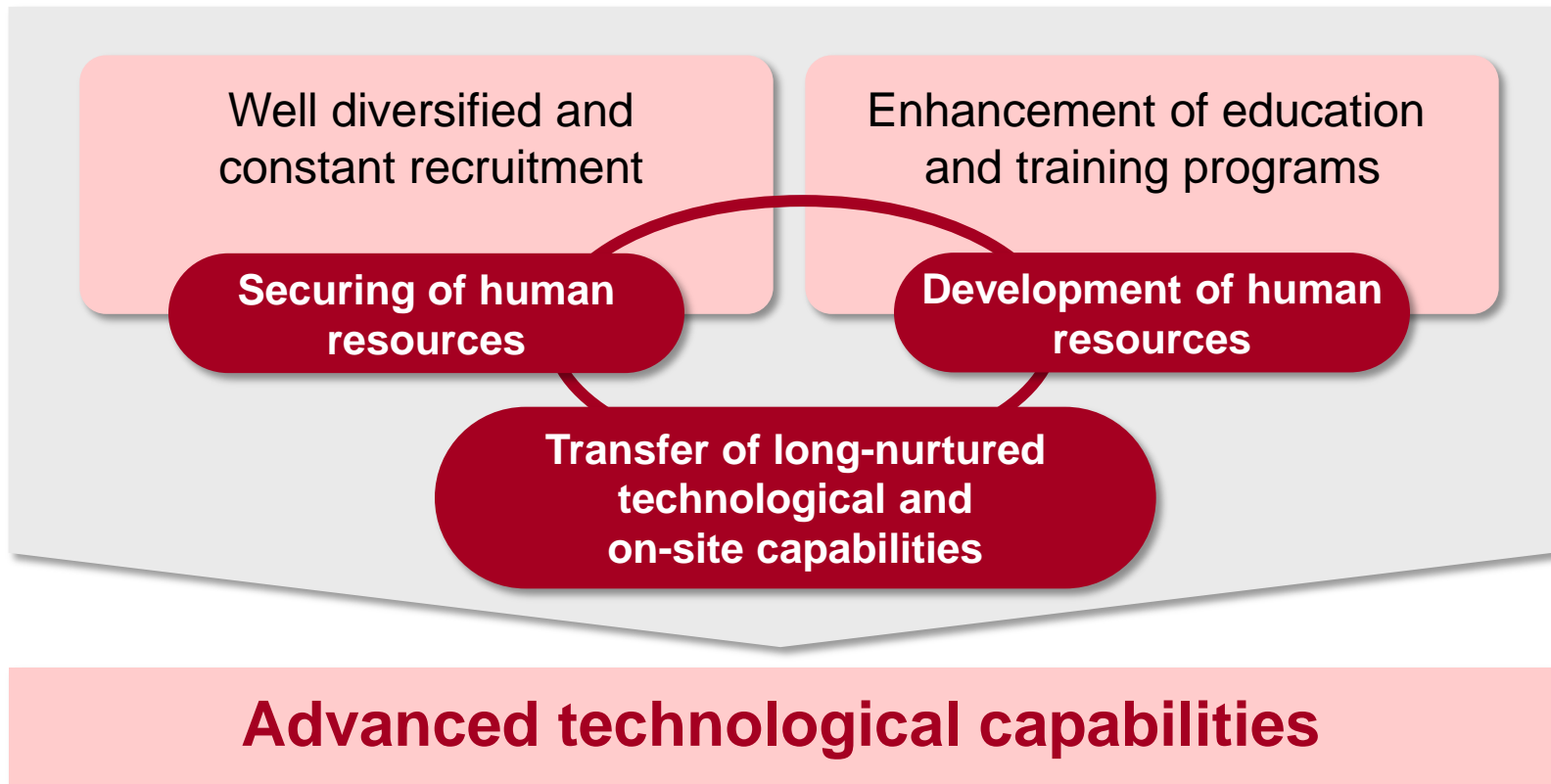
Major strategic product categories for where cutting-edge equipment will be introduced

- Slide plates
- Magnesia-carbon bricks
- Mold powder
- Submerged entry nozzles, etc.

6. Key Challenges (2) Securing and Development of Human Resources

“Human resources” are an important business foundation, along with equipment.

Will achieve further development and growth to win the competition.



1 Technological reinforcement

Development of attractive products and launch of high performance products



Improved customer satisfaction

Examples of Items to be developed

Product category	Items to be developed
Magnesia-carbon bricks	Super-dense bricks (HIDEN)
	Highly-durable multi-hole plug (MHP) tuyere bricks
Slide plates	SNX material for surface damage-resistant plates
Monolithic refractories	Low-water castables for ladle(HiDeC)
	Ceramic welding material for repairing coke oven

2 Enhancement of sales capability

(i) Five strategic product categories

Core products that account for 40% of refractory sales

**Magnesia-carbon
bricks**

Slide-gate plates

Basic bricks

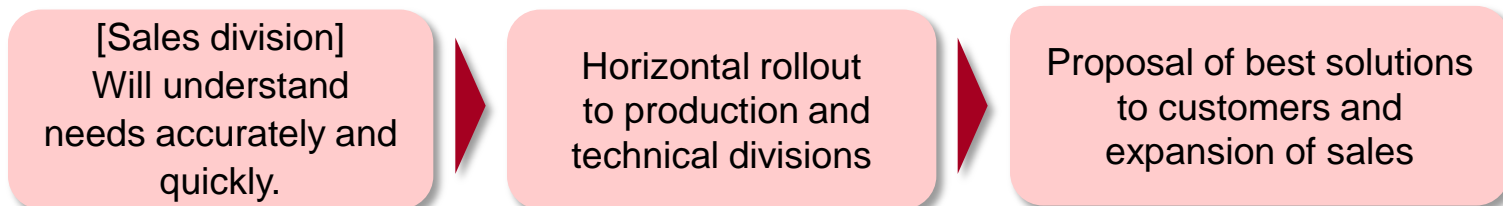
Mold powder

SBX-G(CIP products)

2 Enhancement of sales capability

(i) Five strategic product categories

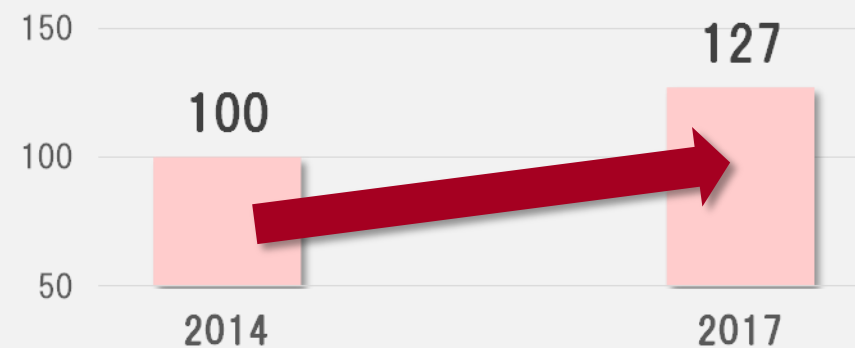
With the aim of promoting **sales activities through collaboration among production, sales and technology teams**, the product category-based strategy committee was established in January 2014.



Will aim to increase net sales of **the five strategic product categories** by **27%**.

■ Sales plan for five strategic product categories

(FY2014 is set as 100.)

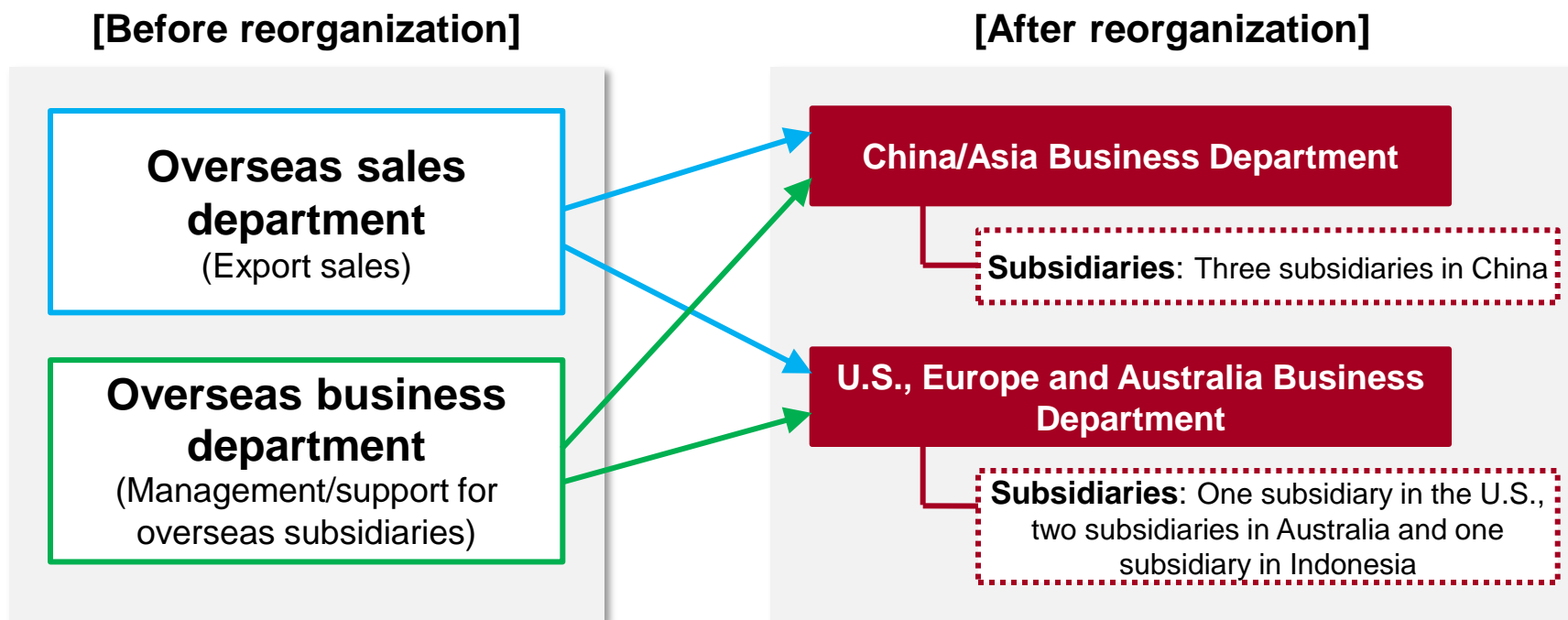


2 Enhancement of sales capability

(ii) Overseas business expansion

Reorganization of business structure by region

Consolidation of export sales function and management/support function for overseas subsidiaries



1 Safety activities

- Thorough promotion of KZ (*Kiken Zero: Perfect Safety*) activity with a focus on the “fundamental safety measures for equipment and operations”
- Implement “5S,” which contributes to safety and health as well as operational efficiency throughout the workplace by getting back to the basics.

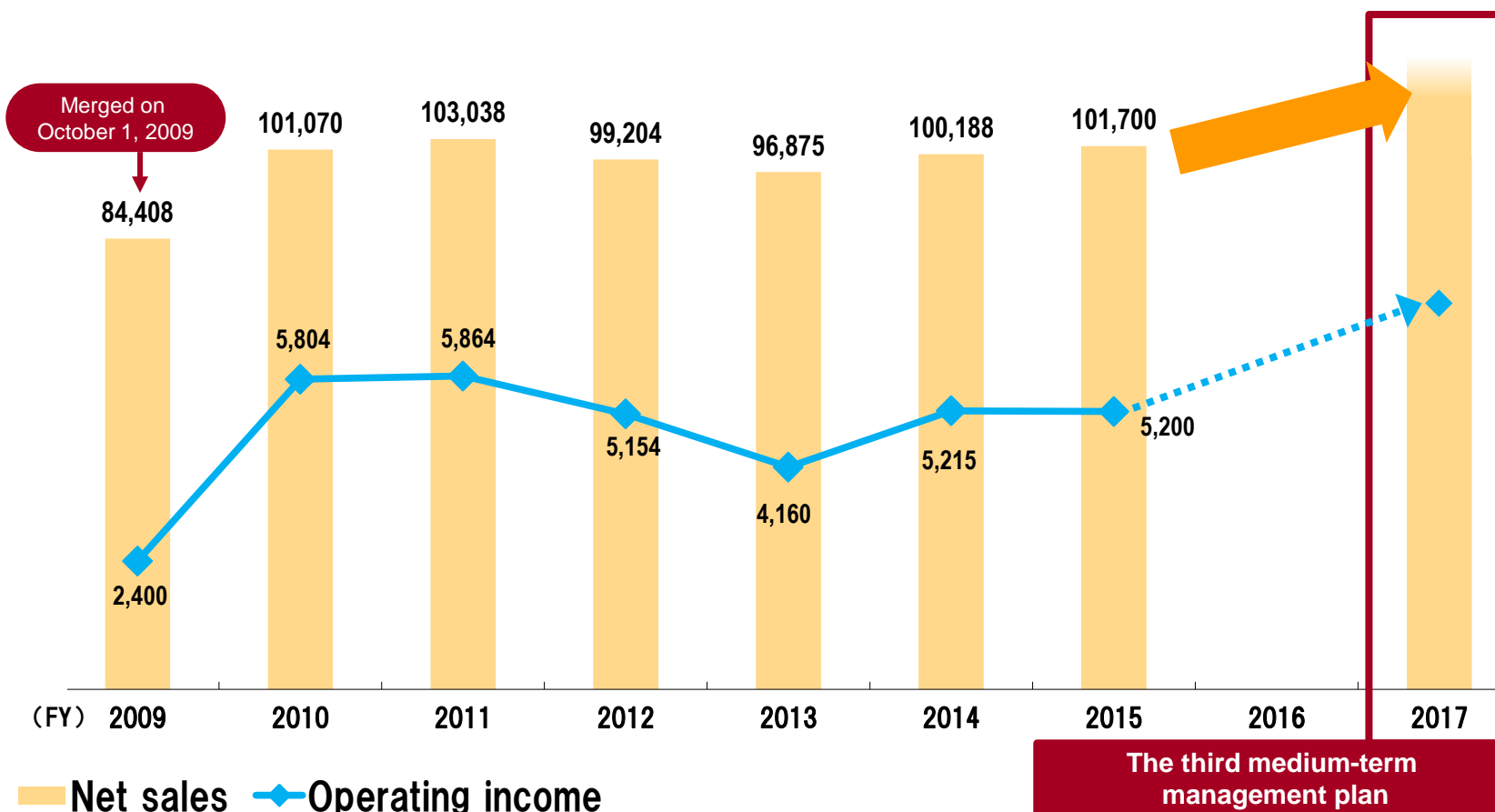
*5S: *Seiri* (organization), *Seiton* (tidiness), *Seiso* (cleaning), *Seiketsu* (hygiene) and *Shitsuke* (discipline)

2 Compliance

- Through comprehensive compliance training, will maintain and improve the level of compliance across the entire group with the aim of increasing employee awareness and recognition

7. The Third Medium-Term Management Plan: Quantitative Targets

Will aim to achieve record net sales and ordinary income in the final year of the third medium-term management plan.



8. Outlook of Consolidated Financial Results for the Fiscal Year Ending March 2015

(Unit: million yen)

	FY 2014	FY 2015	YoY
	Results	Forecast	
Net sales	100,188 [100.0]	101,700 [100.0]	+1.5%
Operating income	4,895 [4.9]	5,100 [5.0]	+4.2%
Ordinary income	5,215 [5.2]	5,200 [5.1]	-0.3%
Net income	3,098 [3.1]	3,100 [3.0]	+0.1%

Note: Figures in square brackets [] indicate ratios against net sales (%).

8. Medium-Term Growth Vision

Toward the maintenance and improvement of our position as
the world's leading supplier of a full range refractory products,

we will aim to firmly secure profitability and realize further growth

Provision of comprehensive solutions...

Comprehensive responsibility

- Design
- Manufacturing
- Installation
- Repair・Maintenance

Covers a full range of refractories and related technologies with high competitiveness both from quality and cost perspectives ...

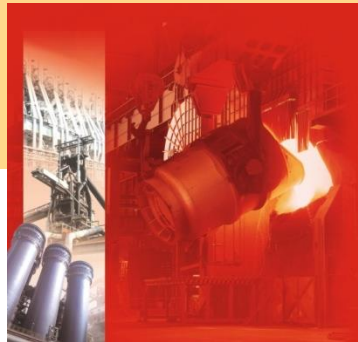
Comprehensive technical capability

- Development of materials
- Manufacturing technology
- Installation technology
- Furnace body analysis
- Diagnostic technology, etc.

... Broad product lineup

Comprehensive product development capability

- Shaped refractories
- Monolithic refractories
- Mold powder
- Ceramic fiber
- Advanced ceramics
- Chemical and other products



III. Supplementary Notes

1. History

[Established in 1875]

Shinagawa Refractories Co., Ltd.

(First private company in Japan to manufacture fire bricks)

[Established in 1938]

JFE Refractories Corporation

(Operated as a subsidiary of the Kawasaki Steel Corporation Group since 1944)

Aiming to solidify operational base and establish a steady supply system through further expansion of the refractories business

Merged on October 1, 2009

Shinagawa Refractories Co., Ltd.

Will promote the streamlining of operations through the prompt realization of integration effects and focus on the development of a management base to respond to environmental changes

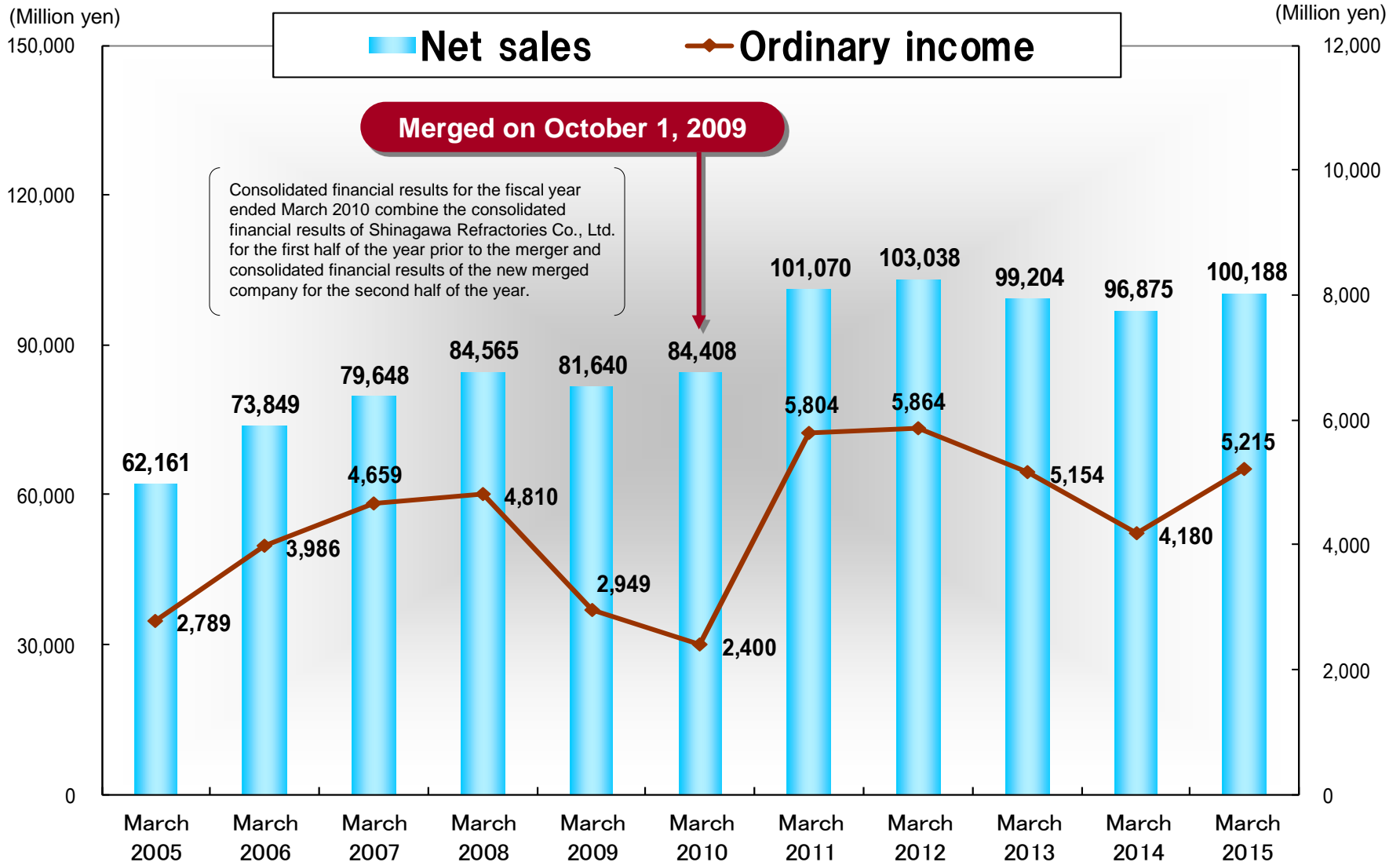
2. Basic Management Goals (Formulated on October 1, 2009)

Following the merger to create the new “Shinagawa Refractories,” five basic goals were formulated.

Basic Goals of Shinagawa Refractories

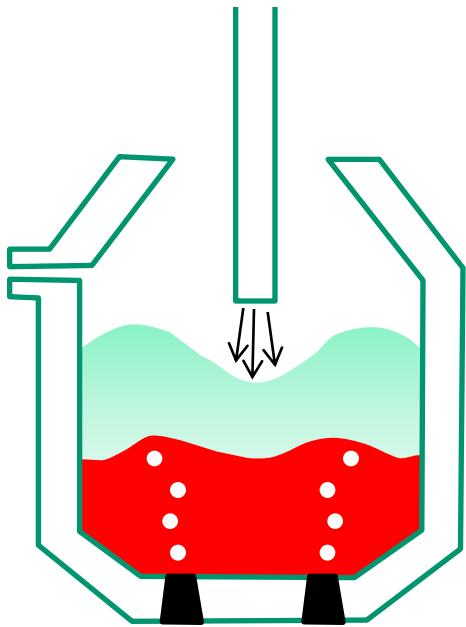
- (i) To be the world’s leading supplier of a full range of refractory products
- (ii) To be responsive to the needs of our customers
- (iii) To enhance the well-being of our shareholders, customers, and the communities that support us
- (iv) To provide our employees with a safe, pleasant and rewarding workplace
- (v) To remain profitable with a solid financial base that supports the aforementioned goals

3. Changes in Net Sales and Ordinary Income During Past 11 Years (Consolidated Basis)

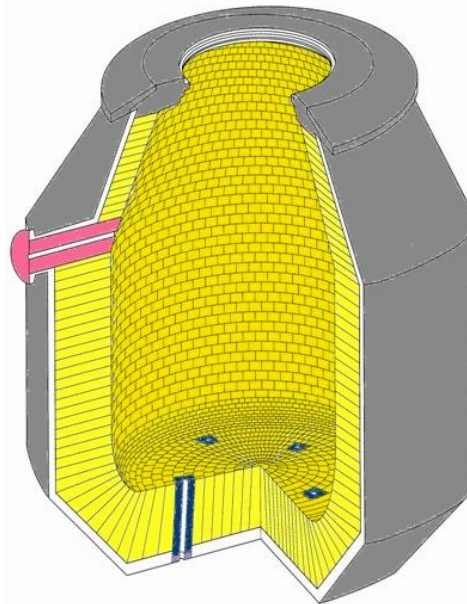


4. What are the Roles of the "Refractory Industry"?

- Many varieties of materials used in public infrastructure such as iron and steel, nonferrous metals, cement, glass, etc. are manufactured in furnaces with refractory lining.
- The refractory industry provides foundational support to key industries through engineering feats, such as the manufacturing of refractories, furnace design, furnace construction, etc.



Refining of molten steel in converter



Refractory lining



Fire bricks for converters



Furnace construction using fire bricks

5. Major Products 1/2

Refractories

Refractories are industrial materials that can resist ultra-high temperatures in excess of 1,500 degrees Celsius. Approximately 80% of refractory production is consumed by the steel industry.

Shaped refractories

Shaped refractories (“fire bricks”) provide basic support to industrial furnaces and ultra-high temperature processing facilities

- Magnesia-based bricks
- Carbon-containing bricks
- Fire-clay and high-alumina bricks
- Functional products for continuous casting
- Silicon carbide bricks
- Silica bricks, etc.

Monolithic refractories

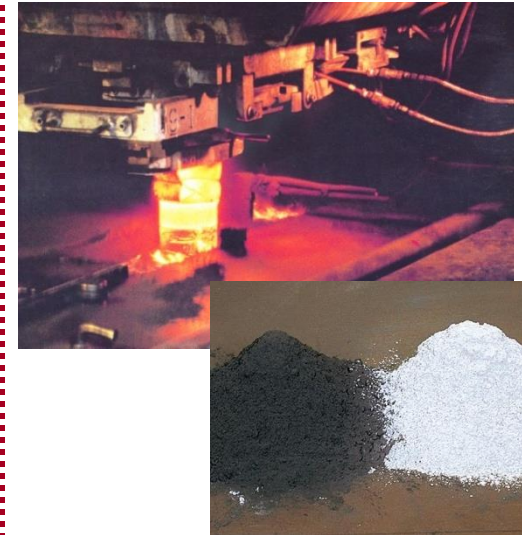
A complete system package including “product, design, installation and after-sales service” that can suit a wide range of applications

- Castable refractories
- Precast shapes
- Gunning refractories
- Plastic and ramming mixes
- Refractory mortars, etc.

Mold powder

An essential component of high-quality steel

(Powder-type material added to maintain the surface temperature inside casting molds. It prevents the steel from oxidizing and acts as a lubricant during the continuous casting process used to manufacture steel ingot plates and rods)



5. Major Products 2/2

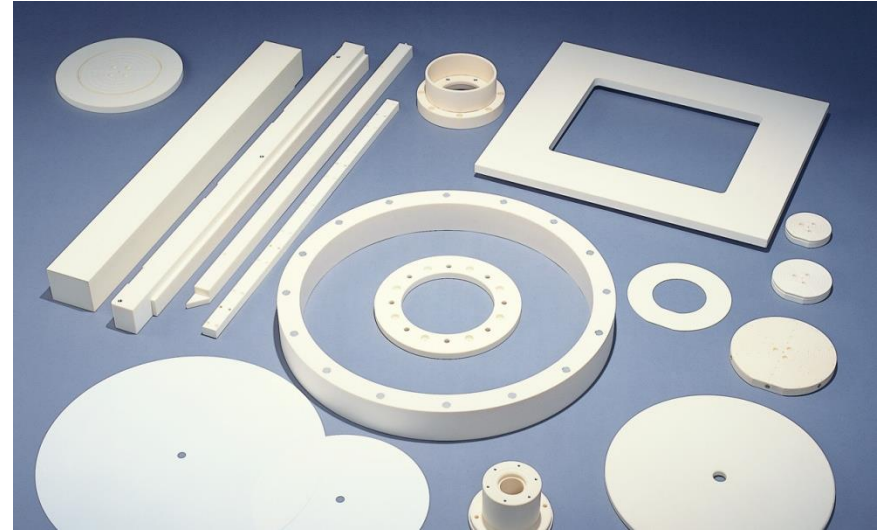
Ceramic fiber

Lightweight material featuring low thermal conductivity and high thermal insulation, making it essential for energy-saving



Advanced ceramics

Ceramic material with a broad range of characteristics including excellent electrical insulation properties, abrasion resistance, corrosion resistance, chemical stability, mechanical strength, etc.



Chemical and other products

Heat-resistant paint, heat-resistant adhesives, multifunctional absorbent, desiccant, etc. with applicability to ceramic materials technologies



6. Key Features and Strengths

1

Leading company in terms of ultra-high temperature technologies

2

Solid customer base thanks to technological capabilities

3

Aggressive global business expansion

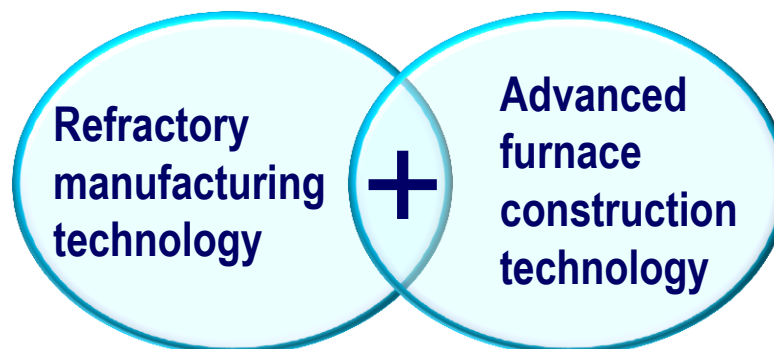
7. Key Features and Strengths

(1) Ultra-High Temperature Technology (i) Two Technologies

Leading company in terms of ultra-high temperature technology

Solid technology development and commercialization capabilities underpinned by two technologies

- Refractories
- Ceramic fiber
- Advanced ceramics
- Chemical products and other products



- Furnace design
- Engineering services
 - Furnace construction work for blast furnaces, converters, incinerators, etc.
 - Ultra-fast relining of blast furnaces and hot stoves
 - Maintenance of furnaces used by iron and steelmaking works, etc.

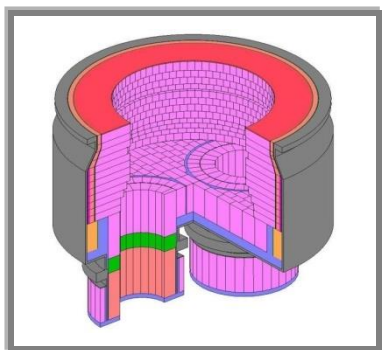
Customer-oriented technological response

Development capability to meet customer needs

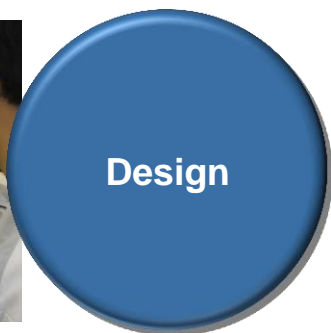
7. Key Features and Strengths

(1) Ultra-High Temperature Technology (ii) Customer-Oriented Technological Response

Work closely with customers at all times backed up by technologies and long track records of four divisions covering design, manufacturing, furnace construction, and development.



Engineering Department



Technical Research Center



Works



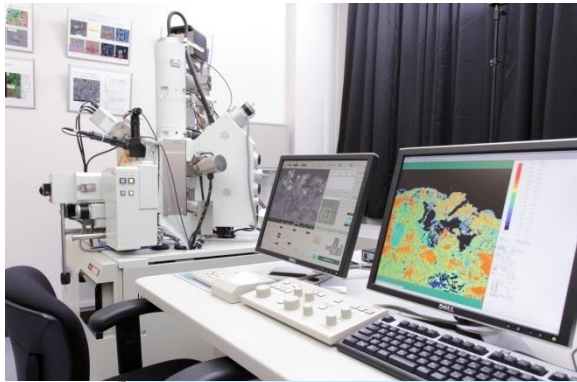
Furnace Construction Division



7. Key Features and Strengths

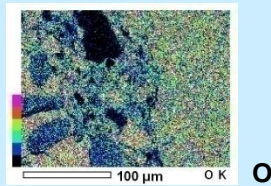
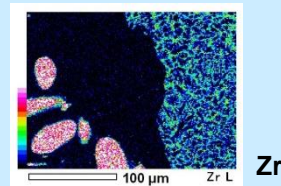
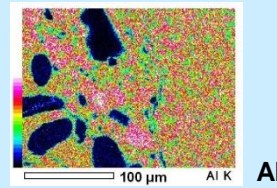
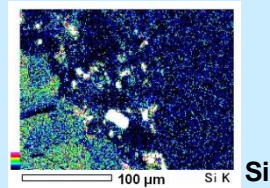
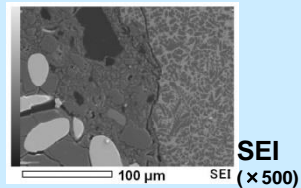
(1) Ultra-High Temperature Technology (iii) Development Capability to Meet Customer Needs

With world-class research facilities, the Research Center focuses on the development of products to meet the needs of customers

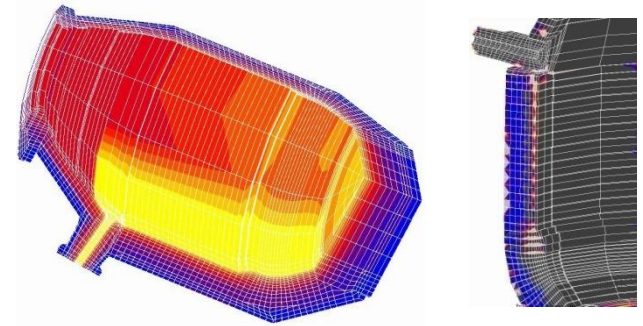


EDS analysis data
(color map)

Elements present in the area
can be detected in a short
period of time.



Analysis of microstructures of refractories



Structural analysis of converters



Water model simulation of molten steel flow in the mold

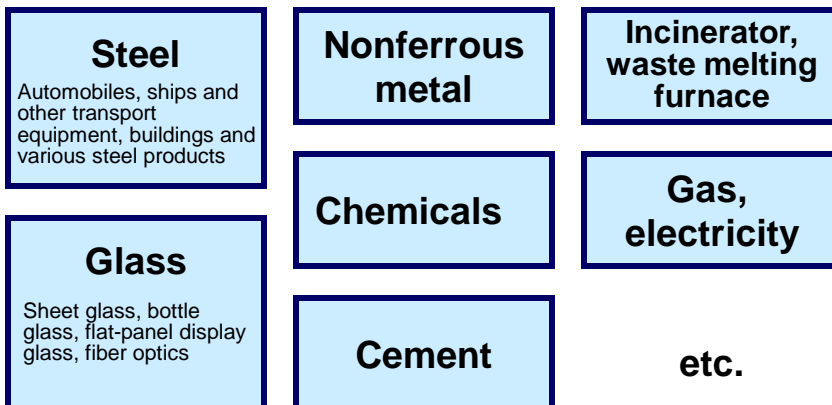
8. Key Features and Strengths (2) Solid Customer Base

Solid customer base thanks to technological capabilities

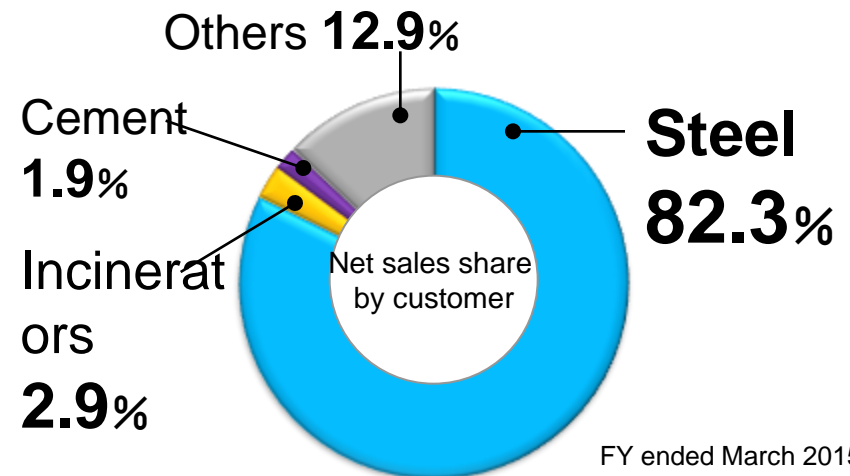
Meeting the needs of customers in various industries including the Japanese steelmaking industry, which boasts the best technology in the world

Ultra-high temperature technologies are fundamental technologies for many industries

From the material industry to the field of energy production, environmentally friendly ultra-high temperature technologies are fundamental to all.



Steel industry is the main customer, accounting for approximately 80% of the customer base



9. Key Features and Strengths (3) Global Business Expansion

Aggressive global business expansion

Starting from our launch into China in 1997, the Company has continued to expand overseas, establishing production bases in Australia and the U.S.

[China] ← Entered market in 1997

- 1997: Established a joint venture company, Shenyang Shinagawa Glorious Metallurgy Materials Co., Ltd. (current Shenyang Shinagawa Metallurgy Materials Co., Ltd.)
- 2003: Made an equity investment in a joint venture company, Jinan Ludong Refractory Co., Ltd.
- 2005: Established a joint venture company, Shinagawa Rongyuan Refractories Co., Ltd.
- 2008: Established a joint venture company, Liaoning Shinagawa Hefeng Metallurgical Material Co., Ltd.

[Australia] ← Entered market in 1998

- 1998: Established a joint venture general refractory company
- 2003: Fully consolidated the joint venture company and renamed it Shinagawa Refractories Australasia Pty. Ltd.

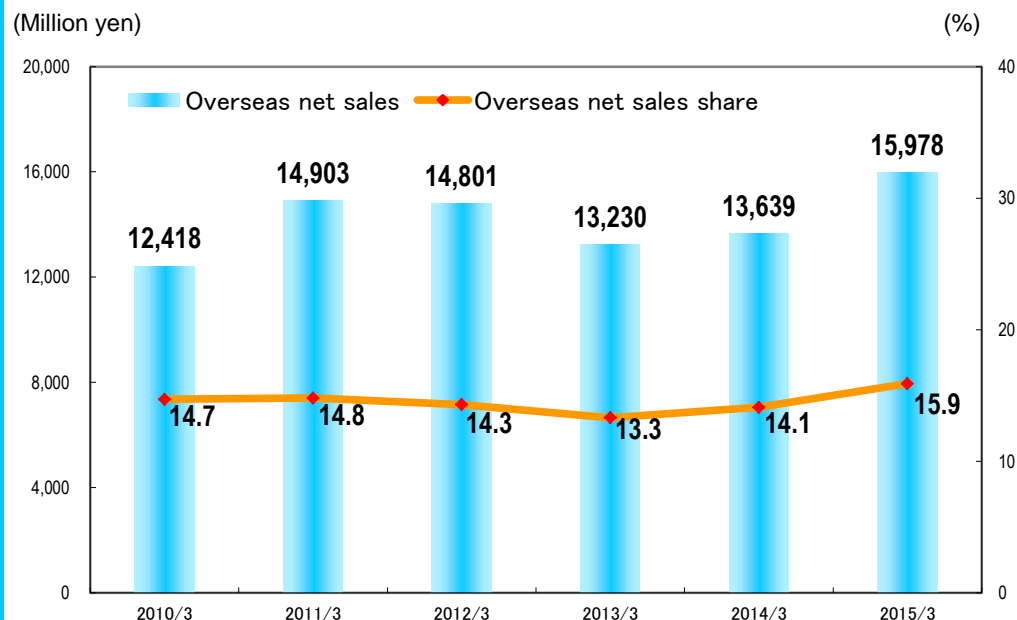
[U.S.] ← Entered market in 2006

- 2006: Established Shinagawa Advanced Materials Americas Inc. in Ohio

[Indonesia] ← Entered in 2014

- 2014: Established PT Shinagawa Refractories Indonesia in Jakarta

Overseas net sales and market share (consolidated)



10. Current Status of the Expansion of Overseas Business Locations

Expanding overseas business locations in China, Oceania, and the Americas with a focus on areas close to the production sites of our customers

Shenyang Shinagawa Metallurgy Materials Co., Ltd.



Liaoning Shinagawa Hefeng Metallurgical Material Co., Ltd.



Shinagawa Advanced Materials Americas, Inc.



Shinagawa Rongyuan Refractories Co., Ltd.



Taiwan Liaison Office

North America Branch Office

PT Shinagawa Refractories Indonesia

Shinagawa Refractories Australasia Pty. Ltd.



*** Jinan Ludong Refractory Co., Ltd.**

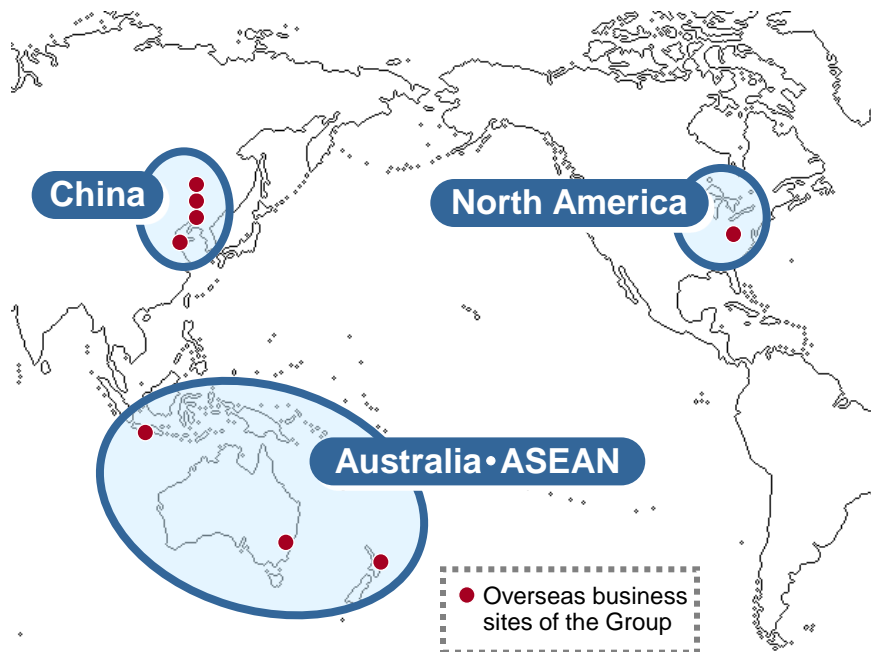
Shinagawa Refractories Australasia New Zealand Ltd.

Overseas business sites (* indicates affiliated companies. All others are consolidated subsidiaries.)
 Overseas sales offices

11. Domestic and Overseas Production System

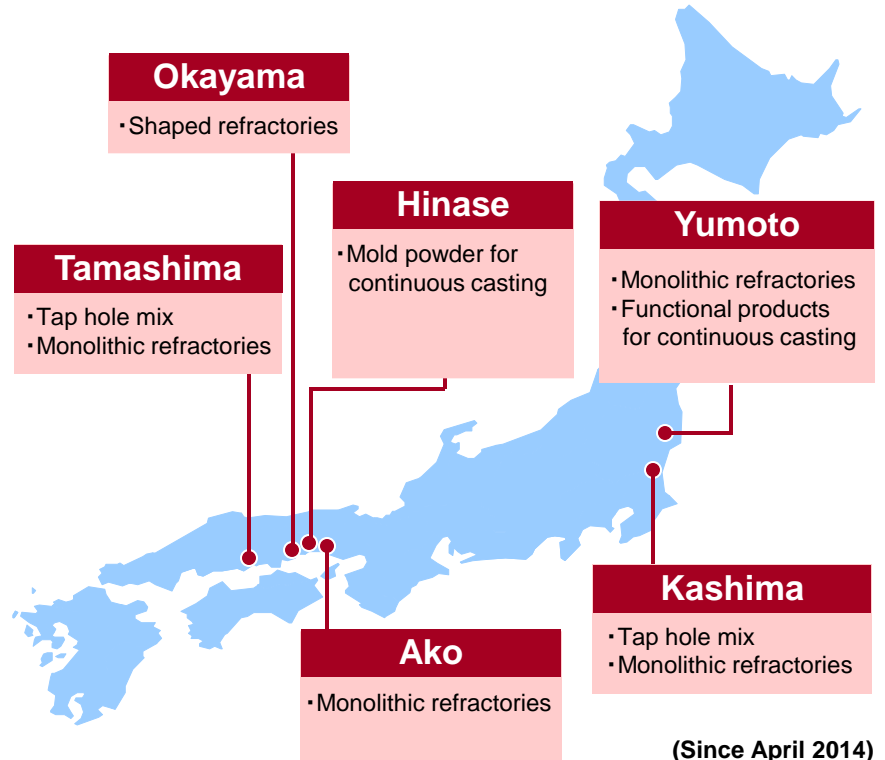
[Overseas]

Developing a stable supply system by establishing the Group's manufacturing sites closer to customers in order to respond adaptively to customer needs



[Japan]

After a review of the production system subsequent to the merger, promoting the redevelopment of a steady supply system with enhanced efficiency and speed



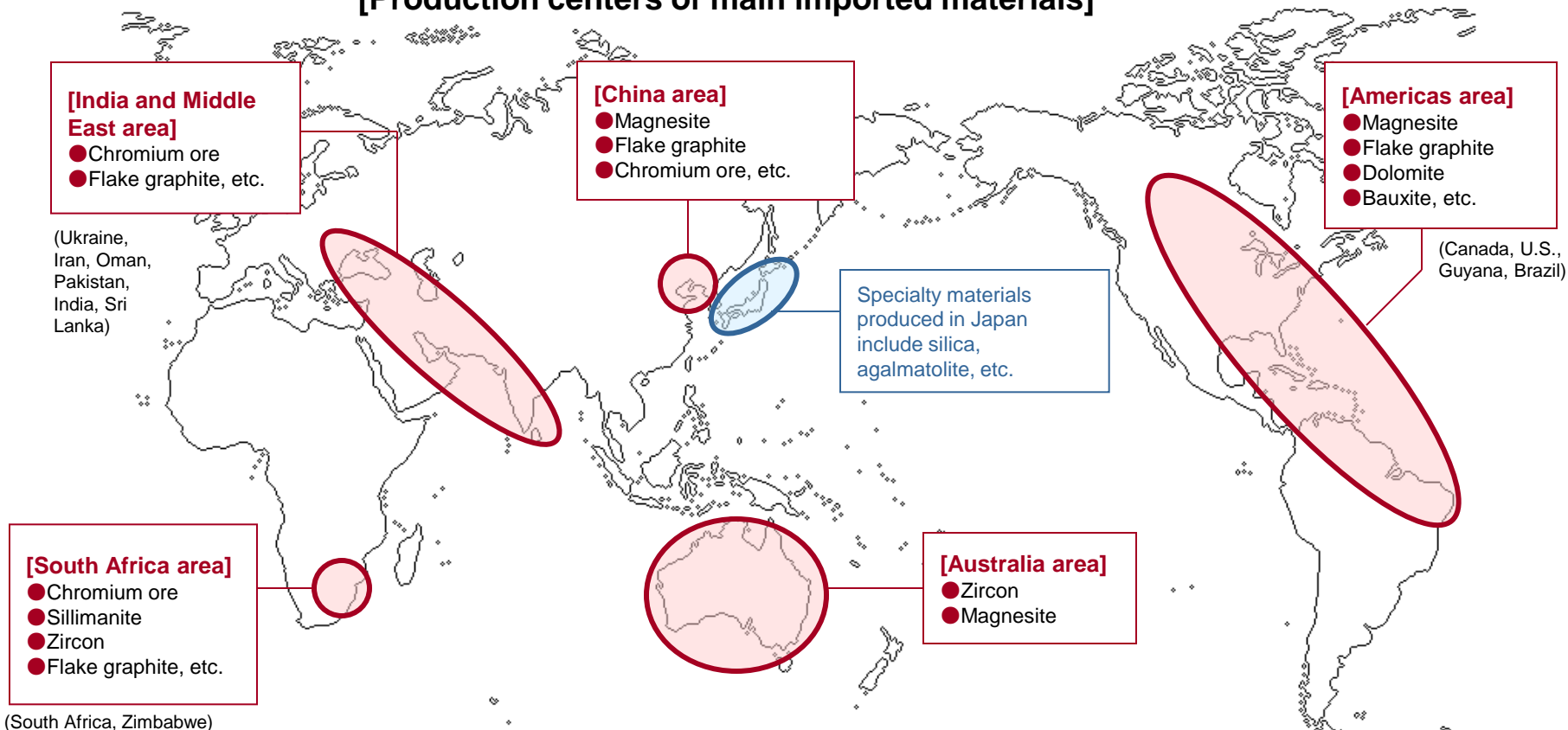
12. Global Procurement System

The Company depends on foreign sources for approximately 60% of refractory materials, 80% or more of which (approximately 50% of the total raw materials) are imported from China.



Amid such circumstances, the Company developed a balanced procurement system to source materials from production centers in five geographical areas around the world from the perspective of avoiding excessive dependency on specific regions.

[Production centers of main imported materials]



Disclaimer

This document is intended to provide information on the results for the fiscal year ended March 2015 (April 2014 – March 2015) and is not intended to solicit investment in securities issued by the Company.

The document was prepared based on data available as of June 10, 2015. Opinions, forecasts, etc. described herein are based on the Company's judgment at the time of the preparation of the document. The Company does not warrant or guarantee the accuracy or completeness of the information contained herein, and such information may change without notice in the future.

Presentation Material

Results for Fiscal Year Ended March 2015

June 10, 2015



— Supporting the World's Key Industries Through Technologies —
 SHINAGAWA REFRACTORIES CO.,LTD.

Securities Code Number: **5351**