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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 8, 2024

Company name: YOTAI REFRACTORIES CO.,LTD.

Listing: Tokyo

Securities code: 5357

URL: <https://www.yotai.co.jp/>

Representative: Mitsuo Taguchi

Inquiries: Shinichiro Takebayashi

Telephone: +81-72-430-2100

Scheduled date to file semi-annual securities report: November 11, 2024

Scheduled date to commence dividend payments: December 6, 2024

Preparation of supplementary material on financial results: None

Holding of financial results briefing: None

President

Senior Managing Director, General Manager of General Affairs
Department of Head Office

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	14,472	2.4	1,587	(4.5)	1,667	(3.7)	1,174	(1.9)
September 30, 2023	14,135	4.2	1,661	(16.8)	1,731	(15.0)	1,197	(16.0)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 1,078 million [(33.0) %]
Six months ended September 30, 2023: ¥ 1,609 million [5.3 %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	63.05	-
September 30, 2023	62.57	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	41,324	32,563	78.8
March 31, 2024	42,531	32,531	76.5

(Reference) Equity: As of September 30, 2024: ¥ 32,563 million
As of March 31, 2024: ¥ 32,531 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	25.00	-	60.00	85.00
Fiscal year ending March 31, 2025	-	45.00			
Fiscal year ending March 31, 2025 (Forecast)			-	45.00	90.00

(Note) Revision to the forecast for dividends announced most recently: None

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	29,500	1.3	3,400	(5.6)	3,500	(5.5)	2,450	(36.8)	131.42

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 19,594,000 shares

March 31, 2024: 20,664,000 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 939,787 shares

March 31, 2024: 2,049,069 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 18,629,635 shares

Six months ended September 30, 2023: 19,132,615 shares

Note: The number of shares of the Company held by the YOTAI Employee Shareholding Association Exclusive Trust Account (134,800 shares as of September 30, 2024) under the “Trust-type Employee Shareholding Incentive Plan (E-Ship)” is included in the number of treasury shares, which was to be deducted from the calculation of the total number of issued shares at the end of the period. For the purpose of calculating semi-annual earnings per share, the Company’s shares held by the trust are also included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares outstanding during the period (151,026 shares as of September 30, 2024).

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

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1. Qualitative Information on Semi-Annual Financial Results

(1) Explanation of Operating Results

During the period under review (April 1, 2024 to September 30, 2024), the outlook for the Japanese economy remained uncertain due to concerns over fluctuating exchange rates and increasing prices, in spite of strong corporate earnings that brought about a gradual recovery in capital investment appetite, the job market, the income environment, and other conditions. Meanwhile, the global economy was significantly affected by persistently high prices for resources and raw materials amid geopolitical risks in Ukraine, the Middle East, and elsewhere and by China's prolonged real estate slump, among other developments.

In this climate, the Yotai Group made ceaseless efforts to maintain high profitability. Specifically, it worked to develop new products tailored to customer needs, increase technical service personnel, pursue active sales by leveraging expanded sales bases, strengthen the stable and low-cost supply system through the streamlining of facilities, promote health and productivity management in keeping with its safety-first motto, and reduce greenhouse gas emissions.

As a result, for the period under review, consolidated net sales increased by ¥336 million to ¥14,472 million, while operating profit declined by ¥74 million to ¥1,587 million and ordinary profit fell by ¥64 million to ¥1,667 million, on a year-on-year basis.

Profit attributable to owners of parent for the period under review decreased by ¥22 million year on year to ¥1,174 million.

Financial results by reportable segment were as described below.

(Refractories)

For the period under review, the refractories business recorded year-on-year rises in net sales by ¥480 million to ¥12,253 million and in segment profit by ¥63 million to ¥2,286 million, benefitting primarily from increased orders from the ceramic industry.

(Engineering)

For the period under review, the engineering business recorded year-on-year falls in net sales by ¥144 million to ¥2,219 million due in part to decreased orders from the chemical and environmental industries, and in segment profit by ¥44 million to ¥285 million owing partly to increased personnel expenses associated with the so-called 2024 problem in Japan's logistics sector.

(2) Explanation of Financial Position

(i) Status of Financial Position

In respect to the Group's financial position at the end of the period under review, both total assets and total liabilities decreased due in part to the payment of accounts payable – trade and income taxes, whereas total net assets increased thanks partly to the posting of profit attributable to owners of parent.

The status of each item was as detailed below.

Total assets at the end of the period under review amounted to ¥41,324 million, a decline of ¥1,207 million compared to the end of the previous fiscal year. This was primarily attributable to decreases of ¥561 million in cash and deposits and of ¥529 million in notes and accounts receivable - trade, and contract assets, which more than offset an increase of ¥296 million in property, plant and equipment.

Total liabilities at the end of the period under review stood at ¥8,760 million, a decline of ¥1,239 million compared to the end of the previous fiscal year. This was mainly owing to decreases of ¥564 million in accrued expenses, an item included in other of current liabilities, of ¥455 million in accounts payable – trade, of ¥382 million in income taxes payable, and of ¥181 million in contract liabilities, an item included in other of current liabilities, which more than cancelled out increases of ¥449 million in provision for bonuses and of ¥240 million in long-term borrowings.

Total net assets at the end of the period under review came to ¥32,563 million, an increase of ¥32 million compared to the end of the previous fiscal year. This was chiefly on account of a decline of ¥1,063 million in treasury shares, which set off decreases of ¥934 million in retained earnings and of ¥88 million in valuation difference on available-for-sale securities.

As a result, the capital adequacy ratio at the end of the period under review stood at 78.8%. Based on that, the Group considers its financial position to be generally sound.

(ii) Status of Cash Flows

The Group's cash and cash equivalents at the end of the period under review amounted to ¥5,898 million, a decrease of ¥561 million compared to the end of the previous fiscal year. This resulted principally from purchase of property, plant and equipment and dividends paid, which offset the posting of profit before income taxes. The status of respective cash flows was as stated below.

(Cash flows from operating activities)

Net cash provided by operating activities for the period under review amounted to ¥1,533 million (a decrease of ¥446 million year on year). This was primarily because of ¥1,667 million in profit before income taxes and ¥646 million in depreciation, which cancelled out outlay factors such as ¥807 million for income taxes paid and a ¥466 million decrease in trade payables.

The year-on-year decline in net cash provided by operating activities was chiefly caused by the difference between the increase and decrease in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities for the period under review amounted to ¥1,286 million (an increase of ¥472 million year on year). This was mainly owing to ¥1,247 million for purchase of property, plant and equipment.

The year-on-year rise in net cash used in investing activities was chiefly caused by an increase in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities for the period under review amounted to ¥841 million (a decrease of ¥1,227 million year on year). This was principally attributable to ¥1,114 million for dividends paid.

The year-on-year decline in net cash used in financing activities was chiefly caused by a decrease in purchase of treasury shares.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

The Company has revised its consolidated financial results forecast for the fiscal year ending March 31, 2025 announced on May 10, 2024, considering primarily the progress made during the period under review toward the forecast and the recent business environment. For details, please see the press release "Revision to the Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025" issued today on November 8, 2024.

Semi-annual Consolidated Financial Statements
Semi-annual Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	6,460,021	5,898,425
Notes and accounts receivable - trade, and contract assets	11,196,066	10,666,553
Electronically recorded monetary claims - operating	1,831,958	1,696,133
Finished goods	5,400,928	5,058,282
Work in process	372,916	352,413
Raw materials and supplies	5,851,161	5,935,318
Other	150,897	252,972
Allowance for doubtful accounts	(4,741)	(4,741)
Total current assets	31,259,209	29,855,358
Non-current assets		
Property, plant and equipment	7,698,030	7,994,048
Intangible assets	348,873	333,039
Investments and other assets		
Investment securities	3,093,605	2,977,930
Other	132,549	164,844
Allowance for doubtful accounts	(850)	(850)
Total investments and other assets	3,225,304	3,141,924
Total non-current assets	11,272,208	11,469,013
Total assets	42,531,417	41,324,371

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,190,467	1,735,032
Electronically recorded obligations - operating	2,371,568	2,461,308
Income taxes payable	912,541	530,187
Provision for bonuses	-	449,150
Provision for bonuses for directors (and other officers)	37,250	18,000
Other	2,770,413	1,638,577
Total current liabilities	8,282,240	6,832,254
Non-current liabilities		
Long-term borrowings	-	240,250
Retirement benefit liability	1,499,893	1,504,904
Other	218,238	183,235
Total non-current liabilities	1,718,131	1,928,390
Total liabilities	10,000,372	8,760,644
Net assets		
Shareholders' equity		
Share capital	2,654,519	2,654,519
Capital surplus	1,710,876	1,710,876
Retained earnings	28,888,103	27,953,712
Treasury shares	(2,145,303)	(1,081,950)
Total shareholders' equity	31,108,195	31,237,157
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,473,410	1,384,668
Deferred gains or losses on hedges	17,428	(35,731)
Foreign currency translation adjustment	446	39,603
Remeasurements of defined benefit plans	(68,435)	(61,971)
Total accumulated other comprehensive income	1,422,849	1,326,568
Total net assets	32,531,045	32,563,726
Total liabilities and net assets	42,531,417	41,324,371

Semi-annual Consolidated Statements of Income and Comprehensive Income

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	14,135,729	14,472,262
Cost of sales	11,222,663	11,513,472
Gross profit	2,913,065	2,958,789
Selling, general and administrative expenses	1,251,201	1,371,788
Operating profit	1,661,864	1,587,001
Non-operating income		
Interest income	5,016	4,952
Dividend income	61,007	53,094
Foreign exchange gains	7,716	2,179
Rental income from real estate	8,521	8,902
Other	13,081	21,079
Total non-operating income	95,342	90,209
Non-operating expenses		
Interest expenses	266	99
Commission for purchase of treasury shares	6,794	-
Loss on retirement of non-current assets	17,218	7,296
Other	1,555	2,457
Total non-operating expenses	25,834	9,853
Ordinary profit	1,731,372	1,667,357
Profit before income taxes	1,731,372	1,667,357
Income taxes - current	542,090	489,650
Income taxes - deferred	(7,754)	3,027
Total income taxes	534,336	492,678
Profit	1,197,036	1,174,678
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,197,036	1,174,678

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	1,197,036	1,174,678
Other comprehensive income		
Valuation difference on available-for-sale securities	440,336	(88,742)
Deferred gains or losses on hedges	23,612	(53,159)
Foreign currency translation adjustment	(55,225)	39,157
Remeasurements of defined benefit plans, net of tax	3,407	6,464
Total other comprehensive income	412,131	(96,280)
Comprehensive income	1,609,167	1,078,398
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,609,167	1,078,398
Comprehensive income attributable to non-controlling interests	-	-

Semi-annual Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,731,372	1,667,357
Depreciation	517,216	646,183
Increase (decrease) in allowance for doubtful accounts	(100)	-
Increase (decrease) in retirement benefit liability	8,680	5,010
Increase (decrease) in provision for bonuses	417,085	449,150
Increase (decrease) in provision for bonuses for directors (and other officers)	(18,000)	(19,250)
Interest and dividend income	(66,023)	(58,047)
Interest expenses	266	99
Decrease (increase) in trade receivables	51,460	683,361
Decrease (increase) in inventories	(383,435)	278,991
Increase (decrease) in trade payables	468,060	(466,995)
Other, net	(261,226)	(903,024)
Subtotal	2,465,357	2,282,836
Interest and dividends received	66,023	58,047
Interest paid	(266)	(99)
Income taxes paid	(551,339)	(807,288)
Net cash provided by (used in) operating activities	1,979,774	1,533,496
Cash flows from investing activities		
Purchase of property, plant and equipment	(639,247)	(1,247,247)
Purchase of intangible assets	(149,231)	(23,431)
Purchase of investment securities	(9,999)	(10,431)
Other, net	(15,670)	(5,100)
Net cash provided by (used in) investing activities	(814,148)	(1,286,211)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	290,000
Repayments of long-term borrowings	-	(49,750)
Purchase of treasury shares	(1,473,655)	(289,828)
Proceeds from disposal of treasury shares	-	340,679
Dividends paid	(493,328)	(1,114,906)
Decrease (increase) in deposits for purchase of treasury shares	(75,665)	-
Other, net	(26,168)	(17,245)
Net cash provided by (used in) financing activities	(2,068,817)	(841,051)
Effect of exchange rate change on cash and cash equivalents	34,053	32,169
Net increase (decrease) in cash and cash equivalents	(869,137)	(561,596)
Cash and cash equivalents at beginning of period	5,841,039	6,460,021
Cash and cash equivalents at end of period	4,971,901	5,898,425

(4) Notes to Semi-Annual Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in Shareholders' Equity)

The Company canceled 1,070,000 treasury shares in accordance with the resolution of the Board of Directors' meeting held on April 19, 2024.

In addition, the Company disposed of 163,100 treasury shares through a private placement when it introduced an Employee Shareholding Incentive Plan (E-Ship), pursuant to the resolution of the Board of Directors' meeting held on May 16, 2024.

These led to decreases of ¥1,051 million in treasury shares and of ¥1,001 million in retained earnings.

As a result of these and other developments, treasury shares of ¥1,081 million, capital surplus of ¥1,710 million, and retained earnings of ¥27,953 million are recognized on the consolidated balance sheet at the end of the period under review.

(Additional Information)

(Transactions to deliver Company shares to employees, etc. through a trust)

In accordance with the resolution of the Board of Directors' meeting held on May 16, 2024, the Company introduced an Employee Shareholding Incentive Plan, or E-Ship, (the "Plan") as part of human capital management with three goals: incentivizing employees to increase the Company's value over the medium to long term; enhancing the employee benefit package; and helping the Company grow consistently by motivating employees to work even harder through equity participation as shareholders.

(i) Transaction overview

The Plan is designed to incentivize all the employees participating in the Yotai Employee Shareholding Association (the "Association") through the following transactions: First, the Company opened a trust account ("E-Ship Trust") dedicated to the Association at a trust bank. Then, the E-Ship Trust acquired in advance Company shares in the number expected to be obtained over the next three years by the Association, through a private placement from the Company and using funds borrowed from a partner financial institution. Hereafter, the E-Ship Trust will sell the Company shares to the Association on a recurring basis. When the E-Ship Trust is terminated, an amount corresponding to gains on sale of shares accumulated in the trust up to that time, if any, will be distributed as residual assets to persons meeting the beneficiary eligibility requirements. Note that the Company has guaranteed the debt taken out by the E-Ship Trust to acquire Company shares. Therefore, in the event that the falling share price of the Company leads to an amount corresponding to losses on sale of shares accumulated in the E-Ship Trust and that the trust at the time of its termination has an outstanding debt in the amount corresponding to such losses on sale of shares, it will be the Company to repay the outstanding debt.

(ii) Company shares remaining in the trust

The Company shares remaining in the trust are recognized as treasury shares in the net assets section at their carrying amount (net of ancillary expenses) in the trust. The carrying amount and the number of those treasury shares at the end of the period under review were ¥239 million and 134,800 shares, respectively.

(iii) Carrying amount of debt recognized applying the gross method

¥240 million at the end of the period under review.

(Segment Information, Etc.)

I. For the six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

1. Information on net sales and profit (loss) and information on disaggregation of revenue by reportable segment
(Thousands of yen)

	Reportable segment		
	Refractories	Engineering	Total
Net sales			
Revenue from contracts with customers	11,772,355	2,363,374	14,135,729
Net sales to outside customers	11,772,355	2,363,374	14,135,729
(Disaggregation by industry)			
Steel	5,984,117	294,450	6,278,568
Other	5,788,237	2,068,923	7,857,161
Intersegment net sales or transfers	—	—	—
Total	11,772,355	2,363,374	14,135,729
Segment profit	2,222,565	329,887	2,552,453

2. Difference between the total amount of profit (loss) of reportable segments and the amount recognized on the semi-annual consolidated statements of income, as well as the main details of that difference (matters related to difference reconciliation)

(Thousands of yen)

Profit	Amount
Reportable segments total	2,552,453
Elimination of intersegment transactions	—
Corporate expenses ^(note)	(890,589)
Operating profit on the semi-annual consolidated statements of income	1,661,864

Note: Corporate expenses mainly comprise general and administrative expenses not attributable to any reportable segment.

II. For the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)

1. Information on net sales and profit (loss) and information on disaggregation of revenue by reportable segment
(Thousands of yen)

	Reportable segment		
	Refractories	Engineering	Total
Net sales			
Revenue from contracts with customers	12,253,092	2,219,169	14,472,262
Net sales to outside customers	12,253,092	2,219,169	14,472,262
(Disaggregation by industry)			
Steel	6,153,524	330,955	6,484,480
Other	6,099,567	1,888,213	7,987,781
Intersegment net sales or transfers	—	—	—
Total	12,253,092	2,219,169	14,472,262
Segment profit	2,286,516	285,453	2,571,970

2. Difference between the total amount of profit (loss) of reportable segments and the amount recognized on the semi-annual consolidated statements of income, as well as the main details of that difference (matters related to difference reconciliation)

(Thousands of yen)

Profit	Amount
Reportable segments total	2,571,970
Elimination of intersegment transactions	—
Corporate expenses ^(note)	(984,968)
Operating profit on the semi-annual consolidated statements of income	1,587,001

Note: Corporate expenses mainly comprise general and administrative expenses not attributable to any reportable segment.

(Revenue Recognition)

Information on the disaggregation of revenue from contracts with customers is as presented in “Segment Information, Etc.” above.