

Cover photo: View of Abeno Harukas and surrounding area (City of Osaka)

 YOTAI REFRACTORIES CO., LTD.

INTEGRATED REPORT 2022

Yotai Refractories Co., Ltd.

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Head Office building



New uniform (Revamped in June 2021)

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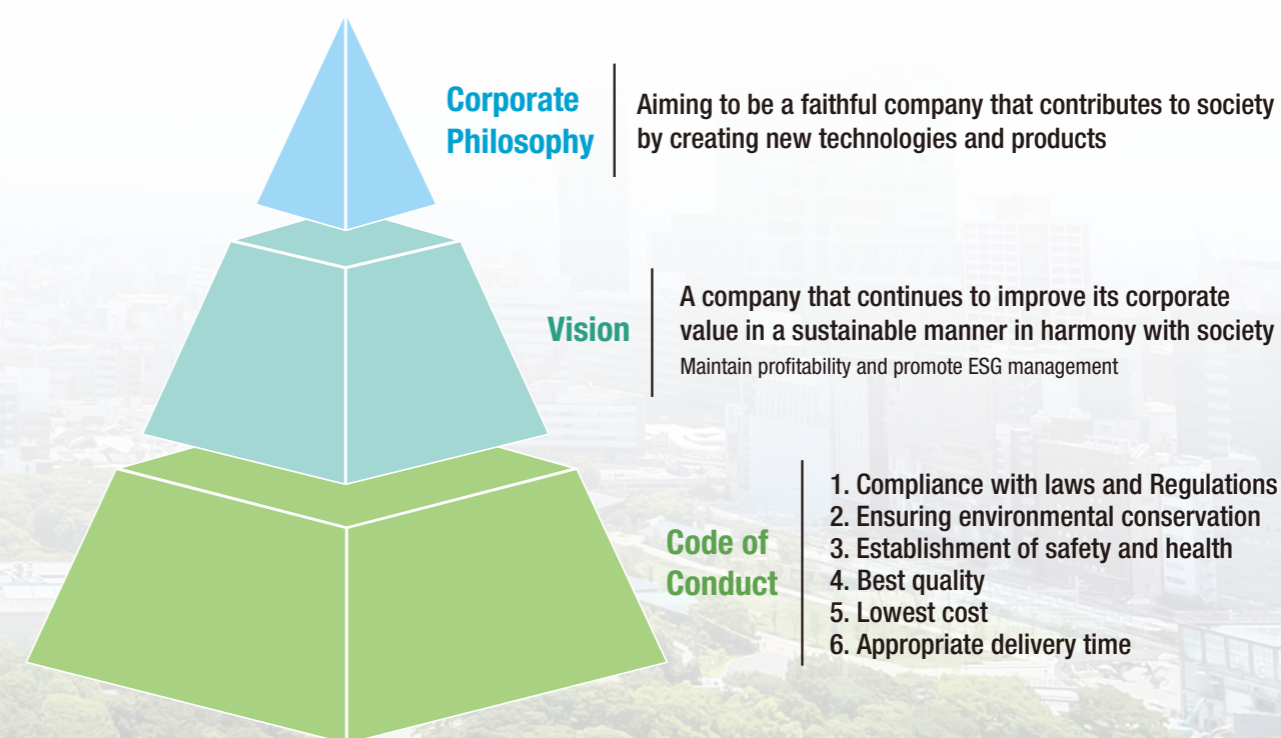
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Create the Future with Our Refractories

As a top manufacturer of refractory bricks, YOTAI REFRACTORIES CO., LTD., contributes to backbone industries in Japan and worldwide through business centered on “heat and the environment.”



Editing Policy

YOTAI REFRACTORIES CO., LTD. has published this, its first Integrated Report, to serve as a starting point for constructive dialogue by conveying information regarding the Company's business lines and initiatives to enhance corporate value in an accessible manner to investors, shareholders and all other stakeholders. This report was edited with reference to several guidelines, including the “Integrated Reporting Framework” from the Value Reporting Foundation (VRF)*, and the Japan Ministry of Economy, Trade and Industry's “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation.” Ultimately, the hope is that this report will provide readers with a deeper understanding of Yotai.

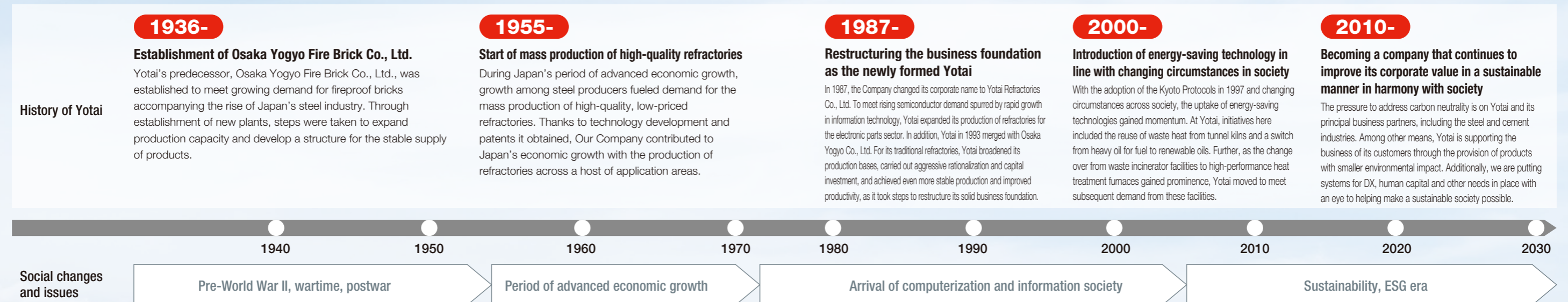
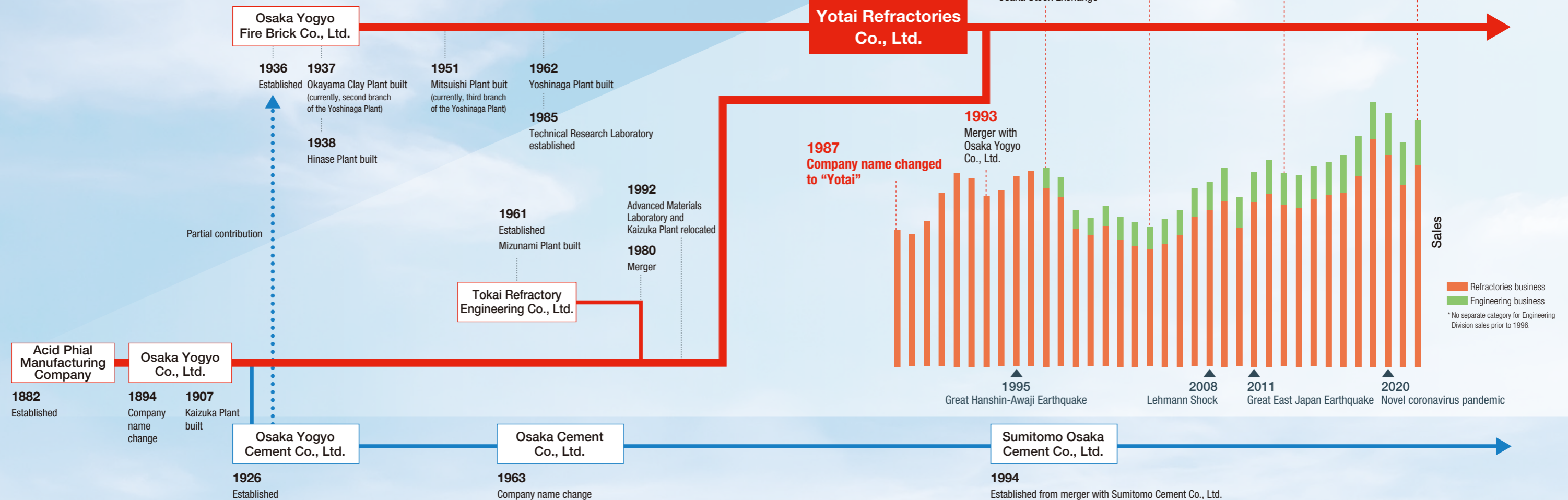
Reporting Period and Companies

Reporting Period: April 1, 2021 to March 31, 2022
Reporting Companies: YOTAI REFRACTORIES CO., LTD. and Group companies

* VRF consolidated with the IFRS Foundation on August 1, 2022.

Supporting the advancement of heavy industry through the manufacture of high-quality refractories, for sustainable growth regardless of conditions in any specific industry

From its earliest beginnings as Acid Phial Manufacturing Company, Yotai would go on to contribute to the advancement of heavy industry in Japan through the manufacture of high-quality fireproof bricks. Today, Yotai manufactures and sells refractories for a wide range of fields, including steel, nonferrous, cement, glass and environmental systems. Unaffected by conditions in any specific industry, Yotai continues to support basic industries worldwide as the top producer of a comprehensive lineup of refractories.



Supporting the advancement of varied industries as a leader in refractories

Since its establishment in 1936, Yotai, as a refractory manufacturer independent of any particular major steel producer corporate group, has grown through transactions with customers centered on steel but spanning a host of different fields. Refractories support business advancement in an array of industries. While capitalizing on its expertise in refractory manufacturing technology built over many years, Yotai continues to evolve in step with the times, anchored by a sustainable, low-cost structure.

Fiscal 2022 Performance

Net sales

¥25,912
million

Operating profit

¥4,089
million

ROE

10.0%

Business Overview

Refractories

Manufacturing a diverse array of refractories answering needs across a range of industries

Refractories are critical to high-temperature treatments such as melting and baking, two steps in the manufacturing processes for steel, cement and copper. At Yotai, we manufacture a diverse array of high-quality refractories able to meet the varying specifications and quality standards of each industry. We also produce refractories for the growth fields of environmental systems and electronic parts. With a multi-product, small-lot production system as defining trait, Yotai carefully addresses the needs of a range of industries.

Types of Refractories

Refractory bricks



The term “Refractory bricks” refers to refractories that come in a variety of shapes, most notably blocks or plates. Refractory bricks are most commonly used in the field of electronic parts, a growth industry.

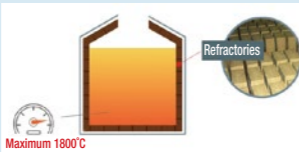
Monolithic refractories



“Monolithic refractories” refers to powder- and clay-type refractories. Powder-type products are mixed with water and poured or sprayed in place onsite. Clay-type products are pressed or patted in place for use.

What are refractories?

Manufacturing involving materials such as iron, cement and copper requires high temperatures, specifically the processes of melting and baking. However, since most facilities are made from metals like iron or stainless steel, they cannot withstand such high temperatures. This situation makes refractories—materials that endure higher temperatures than the materials for melting or baking—absolutely essential.



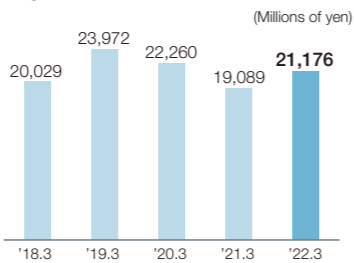
Principal industries for sales

Steel	Nonferrous
Cement	Glass
Environmental systems	Electronic parts

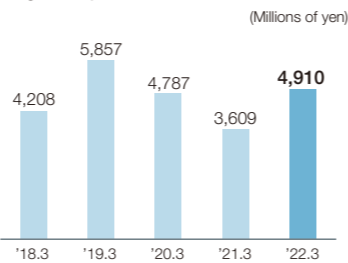
Segment performance

In fiscal 2022, ended March 31, 2022, performance in the refractories business was lifted mainly by increased demand from steel makers, resulting in sales and earnings growth.

Segment net sales



Segment profit



Engineering

Addressing all refractory construction with sincerity and extensive track record for over half a century

Because refractories are constantly subjected to high temperatures, they experience damage over time. Product life can vary widely, from a few weeks to about one year in the steel industry, for example, to roughly two to ten years in the nonferrous industry. Expertise concerning maintenance is thus similarly varied. Yotai's Engineering Division has an extensive track record in design spanning more than half a century, earning customers' definitive trust with sophisticated design and construction work that foresees needs based on industrial furnace operating conditions through to post-construction maintenance service.

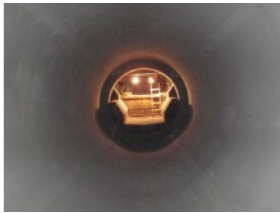
What is engineering?

Steel factory/ladle construction



The repair and upkeep of refractories for ladles (vessels used to transport and pour molten metal when casting) must occur on a schedule of just several days. Since this typically involves multiple facilities and equipment, construction operations happen almost daily.

Construction of monolithic refractories



Monolithic refractories are constructed using devices appropriate for various types of industrial furnaces and materials. Yotai has a track record in such construction spanning a host of industries, and pays in-depth attention to customer needs.

Adoption of mechanical construction method



Yotai employs the line chase construction method for rotary kilns used in the manufacture of cement in an effort to improve both work efficiency and construction precision.

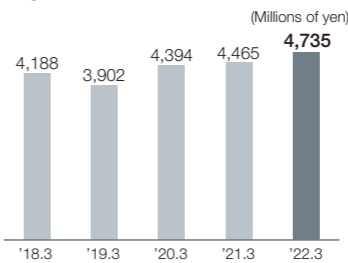
Principal services

Design 	Furnace construction 	Overseas supervisory services
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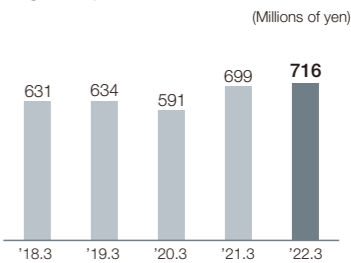
Segment performance

In fiscal 2022, ended March 31, 2022, performance in the engineering business rose mainly atop increased orders for construction projects from major customers, resulting in sales and earnings growth. Segment profit rose to a record high.

Segment net sales



Segment profit



Exist in harmony with society and continue to sustainably enhance value through business activities built on the motto, “Sincere and agile customer service.”

Our Business Environment

Maturity of the refractory market

Rapid development of technology

Demographic change

Contributing to a sustainable society

Responding to climate change issues

-
-
-
-

Corporate Philosophy (Purpose)

Aiming to be a faithful company that contributes to society by creating new technologies and products

Source of Value Creation

Utilizable Capital

Financial Capital

- (1) Net assets: ¥30,109 million
- (2) Equity ratio: 77.7%

Manufacturing Capital

- (1) Distinctive production equipment
 - Hinase Plant: 3,000T press, tunnel kiln, basic castable refractory plant
 - Yoshinaga Plant Second Branch: 1,500-ton press and Castable line
 - Kaizuka Plant: Shuttle kiln
 - Mizunami Plant: 850T press
- (2) Annual production capacity*
 - Refractory bricks 71,892t
 - Monolithic refractories 43,728t

Intellectual Capital

- (1) R&D expenses: ¥188 million
- (2) Patent rights: 15

Human Capital

- (1) No. of employees: 564
- (2) Personnel system
 - Adoption of new personnel evaluation system
 - Promotion of diversity (Employees from China, India, Vietnam, Brazil, and others)

Social Capital

- (1) Partner companies: Approx. 200 companies
- (2) Robust product lineup: Approx. 50,000 items
- (3) Expansive client network: Over 300 companies
- (4) Highly cost-conscious, open corporate culture with skill-based delegation of jobs

Environmental Capital

- (1) Volume of key materials used: 107,587MT
- (2) Water usage: 74,515m³
- (3) Energy usage: 509,188GJ

Other than the following are as of March 31, 2022
* First half of 2022- Includes production plans and external orders

Yotai Strengths

Independent, Not Part of Any Particular Group

Business structure not easily affected by trends in any specific field

Thorough Cost Management

Industry-leading level of profitability
Wide-ranging response capabilities

Materiality (Key Issues to Be Addressed)

High Quality

- Reliably stable supply of high-quality products
- Constant provision of high-quality technical service
- Retention of technological capabilities for adapting to environmental change

E: Environment

- Reduction of GHG emissions
- Switch to renewable energy
- Effective utilization of mineral resources

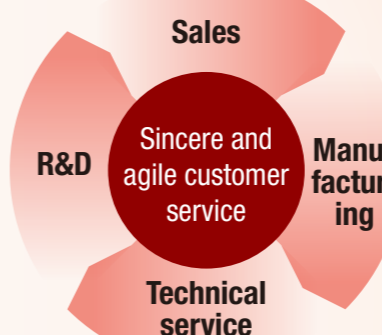
S: Social

- Human resource development and utilization
- Promotion of health and productivity management
- Social contribution-based regional revitalization

G: Governance

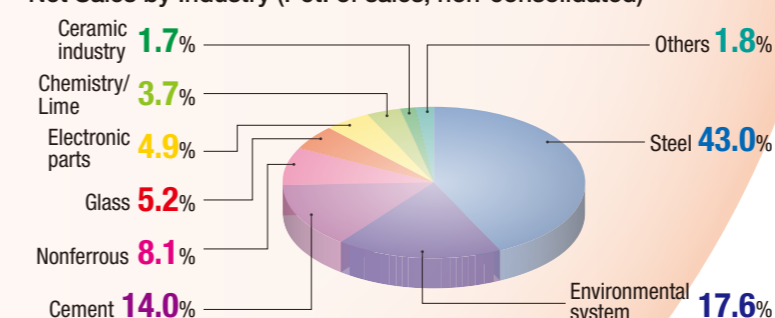
- Governance enhancement
- Dialogue with investors and proper information disclosure
- Tighter BCP for responding to crises

Business Activities



Generation of Products, Services (Output)

Net Sales by Industry (Pct. of sales, non-consolidated)



Mechanisms Supporting Value Creation

Human resource strategy

DX strategy

Environmental management

Corporate governance

Risk management

Vision

A company that continues to improve its corporate value in a sustainable manner in harmony with society

Value to be created

Customers

- Stable supply of refractories
- Improved industrial furnace longevity and operating cost reductions
- Reductions in GHG emissions

Community

- Job creation
- Contribution to ocean and air preservation

Employees

- Skill improvement and self-actualization
- Realization of diverse working styles

Shareholders

- Improved medium- to long-term shareholder value and shareholder returns
- Highly transparent information disclosure

Building trust by growing transactions to diverse fields where refractories are essential and through extensive cost management

Being independent of any corporate group, to win out against intense competition in a world defined by order instability, Yotai has grown by taking advantage of long-cultivated technologies to expand transactions to diverse fields where refractories are essential. Yotai has earned high marks for its extensive cost management and strict attention to delivery times.

Yotai Strengths

Independent from any particular corporate group

- Business structure not easily effected by any particular field
- Wide-ranging response capabilities

Thorough cost management

- Industry-leading profitability

Competitiveness 1

Ability to meet customer demands with sincerity and speed

To respond to the wide-ranging needs of its customers, Yotai has pursued an optimal production framework that included increasing internal production. The commitment to “meet customer demands with sincerity and speed” is integral to Yotai’s corporate culture, and we hone our technological and production capabilities, and our cost competitiveness, at each of our work sites.

Partnerships with Customers in an Array of Industries

No. of customers
Over **300** companies

Size of product lineup
Approx. **50,000** items

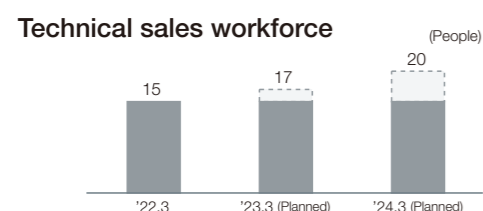
Yotai has a customer base of more than 300 companies. Depending on customer specifications and needs, orders can be made from the smallest lot possible – a single product – a responsiveness Yotai has used to build up robust partnerships.

Low-cost, Prompt Delivery Production Framework

Annual production capacity
115,620^t
(Refractory bricks + monolithic refractories)

Four unique plants serve as production sites, with each involved in extensive cost-reduction activities and efficiency enhancements. An industry leader in adopting robotics in the production process, Yotai strives for greater automation and reduced labor.

Proposing Solutions to Customer Issues Through Technical Sales Workforce



Yotai is striving to grow its technical sales workforce, capable of assessing customer concerns and issues to offer highly detailed service. The aggressive expansion of new high-value-added products is another policy going forward as Yotai takes steps to enhance human resource capabilities by developing a training system for its technical sales workforce.

Engineering Services in Collaboration With External Parties

No. of external partners of Engineering Division
Approx. **40** companies

The construction industry today is suffering from a chronic labor shortage. In addition, under legal reforms scheduled for April 2024, this will also see the application of restrictions capping labor outside of working hours. Yotai, for its part, has put a cooperative structure in place in collaboration with external partner companies in striving to retain human resources.

Competitiveness 2

Offering value that merges sales, production, technical services and R&D

The largest value Yotai provides customers is improvements in industrial furnace longevity and operating costs through the supply of refractories. Accordingly, divisions responsible for sales, production, technical service and R&D work closely together under the motto of “sincere and agile customer service.” By contributing to operational stability at the production worksites of a host of customers, Yotai aims as a company to continuously improve value in a sustainable manner in harmony with society.

●Yotai Business Activities and Output

Sales

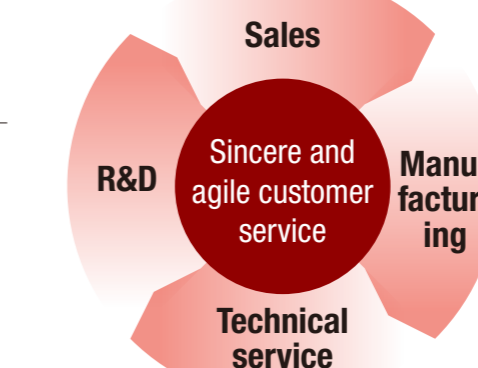
Work closely with clients; assess issues, concerns and latent needs; and provide feedback to each division.

R&D

By pursuing the role of refractories from a medium- to-long-term perspective, Yotai is assisting in the ongoing creation of competitive products.

Manufacturing

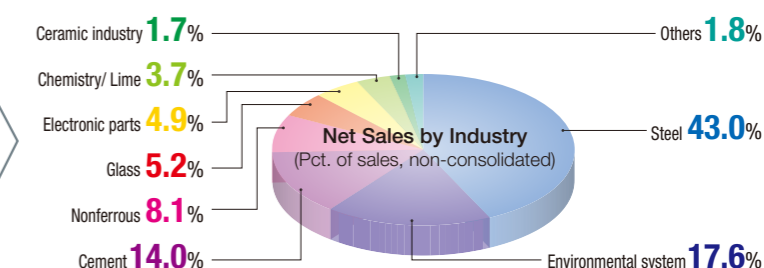
Timely, low-cost production is positioned as a strength. Initiatives are also gaining traction on carbon neutrality and other areas.



Technical service

Leveraging expertise and technology cultivated for more than half a century, Yotai is playing a role in solving problems customers face.

Contributing to **operational stability and lower operating costs** at production worksites in an array of fields



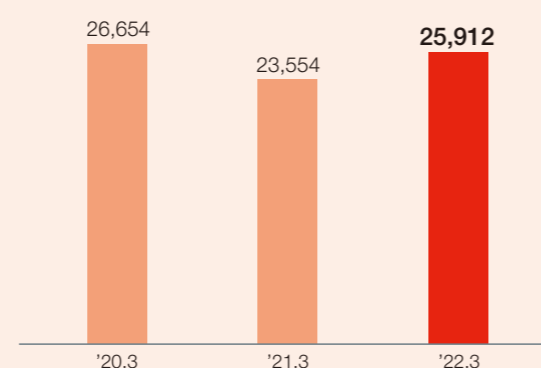
Financial Highlights

For the fiscal year ended March 31, 2022, the Company reported higher revenue and earnings. Growth was mainly from higher sales volume for refractories, driven by a recovery in the steel industry, the Company's principal client base. With a target consolidated payout ratio of 30%, the Company paid a dividend per share of ¥43.

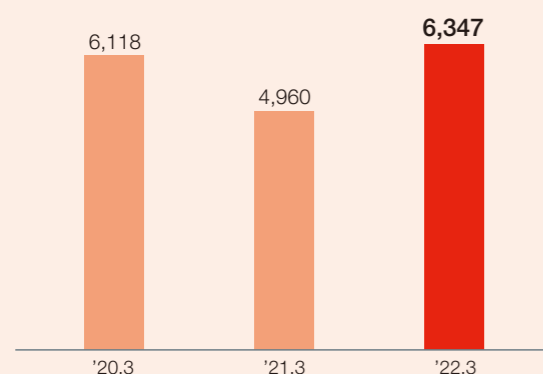
Financial Review >>> p.44

Key Financial Data >>> p.46

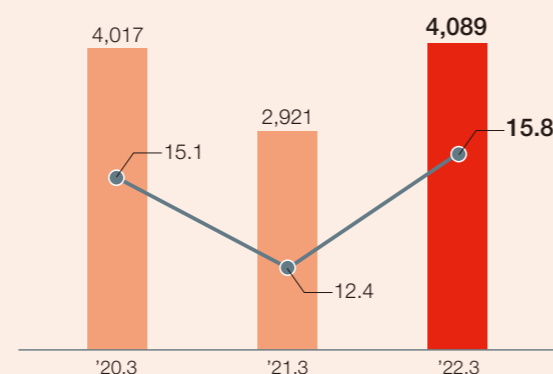
Net Sales (millions of yen)



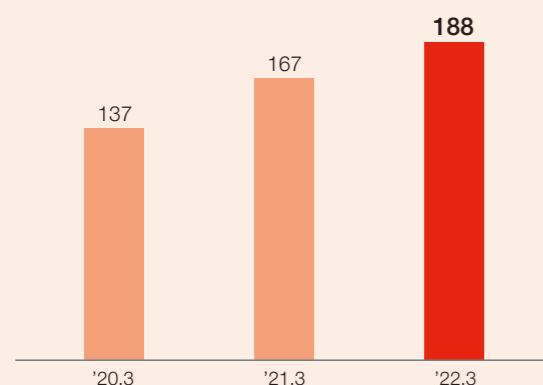
Gross Profit (millions of yen)



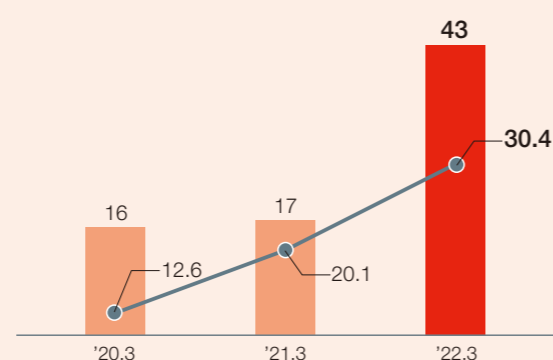
Operating Profit (millions of yen) / Operating Profit Margin (%)



R&D Expenses (millions of yen)



Dividend per Share (yen) / Payout Ratio (%)



Non-financial Highlights

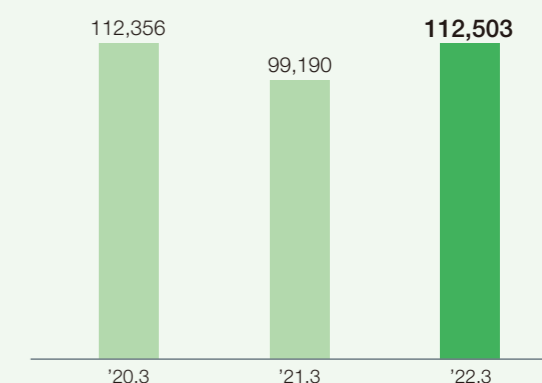
At Yotai, we are promoting the development of an ESG-driven management base. More specifically, in addition to responding to climate change and investing in equipment with energy conservation and decarbonization in mind, we are, among other moves, actively promoting the creation of workplaces where all employees find it easy to work.

Initiatives Targeting Climate Change >>> p.31

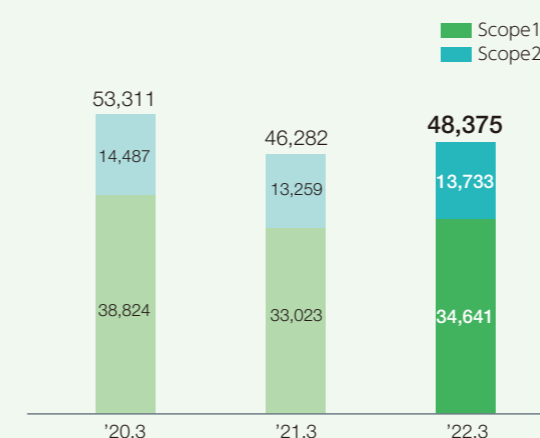
Human Resource Development >>> p.34

Environmental and Society-related Data >>> p.46

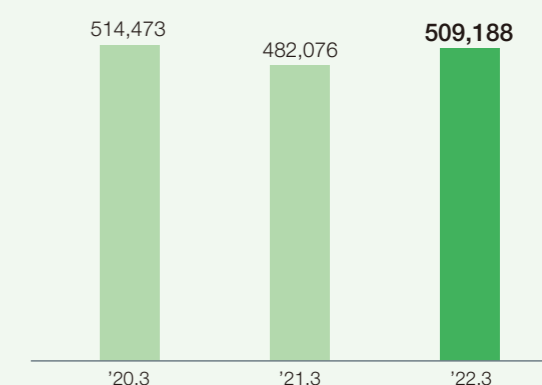
Refractory Production Volume (t)



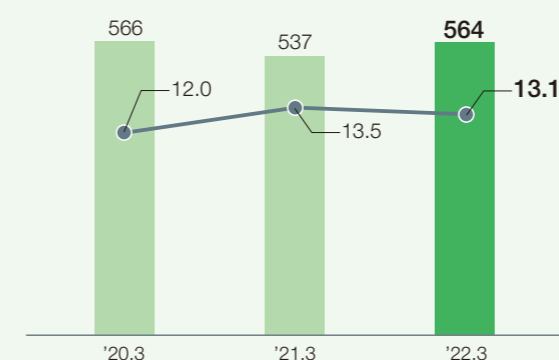
GHG Emissions (t-CO₂)



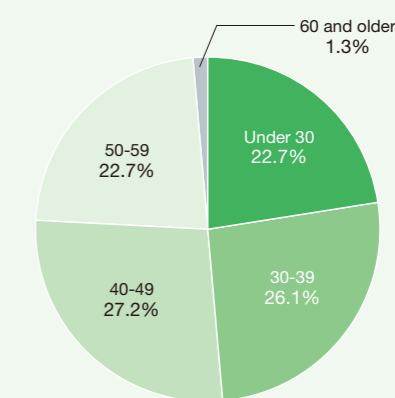
Energy Usage (GJ)



No. of Employees (consolidated) / Pct. Female Employees (consolidated, %)



Employee Age Composition (non-consolidated/As of March 31, 2022)



Partner supporting advancement across a range of industries

Mitsuo Taguchi
President



Targeting sustained improvement in corporate value, the stable supply of high-quality refractories is our social mission.

The Early Days of Yotai

In August 2021, Yotai marked its 85th year in business. As Japan's economy rebounded to a modest growth trajectory after riding out the financial crisis of 1927, Yotai predecessor Osaka Yogyo Fire Brick Co., Ltd. was founded in 1936. The goal was to help modernize the field by supplying high-quality refractories essential to the production of steel and cement.

Despite the high dependency of refractory bricks on steel manufacturers, the Company leveraged its independence from the corporate groups of major steel producers as a strength, achieving growth while slowly but steadily building transactions with customers in a wide range of fields. Beyond steel, these areas included cement, nonferrous and environment (environmental systems). To meet the needs of clients from an array of industries, and to develop early on an efficient low-volume, high-mix production system for varied applications, the Company pursued extensive rationalization, automation and energy conservation, all while maintaining high profitability.

Management Policy

As its corporate philosophy, Yotai aims to be a faithful company that creates new technologies and products in response to the demands of revolutionary times, enhances customer satisfaction and contributes to society, using our unique technology and passing on the history and experience in long-standing refractory manufacturing technologies to the next generation. Refractories are used in a broad array of industries, and are in high demand society-wide for supporting heavy industry in Japan. Yotai's social mission is two-fold – to build a sustainable, low-cost framework to stably supply high-quality refractories tailored to client needs, and to design linings for ideal industrial furnaces. In advancing business and enhancing corporate value through a partner-like presence

that assists in solving technological issues across a variety of fields, we are earning the trust of our stakeholders while striving to remain an essential company in the eyes of society.

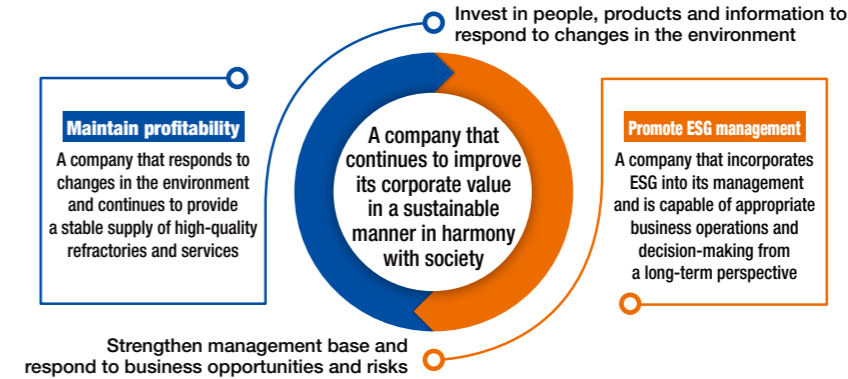
Management base strength and stability are both vital to this end. Even if we desire to contribute to a more sustainable society, there is no hope of stable business development with a weak and unstable management base. Ultimately, we would fail to gain the trust of various stakeholders, including customers, shareholders and employees alike. In that sense, it is deeply impressed upon me that a manager's most important mission is first and foremost to ensure a clear degree of profitability and heighten the sustainability of one's own company.

The refractory manufacturing industry is a large-scale energy consumer. At the same time, another industry characteristic is that profitability is easily influenced by both raw material prices and the supply-demand environment for products. To achieve sustainable growth in light of these characteristics, Yotai has positioned itself on the "commodity field" (refractories business), where demand is fundamentally solid, and on the "specialty field" (engineering business), where the technological capability to design linings for industrial furnaces is a must. These form the basis of a hybrid growth strategy that skillfully balances and strengthens both areas. By generating new growth drivers, made possible through ongoing development investment while maintaining basic cash flows and profit from these fields, Yotai is seeking to build and stabilize a robust management base resistant to changes in the business landscape.

The First Medium-term Management Plan – Aiming for sustainable growth in corporate value

With uncertainty rising, in May 2021, Yotai formulated its First Medium-term Management Plan in order to address and

■ Raise financial and non-financial value, become a company that continues to sustainably improve its value



solve corporate management problems requiring immediate attention and other issues based on a medium- to long-term perspective.

Under the plan, Yotai has defined as its medium-term vision to become "A company that continues to improve its corporate value in a sustainable manner in harmony with society," while outlining "maintain profitability" and "promote ESG management" as concrete measures for achieving this. Along with working to maintain profitability by continuing to stably supply high-quality refractories and services, we will allocate the reliable funds gained to the people, products and information necessary to respond to future business environment changes. In parallel, through investment in issues required from an ESG perspective, we are promoting the development of a management structure capable of proper business operations and decision-making from a long-term perspective. Doing so will boost our responsiveness to business opportunities and risks, which I am confident will lead to even greater profitability. In pursuing the virtuous cycles that both "maintain profitability" and "promote ESG management" represent, we seek to spur improvements in corporate value.

First Medium-term Management Plan starts smoothly despite a business environment dominated by the coronavirus pandemic

In terms of business performance for fiscal 2022, ended March 31, 2022, the initial year of the First Medium-term Management Plan, net sales rose 10.0% year on year to ¥25,912 million. Operating profit was up 40.0% to ¥4,089 million, while ordinary profit climbed 36.5% over the previous year to ¥4,123 million. Despite an adverse business environment that forced business activities into submission because of the coronavirus pandemic, Yotai directors and employees pooled their knowledge and worked together to tackle day-to-day operations. As a result, the plan

was thankfully able to launch smoothly without any major disruptions.

The three-year duration of the plan is designated as a time to create a framework for realizing our corporate vision for Yotai. In line with the four basic policies below, we made progress in strengthening our business base for the future.

For the first policy, "Expand sales by improving the quality of products and services," we developed monolithic refractories that prioritize the safety of workers onsite, as well as monolithic refractories that require no drying, and put in place a system for future sales expansion. While Yotai is already Japan's top volume producer of Refractory bricks, by expanding and upgrading the product lineup for monolithic refractories, where substantial room for sales growth exists, we will better meet the needs of a broader range of customers.

For the second policy, "Strengthen low-cost and stable supply system," in a bid to boost production efficiency, we introduced this past summer large presses at our principal Hinase and Yoshinaga plants.

Regarding the third policy, "Develop new sources of revenue," we are responding to the rising global importance of environmental protection, working currently to develop refractories with fewer CO₂ emissions and adding more researchers at our Technical Research Laboratory and Advanced Materials Laboratory to boost development speed.

Lastly, for the fourth policy, "Build a management framework through the promotion of ESG," with an eye to decarbonization, along with promoting greater energy conservation, we installed solar panels at two of our plants in Japan, with plans afoot for similar adoption at two remaining plants. We also made steps with respect to DX promotion, working style reform and health and productivity management.

Strengthening technical service and addressing high resource and energy prices as our most pressing concerns

In looking ahead at the operating environment surrounding Yotai, while the spread of the novel coronavirus has made for a situation that is hard to predict, vaccination and other measures are making it easier to live with the coronavirus. This trend is expected to gradually restore some semblance of calm to the global economy, as well. In this climate, Yotai is determined not to miss any chances for growth. To also ensure that we do not lose sight of our direction, we intend to firmly sort out the achievements and issues from the first year of the First Medium-term Management Plan, and will continue moving quickly to put the initiatives outlined in it into action.

With crude steel production volume expected to swell in line with economic recovery, we will aim to expand sales of new high-value-added products specifically for steel developed in fiscal 2022. In tandem, by taking advantage of Yotai's strength in complete material and construction package sales, we will highlight the total merit for customers in terms of quality, construction time and inventory management, in a move that will further differentiate Yotai in the marketplace. To accelerate these types of measures, we also plan to strengthen technology sales and hire personnel in the Engineering Division as points of contact with customers.

Furthermore, amid global concerns over high resource and energy prices, in addition to stronger cost competitiveness thanks to adoption of cutting-edge production equipment and improved production processes, as well as product price revisions, we are working to bolster our stockpile system in and outside of Japan to reduce raw material procurement risk.

Aggressive investment to maintain medium- to long-term profitability

Viewing the future from a long-term perspective, with global warming, geopolitical risks involving neighboring countries and other uncertainty more on the rise, there is a need to respond rapidly to changes in business formats and to management issues. Given this context, using digital technology to transform products, services and business models is a necessity. For this reason, we are leveraging the use of AI, IoT and ICT to promote digital transformation (DX), and further honing the facilities and service efficiency that are Yotai strengths, in a bid to boost the productivity of existing processes. To realize this, our policy is to invest aggressively in people, products and information. Specifically, we anticipate renewal investments of ¥1.4 billion, strategic investments of ¥2.3 billion, IT investments of ¥0.4 billion and

other investments, M&A inclusive, of ¥0.9 billion, for a total of ¥5.0 billion in investment over the three-year duration of the First Medium-term Management Plan. In a world where the pace of change in the business environment and technological innovation is only accelerating, these investments view change not as a danger but as an opportunity. Accordingly, our policy to make the effects of those investments materialize early can be captured as “face every challenge with boldness, and above all else, just execute!”

At the same time, we are beefing up our returns to shareholders. From the fiscal year ended March 31, 2022, we set a new target consolidated payout ratio of 30%. We also have a policy of flexibly repurchasing our shares, allowing us to enact capital policies responsive to changes in the management environment.

Promoting sustainability to contribute to social maintenance and advancement

Interest in sustainability has grown in recent years, for a situation that has become unforgiving for the social survival of companies found lacking in their sustainability responses. For this reason, contributing to society's maintenance and advancement, while also fulfilling one's responsibilities to society through business, is a must.

The steel and cement industries, home to Yotai's principal customers, are under pressure to move from significant producers of CO₂ emissions to becoming carbon neutral. Similarly, Yotai, as part of their supply chain, is being asked to contribute to reducing CO₂ emissions. To this end, we recognize the occurrence of greenhouse gases (GHG) in the refractories business as an important management issue with respect to climate change, and are promoting the development of refractory manufacturing processes that generate less CO₂, while pursuing production, power generation and logistics with a lighter environmental impact through investments in energy conservation and decarbonization. From a medium- to long-term perspective, in a bid to reduce CO₂ emissions during two carbon-heavy production processes—drying and sintering—we are making strides in exploring related research themes, with the notion that replacing current fuel sources with non-fossil fuel alternatives like ammonia and hydrogen will be an important step. Related to this, we already disclose the scenario analysis results of Task Force on Climate-related Financial Disclosures (TCFD) requested items.

Moreover, as noted earlier, Yotai is promoting business transformation through aggressive investments. That said, human resource initiatives are also vital to optimizing these effects. Ensuring that employees also understand our policy of pushing ahead with greater rationalization and reductions

in working hours through proactive investments is leading to a major boost in motivation. With diversity promotion as a basic given, we are training and utilizing talented human resources able to share our values, creating workplaces that our employees will feel are worthwhile.

To steadily promote these measures and realize medium- to long-term improvements in corporate value, we are also taking steps to strengthen our governance structure. In February 2021, we established a Nomination and Compensation Advisory Committee, over half the members of which are independent external directors. In June, we introduced a remuneration system for Yotai directors and executive officers offering transfer-restricted shares, with the goal of sharing values with our shareholders and enhancing the desire to mark continuous improvement in corporate value. In February 2022, eligibility for the same system was extended to the Employee Stock Ownership Plan. Through these measures, we are aligning the management team and workforce along the same vector, pushing forward with achieving our medium- to long-term vision and continuously improving corporate value, and striving to earn the trust of our stakeholders.

Becoming a partner that evolves its strengths with the times to support a host of industries

Over a span of 85 years, Yotai since its founding has supported the advancement of a wide spectrum of industries—a role that will never change. Guided by the motto “Sincere and agile customer service,” and with close coordination between divisions involved in sales, R&D, manufacturing and technical service, the entire Company has worked as one to meet customer needs. We efficiently produce roughly 50,000 products and refractories, resulting in a capacity to provide optimal quality and price that is a strength no other company can match. Anchored by this advantage, it is now critical to hone Yotai further to stay in step with the changing times. With the importance of environmental protection rising, as we advance initiatives toward decarbonization, we are keeping the stable supply of high-quality products as our highest priority, as we move to rapidly answer client needs, take steps to develop and improve product quality, and support the sustainable development of a host of industries and society itself going forward. Additionally, by offering services that go beyond those of a typical business dealer, and that integrate both products and construction work, Yotai is building relationships as a trusted partner.

Approaching business operations and decision-making from a long-term perspective is leading to a stronger management base, business opportunities and

risk responsiveness. This, in turn, is allowing Yotai through business to meet its responsibilities to society, while also contributing to society's maintenance and advancement.

Making safety the highest priority

For a company's sustainable growth, the most important element is building a stronger foundation for its business activities, particularly in terms of safety, quality, human resource development and financial position. Of these, the safe operation of facilities is recognized as a social responsibility.

At Yotai, we make ongoing investments in business continuity planning (BCP), driven by a basic policy of putting safety first above all else. We will strive always to be an enterprise trusted by the local community, to ensure both an environment where work happens with peace of mind and stable employment.

Message to stakeholders

As I stated at the outset, no company can hope to contribute to society's sustainability if it cannot first establish its own.

When the bubble economy started to collapse in 1991 in Japan, this triggered a massive economic retreat that inevitably led to a great deal of pain from large-scale downsizing of personnel and greater business selectivity and focus.

Yet even in this situation, Yotai, putting employment first, did not cut any personnel, limiting itself to rationalization facility investment as it rode out the worst of it. Fortunately, the two positions Yotai staked out—the “commodity field” (refractories business) and the “specialty field” (engineering business), grew steadily. Consequently, Yotai's financial base has finally stabilized over the last several years, resulting in a situation where investments for future growth are now possible.

Of course, just like the coronavirus pandemic, it is possible that another unpredictable crisis will emerge in the future. At Yotai, we have cultivated the knowledge necessary to bring our employees together to overcome any such crisis and to clear a pathway forward ourselves to a sustainable future.

Going forward, we hope to pass on to the younger generation the importance of continuing to hold a risk-aware mindset every day, and to never lose hope but to stay passionate in continuing to take on challenges.

From here on as well, Yotai is aiming to unite its directors, officers and employees, all with a sense of urgency and ownership, to improve corporate value. To our stakeholders, I ask for your continued care, understanding and warm support of Yotai as we move forward.

Maintaining profitability and pursuing the promotion of ESG management as a company striving to continuously enhance corporate value in a sustainable manner in harmony with society

We have positioned the First Medium-term Management Plan (from fiscal 2022 to fiscal 2024) as a time for creating the structure necessary to realize our vision for Yotai as a company. While moving to maintain high profitability and financial soundness, we are investing in people, products, information and other areas to develop a management base that supports sustainable growth.

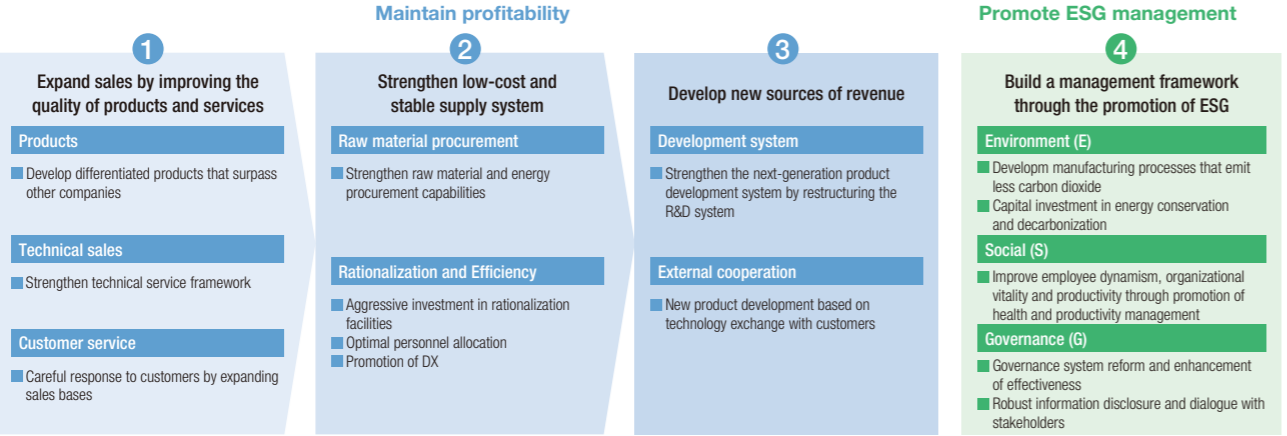
Backdrop to Formulation of the First Medium-term Management Plan

Driven by the necessity to develop a solid and sustainable management structure, the First Medium-term Management Plan was formulated after clarifying our target vision for Yotai as “a company that continues to improve its corporate value in a sustainable manner in harmony with society.”

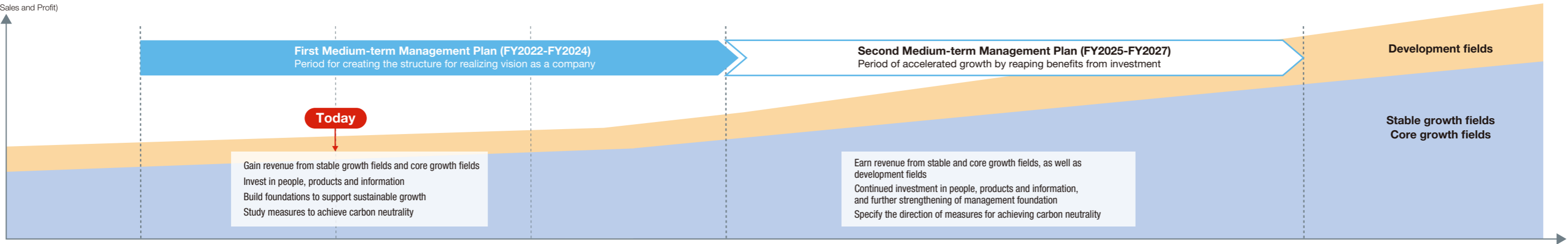
Although growth in refractory demand remains firm, the number of furnace construction companies that support refractory sales is declining. Meanwhile, labor shortages and other concerns tied to a decline in the working-age population have already started to emerge. In addition, the uptake of AI, IoT and other technologies

is advancing rapidly even in the refractory industry, with future corporate value thought to be highly influenced by how skillfully these technologies can be deployed. Further, from the rise in environmental awareness and interest in sustainability, as a key corner in the supply chain of industrial fields using high temperatures, Yotai is also being asked to respond quickly in moving to become carbon neutral. Under the First Medium-term Management Plan, Yotai is creating needed structure in aiming to be a company capable of responding to both these changes in the environment and social demands.

Basic Policy



Positioning of the First Medium-term Management Plan in Medium- to Long-term Strategy



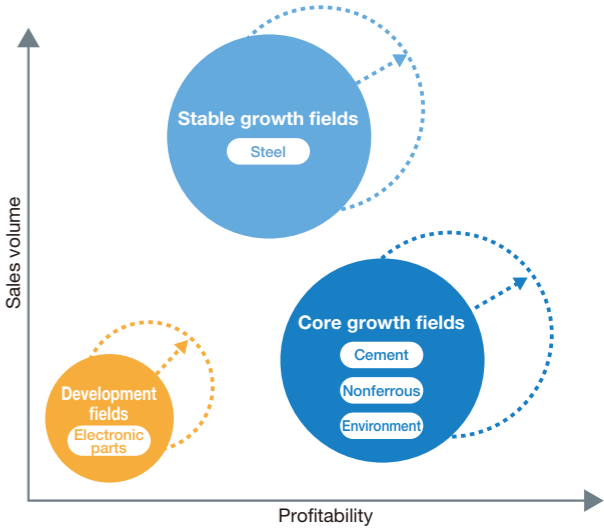
Approach to Business Portfolio

While Yotai has business dealings across a broad range of industries, these are classified into three fields—“stable growth fields,” “core growth fields” and “development fields”—based on the Company’s market position and the future market environment. KPIs for business promotion are set for each field.

Stable growth fields (steel)
Expand sales and improve profitability as an important stable revenue source
KPI Sales growth rate (FY21 to FY24): +10%

Core growth fields (cement, nonferrous, environment)
Aggressively expand sales and improve profitability by capitalizing on cultivated strengths
KPI Sales growth rate (FY21 to FY24): +10%

Development fields (electronic parts)
Move forward with building foundations as a future growth business
KPI Sales growth rate (FY21 to FY24): +30%



Numerical Targets

In terms of targets for fiscal 2024, the plan’s final year, while demand related to steel is expected to remain firm, are frozen due to a number of points of uncertainty. These include, most prominently, high costs for raw materials and transportation, coupled with currency market volatility, stemming from the novel coronavirus pandemic and problems in Ukraine.

	FY2021 results	FY2022 results	FY2024 targets
Net sales (Millions of yen)	23,554	25,912	26,000
Operating profit (Millions of yen)	2,921	4,089	3,500
ROE	6.6%	10.0%	8.0%

Specific initiatives in the First Medium-term Management Plan

● Expand Sales by Improving the Quality of Products and Services

In a maturing market, Yotai is expanding its sales of new high-value-added products to spur sales growth and improve profitability. In steel and in cement, respectively, Yotai has finished development of precision-made, highly corrosion-resistant refractories and bricks useable under harsh conditions, both of which have earned high marks from customers. Yotai is also focused on the development of monolithic refractories and unfired bricks that lead to lower CO₂ emissions. To expand sales of these new products, we are reinforcing our technical sales staff and hiring personnel in the Engineering Division, while pushing ahead with proactive human resource recruitment.

Expand sales through product, sales and technology integration

- Expanded sales of new high-value-added products
 - Steel: Highly corrosion-resistant refractories (magnesia chrome and chromia refractories)
 - Cement: Bricks for burning zones
 - All fields: Monolithic refractories, unfired bricks
- Strengthen technical sales, hire more Engineering Division personnel
 - Development of new customers and maintenance of existing customers by strengthening proposal-based sales through technical service personnel
 - Expand orders for engineering business, where demand is growing
 - Capture refractory sales via the engineering business
- Detailed sales support, including base augmentation
 - Increase sales staff mobility through expansion of domestic and overseas sales offices
 - Identify customer needs and propose new products through regular customer visits
 - Strengthen customer response capabilities by introducing sales support systems

Diversification of industrial furnace inspection methods

- Introduction of inspection technology through adoption of drones, residual measurement devices, etc.
- Deepening of transactions with customers through advanced inspection method utilization
- Rollout of inspection technology to electric furnace manufacturers

Recruitment and development of personnel to support sales growth

- Staff growth through recruitment
 - Aggressive hiring, staffing in growth areas
 - Diversification of recruiting methods (mid-career hires, appointment of external personnel, adoption of scouting-type recruitment)
- Improving employee skills through training
 - Improved talent management via skill improvement program creation and implementation
 - Revision and implementation of personnel evaluation system through development of human resource training programs

● Strengthen Low-cost and Stable Supply System

In the manufacturing process, along with making continued strides in cost-reduction programs, Yotai introduced new facilities at each plant designed to enhance quality and production efficiency. In logistics processes, the pursuit is of greater transportation efficiency. In terms of building a stable and sustainable raw material procurement system, for principal procurement in China, direct trade is centered on the efforts of local subsidiary YINGKOU NEW YOTAI REFRACTORY CO., LTD. From the standpoint of mitigating risk, we are making progress in both diversifying procurement areas and procuring via trading companies, and putting effort into stockpiling resources domestically.

Strengthen cost reduction and production system

- Initiatives in the manufacturing process
 - Continuous cost-reduction activities (plant automation and efficiency improvement, optimal staffing)
 - Quality improvement and production efficiency improvement through introduction of a large high-pressure presses
 - Vertical start-up of newly introduced equipment Initiatives in logistics processes
- Initiatives in logistics processes
 - Pursuit of transportation efficiency
- Company-wide initiatives
 - Core system adoption, improved business efficiency through the use of advanced ICT, such as RPA and AI-OCR

Establish a stable and sustainable raw material procurement system

- Risk diversification by securing diverse procurement routes, mainly in China
- Stable and low-cost procurement through the use of Chinese subsidiary

Maintain 2 procurement routes: Raw material producers → Trading company → Yotai; Raw material producers → Yotai (Direct trade).

Image of procurement costs: Shows a bar chart comparing costs via trading company and direct trade.

● Develop New Sources of Revenue

Yotai is making progress in the structural reform of the R&D system, with the purpose of generating highly competitive products on a continuous basis. In addition to its own independent product development, Yotai has begun developing new products based on technology exchanges with customers and external partners. Where overseas development is concerned, once the coronavirus pandemic has passed, our sights are set on sales expansion. For furnace construction overseas, Yotai sends out its own supervisors (SVs). Together with the high quality of Yotai refractories and the ability to handle detailed construction work management, awareness will grow of the merit this offers for reducing total costs, specifically in terms of stable furnace operation and less frequent maintenance.

Structural reform of the R&D system

- Develop a training system for technical service personnel
- Medium- and long-term R&D theme initiatives
- Speed up development by enhancing new product development-related equipment
- Study introduction of surface modification equipment for products for electronic parts
- New product development based on technological exchange with customers

Overseas expansion

- Deepen existing business partners in fields where Yotai has strengths, particularly in steel, cement and electronic parts
- Offer proposals for stable furnace operation and longer maintenance periods that highlight product differentiation
- Develop flexible sales activities for business partners by establishing overseas sales offices
- Develop new agencies offering mobility
- Strengthen sales through SV services in the Engineering Division

*Mixing and tempering, shaping, sintering, processing

● Build a Management Framework Through the Promotion of ESG

Yotai is incorporating ESG into management in a bid to strengthen its management foundation. With respect to environment (E), we are promoting the development of manufacturing processes with lower CO₂ emissions, as well as monolithic refractories and unfired bricks. Where society (S) is concerned, we are advancing work style reforms and taking steps to boost motivation through more attentive employee treatment. For governance (G), several specific initiatives are already underway. In February 2021, we established the Nomination and Compensation Advisory Committee. June that same year saw the introduction of a remuneration system offering transfer-restricted shares to directors and executive officers; access to this system was extended to the Employee Stock Ownership Plan in February 2022.

E Environment

- Introduction of electric vehicles
- Reduction of CO₂ emissions through adoption of new power generation facilities
- Development of manufacturing processes with low CO₂ emissions
- Promotion of development of monolithic refractories and Unfired bricks*

* Refractories with no sintering process and low CO₂ emissions

S Social

- Promotion of work style reform and better motivation through more attentive employee treatment
- Utilization of the working hour management system and development of working environments for achieving work-life balance
- Consolidation and utilization of personnel information and improved talent management
- Building the foundation to become an excellent health-oriented management corporation
- Contribution to regional revitalization through cooperation with local communities

G Governance

- Decision-making and implementation of management strategies that contribute to sustainable enhancement in corporate value
- Establishment of Nomination and Compensation Advisory Committee
- Introduction of remuneration system offering transfer-restricted shares
- Compliance with the Revised Corporate Governance Code

Sales Department

Yotai’s sales departments closely engage with customers across a broad range of industries.

At times, these departments serve to identify latent needs that customers may not recognize themselves, sharing these requirements with other relevant departments.

We will further strengthen this structure, and in turn secure more orders.



Yorisada Matsumoto
Director; General Manager,
Tokyo Branch

Further strengthen structure and capture demand through aggressive sales activities leveraging strengths in material and construction integration

Sales department characteristics and roles

Taking advantage of its strength as an independent company, Yotai has business dealings with customers across a host of industries. In addition to steel, these industries encompass, among others, nonferrous, cement, environmental systems and electronic parts, with Yotai boasting high market share in many of these industries. Accordingly, the industry-spanning knowledge of Yotai’s sales force, which avoids favoring any particular industry alone, is a major strength. Similarly, when proposing to clients, the ability to provide a range of proposal options, including results from other business fields, is another unrivaled advantage.

Sales departments occupy an important position in connecting Yotai to customers. Along with capturing orders by accurately conveying the excellence of Yotai products to customers, sales departments work to enable relationships of trust to develop by identifying customers’ latent needs and quickly connecting them to departments responsible for production plants and R&D. Because refractories are products that directly affect operational stability inside customer production activities, gaining customer trust is essential to obtaining orders. Similarly, in sales of new products, beginning from prototypes, persistent sales activities are critical to eventually winning orders through meticulous improvements that reflect use conditions. As sources of information inside Yotai, sales departments act to accurately convey client needs to departments responsible for production plants, R&D and other areas.

As customer requirements grow increasingly sophisticated and diverse, stronger sales capabilities are vital to Yotai’s sustainable growth, making human resource training indispensable. By sharing knowledge of industry and refractory trends through online educational content presented by staff with specialist knowledge from every department, along with on-the-job training (OJT), we are training human resources capable of generating solutions from a technological perspective to issues customers face.

Achievements in the first year of the Medium-term Management Plan

Orders in fiscal 2022, ended March 31, 2022, stood at ¥28.0 billion, compared to initial projections of ¥23.9 billion. Along with the restart of economic activities, amid a recovery in demand for refractories for steel as well as the nonferrous, environmental systems, and electronic parts industries, we conducted careful sales activities that connected solidly to orders. Brisk orders from automobile and automotive-related special steel industries, coupled with sales activities leveraging our strength in integrated materials and construction work targeting plant developers in the environmental systems field, led to orders for new projects. Furthermore, in addition to hiring new graduates, we made progress in mid-careers hires as we bolstered our sales force ahead of greater service expansion.

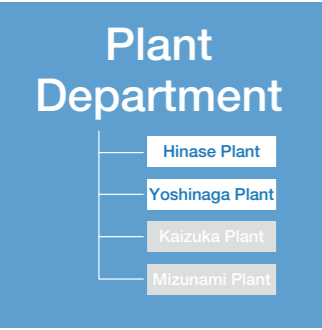
Future outlook

Expanding sales of new high-value-added products is one of the key points defined in the Medium-term Management Plan for achieving sales expansion and boosting profitability in a maturing market. To realize this, we are developing and expanding sales of new monolithic refractories, products in high need in the steel field, home to Yotai’s principal customers.

Elsewhere, in connection to carbon neutral measures, the construction of new plants and remodeling of existing furnaces is anticipated in every field. In the steel field, electric furnace-based production methods are gaining attention thanks to CO₂ emissions roughly 75 percent lower compared to blast furnace-based production. Consequently, growth is expected in demand for refractories for electric furnaces going forward. For its part, Yotai will focus on decisive steps to tackle demand by capitalizing on relationships built to date with electric furnace manufacturers, together with aggressive sales activities that leverage its strength in integrated materials and construction work. We also plan to establish a sales base in Japan’s Hokkaido region while the First Medium-term Management Plan is active. Additionally, market surveys are being planned with a view to establishing bases overseas.

Against the backdrop of more companies opting to outsource all parts of their process, from design and furnace construction to maintenance, due to human resource shortages and other issues, inquiries for projects related to these areas are growing. Leveraging Yotai’s well-honed design capabilities, beyond strengthening coordination with vendors tasked with furnace construction, by training up technicians in-house, we are decisively taking on vigorous demand. In bringing this all to fruition, we are aiming for ¥30.0 billion in orders received for the fiscal year ending March 31, 2024.

Achievements in the first year of the Medium-term Management Plan	Future outlook and targets
<ul style="list-style-type: none">● Higher sales atop aggressive sales activities leveraging strength in integrated materials and construction work● Sales structure enhancement in Japan’s Hokkaido and Kyushu regions● Enhancement of structures by hiring new graduates and mid-career professionals	<ul style="list-style-type: none">● Decisively tackle demand reflective of trends in carbon neutrality in each field● Schedule a survey of market conditions ahead of base establishment overseas● Target for orders received of ¥30.0 billion for the fiscal year ending March 31, 2024



The greatest mission of Yotai's production plant departments is the stable and efficient manufacture of high-quality refractories. Each of Yotai's four production sites leverages unique characteristics and strengths to meticulously meet diverse, multi-sector needs.

In addition to ongoing cost-reduction initiatives, each site is marking progress in responding to carbon neutrality and in BCP countermeasures tailored to plant location and facilities.



Tadashi Taniguchi
Director; Manager,
Hinase Plant

Hinase Plant

Largest class of refractory brick production capacity in Japan
Ongoing facility rationalization and building

Features of the Hinase Plant

Users of Yotai products include many steel and cement makers as customers, with the Company boasting the top level of refractory brick production volume in Japan. Among Yotai plants, the Hinase Plant has the longest history, launching its first operations as a production site in 1938. Home to two tunnel kilns used for alkaline bricks, the plant possesses the largest level of production capacity for refractory bricks in Japan. It is also involved in the production of large clay-made and high alumina-made bricks used primarily by glass manufacturers. For raw material procurement, while maintaining close ties with a China-based subsidiary, the plant works to reduce costs through automation, as well as stable supply of products.

Achievements in the first year of the Medium-term Management Plan

Main achievements in the fiscal year ended March 31, 2022 were the installation of a large press and aggressive investments in BCP countermeasures. In March 2022, the plant installed a 3,000-ton press, enabling it to handle a wider array of products. Along with realizing improved quality, this move is contributing to more efficient production. Other actions included rationalization and upgrades, as well as investment in BCP countermeasures. These countermeasures were implemented mainly in preparation for increasingly severe natural disasters.

Future outlook

To firmly address demand in the steel field, Yotai is opting to augment manufacturing lines for basic castable refractories. This move will make further bolstering of production capacity and less needed labor possible. Additionally, we are building warehousing for raw materials to stably secure such materials from overseas.

In terms of initiatives for decarbonization and carbon neutrality, Yotai is pursuing the adoption of solar power generation systems, shifting to electric vehicles (EVs) for industrial and company vehicles, and converting to LED for all plant lighting companywide.

Achievements in the first year of the Medium-term Management Plan

- 3,000-ton press installation and construction start
- Rationalization and upgrade investment
- Investment in BCP countermeasures

Future outlook and targets

- Take optimal advantage of 3,000-ton press, capture demand in every field
- Establish augmented production system through expanded manufacturing lines for alkaline monolithic refractories (scheduled completion – July 2023)
- Reductions in GHG emissions and adoption of energy-saving equipment in push toward carbon neutrality

Yoshinaga Plant

Manufacture of high-value-added refractories from specialized in-house production
Stably supplying users and achieving high profitability through domestic in-house production

Features of the Yoshinaga Plant

Together with production of refractories offering high added value, the Yoshinaga Plant retains the industry's top level of profitability through its detailed response to the needs of domestic customers. Along with a number of manual presses, the plant is cultivating a highly skilled labor force, developing a production system that makes the supply of in-house products for small-lot refractory orders possible. Yotai's pursuit of internal production at its own production sites has won it high marks for allowing the stable supply of products unaffected by country risk, leading to a high number of repeat orders.

Strengthens in high-value-added products for the environmental systems field

The Yoshinaga Plant has expertise in high-value-added products for the field of environmental systems, which use a high ratio of monolithic refractories compared to other industrial furnaces. In collaboration with the Engineering Division, the plant capitalizes on its strengths in material and construction integration to provide high-quality products and services. Similarly, through ties with the Technical Research Laboratory, the Yoshinaga Plant develops new products tailored to customer needs and operating conditions, enhances its responsiveness around quality improvement, and advances operations that take full advantage of Yotai's comprehensive capabilities, notably its strength in bringing together departments responsible for development, manufacturing, engineering and sales.

Human resource retention and training in the production plant departments

As at other production sites, human resource retention and training are pressing issues for the Yoshinaga Plant, as well. Along with vigorous recruitment of local graduates, we work tirelessly to deepen communication between employees, with labor and management joining forces in striving forward to achieve targets. The installation of cutting-edge equipment, coupled with employee motivation and ingenuity, meanwhile, is leading to improvement in labor productivity. Among the emerging results linking to improved business performance, production volume per employee for March 2022 was at a record high.



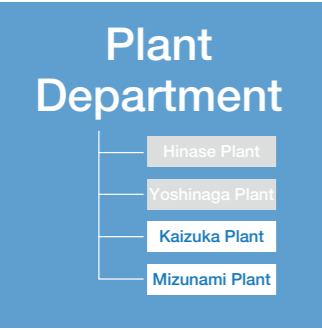
Koji Matsumoto
Executive Officer, Plant
Manager, Yoshinaga Plant

Achievements in the first year of the Medium-term Management Plan

- Productivity enhancement, adoption of 1,500-ton press for high-grade production (operational from August 2022)
- Solar power generation system installation
- Recruitment activities built on medium- to long-term perspectives, stronger labor-management trust directly contributing to enhanced productivity

Future outlook and targets

- Contribute to improved profitability, centered on monolithic refractories
- Extend and upgrade line of high-value-added products for environmental systems, glass and other fields
- Ongoing switch to EVs for industrial and company vehicles



Naoyuki Nishimura
Plant Manager, Kaizuka Plant

Kaizuka Plant

Specializing in refractories for sintering of electronic parts and products for overseas markets

Features of the Kaizuka Plant

The Kaizuka Plant primarily manufactures refractories for sintering related to electronic parts and semiconductors. Another important trait is that roughly half of the plant’s products are destined for markets outside of Japan. To meet both technological innovation in the industry and global price competition, we are actively installing new facilities and remodeling existing ones.

The growing field of new ceramics

Across the board, electronic part and semiconductor-related companies are planning new capital investment in anticipation of medium- to long-term growth in demand and life after the coronavirus pandemic. Electronic parts, in particular, is a field where market expansion is expected. Because the Kaizuka Plant is smaller in scale than Yotai’s other three plants, achieving greater production system efficiency is essential to decisively translating growth in demand into orders. For this reason, we upgrade and expand plant facilities and reevaluate facility layout as needed. As part of the facility layout, we have new design plans for warehouses which, when completed, will enable the systematic import and stockpiling of raw materials, while leading to more efficient production.

Creating globally competitive products

For products earmarked for overseas markets, measures that seek to lower costs through greater production line efficiency are becoming more important. For the kiln at the Kaizuka Plant, with capital investments that foresaw demand growth having been made, sufficient firing capacity is already in place. Going forward, in departments responsible for molding, a front-end process, we are seeking to enhance efficiency even further primarily through facility automation.

Striving to be a plant that puts decarbonization technology into practice

Starting with technology to conserve energy, the Kaizuka Plant has worked to boost burning efficiency and more fully automate its production lines. As a large-scale environmental investment, the plant installed solar power generation equipment in February 2022. As of August, it confirmed that the equipment had generated significantly more power than initially projected, contributing greatly to the plant’s energy-saving activities.

Going forward, we are setting measures to further boost burning efficiency, the adoption of storage batteries and the development of non-fossil fuel technology as priority issues as the Kaizuka Plant strives to become a plant that puts decarbonization technology into practice.

Mizunami Plant

Development of a flexible, compact kiln-based system for multi-product, small lot production

Features of the Mizunami Plant

The ability to produce a variety of products for both refractory bricks and monolithic refractories is a feature of the Mizunami Plant. The plant possesses both a compact kiln and a tunnel kiln compatible with a wide range of firing temperatures, making efficient, small-lot, multi-product production possible. From an energy conservation standpoint as well, as an alternative to the industrial gas previously used in the drying process, the plant now reuses heat emitted from the tunnel kiln, contributing to lower cost and a reduced environmental burden.

To mitigate China-related risk, in fiscal 2022, we secured roughly 5,000MT* in storage space for raw materials.

*MT: Measurement Ton

Outlook for refractories for sintering of electronic parts

Influenced by social trends toward decarbonization, the widespread uptake of electric vehicles (EVs) is expected to occur rapidly in the coming years. With demand rising for refractories used in the sintering of lithium raw materials found in EV batteries, the Mizunami Plant is focusing on the production of products for manufacturers of kilns for related products. Together with the rollout of 5G and similar infrastructure, demand is growing with advancements in communications equipment, including onboard AI and automation compatibility. Efforts to boost productivity at the plant thus remain ongoing.

Rationale for receipt of business transfer from Shibata Ceramic Raw Materials Co., Ltd.

In October 2022, Yotai received transfer of the refractory materials manufacturing business of Shibata Ceramic Raw Materials Co., Ltd., in a step designed to move some raw materials in-house and assist in the development of a flexible production system. The composite materials manufactured by Shibata Ceramic Raw Materials—cordierite and mullite—are indispensable for production of refractories used in the sintering of electronic parts. At the same time, since product demand is still small from a global standpoint, with production practically nonexistent elsewhere, these composites have high scarcity value. In short, Shibata Ceramic Raw Materials’ technology and facilities are expected to translate into improved competitiveness for Yotai.



Yasuo Kawamori
Special Executive Officer; Plant Manager, Mizunami Plant

Achievements in the first year of the Medium-term Management Plan

- Rationalization of X-Series manufacturing equipment
- Introduction of 750kW-class solar power generation equipment

Future outlook and targets

- Automation of auxiliary equipment for 1,500-ton press
- Automation and efficiency enhancement of molding process peripheral equipment
- Construction of warehousing for stockpiling of raw materials

Achievements in the first year of the Medium-term Management Plan

- Greater dimension measurement work efficiency from adoption of 3-D measurement devices
- Secured storage space for raw materials
- Decision to receive transfer of business from Shibata Ceramic Raw Materials Co., Ltd.

Future outlook and targets

- Business diversification through manufacture of raw materials
- Meet increase in production of refractories for sintering raw materials for lithium-ion batteries (LiB)
- Achieve high-efficiency operation of 850-ton press

R&D
Department

The refractory industry is also facing calls to respond to the shift to carbon neutrality. Accordingly, Yotai R&D departments are focusing on the development of high-value-added products that meet this demand.

Further, we are striving to hire more technical service staff and strengthen their training in working to meet customer needs.



Kazunari Imai
Executive Officer; General Manager, Quality Assurance Department, Advanced Materials Laboratory, Technical Research Laboratory

**Focus on development of low-carbon emission refractories in the push for carbon neutrality
Bolster initiatives for obtaining patents for related products**

Roles of the Advanced Materials Laboratory and Technical Research Laboratory

Yotai's R&D departments are broadly responsible for R&D operations and technical service operations. As technical service operations, departments are involved daily in business consultations with customers, dispatch technicians to sites for inspection and management of actual furnaces, and assess needs. For R&D operations, departments engage in new product development and product improvement based on the assessed needs.

Two unique features of Yotai R&D departments are fundamental capabilities in each field, cultivated through dealings with customers across an array of industry sectors, and adaptability beyond any individual field. Yotai products are used in a host of different environments. This allows R&D departments to take advantage in development of insight accumulated in these fields in everything from material quality selection to design, construction and provision of services like maintenance. Accordingly, Yotai can deliver distinctive products in the fields of steel, nonferrous, cement, environmental systems, glass and sintering materials for electronic parts.

More recently, the refractory industry has also faced calls to better respond to the shift to carbon neutrality. At Yotai, this has seen initiatives for reducing fossil fuel use in kilns and drying furnaces and a transition to non-fossil fuel alternatives. Specifically, we are developing manufacturing processes and products that avoid firing processes altogether, and have begun development of refractory-related technologies responsive to the change in fuel.

Initiatives also focus on fostering technicians, where R&D departments sponsor technical study sessions and provide support for other in-house departments, as well.

Status of development of new refractories

In fiscal 2022, ended March 31, 2022, the biggest success during the inaugural year of the First Medium-term Management Plan was submission of a patent application for non-sintered refractories developed for compatibility with carbon neutrality. If Yotai can obtain rights to so-called "unfired refractories," this is expected to spur possession of technologies across a wide range of areas. The refractory market is by no means large, and technological innovation in the industry is difficult to attain. Nevertheless, Yotai is taking aggressive action to develop next-generation refractories that can answer societal changes and obtain patents as part of its intellectual property strategy.

Future outlook

Yotai R&D departments are continuing their work to develop cutting-edge non-sintered and monolithic refractories. With demand projected for refractories with highly insulating properties that help save energy, Yotai is eagerly engaged in the development of new products. In moving R&D forward, we are also paying close attention to trends in new refractory-related technologies compatible with technological advancements in step with carbon neutrality.

Achievements in the first year of the Medium-term Management Plan

- Completed submission of application for a patent for non-sintered refractories for shift to carbon neutrality
- Development of distinctive monolithic refractory products
- Hiring and training of technical service staff

Future outlook and targets

- Initiatives targeting basic research and patent acquisition for non-sintered refractories
- Hiring of technical service staff
- Development of new products and technologies ahead of business environment changes

Engineering
Division

Yotai's strength in material and construction integration rests in part with the Engineering Division.

Once limited to a plant department, the division became an independent organization to meet customers' diverse needs. Since then, Yotai has honed the division's response capabilities in industrial furnace construction, including furnace design.

**Industrial furnace design and construction demand continues to expand
Promotion of initiatives for medium- to long-term human resource training and passing on Yotai technology**

Engineering Division roles and strengths

Refractories are used in an array of industry sectors, with specifications and needs varying widely. The Engineering Division has amassed years of expertise in construction drawings and in the form of technology calculation software. The division's biggest strength, though, is in joining with customers to create facilities, offering carefully considered proposals encompassing efficient designs through to repair and maintenance work.

For maintenance and improvement construction after industrial furnaces begin operating, construction and manufacturing departments consistently coordinate to respond appropriately.

Fiscal 2022 Results

Yotai closed out the inaugural year of the First Medium-term Management Plan with no serious accidents. Orders steadily accrued for new projects, with orders for existing projects also continuing with no losses. As a result, division sales and profits for the fiscal year ended March 31, 2022 rose to record highs. We also made capital investments linked to further cost reductions. Specifically, in addition to adopting 3D-CAD and line chase machinery for kiln brick construction, we made progress in improving existing facilities, and created systems capable of meeting diverse customer needs faster.

Future outlook

While continuing to prioritize commitments to "ensure safety," "maintain and improve construction quality" and "adhere to construction timelines," we will focus on sustained human resource training and passing on Yotai technology. With the construction industry also subject to caps on overtime work due to legal revisions set to apply from April 2024, Yotai is striving to retain human resources in collaboration with cooperating companies.

Elsewhere, we established the Engineering Division's Kaizuka branch to make the provision of detailed services possible. Along with dividing employees into finer grained groups, we are also boosting service efficiency and creating educational systems.

We have set ¥4.5 billion as a sales target for the final year of the First Medium-term Management Plan, a figure that incorporates order activity for large-scale projects from next fiscal year and beyond.



Motokatsu Kume
Executive Officer
General manager, Engineering Division

Achievements in the first year of the Medium-term Management Plan

- Achieved record sales and profits from solid effort on new projects
- Capital investment linked to addressing even broader needs and reducing costs
- Adhered to "putting safety first above all else" as a basic policy

Future outlook and targets

- Human resource retention in response to the work style reform in April 2024
- Recruitment activities, development of educational systems for enabling human resource training and passing on Yotai technology
- Fiscal 2024 sales target of ¥4.5 billion

Administrative Department

In fiscal 2022, ended March 31, 2022, the formulation of its first medium-term management plan allowed Yotai to make progress in sorting through key issues to be addressed immediately and those based on a medium-to-long-term perspective, and enabled departments to create systems and tackle concrete initiatives.

In aiming to be a partner supporting the development of customers in a vast array of industries, we are promoting interdepartmental collaboration and measures to retain and train our human resources.



Shinichiro Takebayashi
Managing Director, General Manager, General Affairs Department, Head Office

Preparing environments where management and worksites can take action together, and focusing on innovation and rollout of new systems

Role of Head Office General Affairs Division

Refractory manufacturing and construction is a niche field that requires complex technology. The efficient production of over 50,000 items and small-lot refractories, and their reliable delivery, is enabled through collaboration between departments responsible for sales, production plants, engineering and R&D. The role of the Head Office General Affairs Division is to provide support allowing all the various departments to operate smoothly, taking a holistic view of the entire Company while spurring system innovation and creating required mechanisms, as well as allocating funding companywide. This, in turn, serves to underpin improvement in Yotai’s corporate value. In enacting the First Medium-term Management Plan, the division provided support for the management team and staff responsible for worksites to share and think through issues, and be empowered to act, while also sorting out approaches to fund allocation, including capital investment and shareholder returns.

Achievements in the first year of the Medium-term Management Plan

From fiscal 2022, we opted to have the heads of business sites offer monthly progress reports to the Board of Directors, with the goal of making plan progress more visible and promoting information sharing. This move enabled all key decision-makers to have a grasp on frontline operations, and is felt to have led to an even smoother start in the first fiscal year of the plan. Under the First Medium-term Management Plan, we intend to make investments for sustainable growth in people, products and information totaling ¥5.0 billion. In the inaugural year of the plan, fiscal 2022, these investments came to ¥0.9 billion. In the push for solid completion of the medium-term plan, we are sharing issues and progress, and the accuracy of target achievement, across the entire Company.

With respect to human resource training and the creation of comfortable workplaces where diverse human resources can thrive, we revamped our personnel evaluation system, which began operating from April 2022. In adopting this system, together with training seminars for evaluators and those under evaluation, we introduced a new personnel system. We are also moving to deepen dialogue with employees and improve engagement. Furthermore, guided by the belief that employees are capital in their own right, we promote health and productivity management activities and the health maintenance of every individual. Accordingly, we are building the foundations needed to aim for health and productivity management certification (large enterprise category) by Japan’s Ministry of Economy, Trade and Industry in the fiscal year ending March 31, 2024.

To raise corporate value over the medium to long term, the management team, employees and shareholders must come together in a shared posture to achieve results. To this end, we followed up the introduction in June 2021 of a remuneration system (RS) offering transfer-restricted shares to directors and executive officers by extending access to this system to employees in February 2022. Since this is another new initiative, we are continuing to hold explanatory meetings for employees to spread awareness of this option.

In working to strengthen dialogue with shareholders, in addition to continuing to conduct financial result briefings, for the first time we also implemented Shareholder Relations (SR) activities, including individual meetings with institutional investors, to further deepen understanding of Yotai’s business strategies.

As for ESG-oriented initiatives, Yotai received certification of its conformity with a tax system to promote investments for carbon neutrality and application of a tax system to promote human resource securement, both from Japan’s Ministry of Economy, Industry and Trade.

Approaches to fund allocation

At a glance, Yotai may appear to have ample cash and deposits on hand. However, given the need for investments in

virtually every area going forward, effective utilization of capital is essential.

In order to grow sustainably as the market matures, while maximizing earnings from existing businesses, Yotai must invest in people, products and information to capture future earnings and strengthen management foundations. The refractory business is a highly socially essential enterprise that supports heavy industry in Japan, making the promotion of BCP a social duty. In particular, the securement and stockpiling of raw materials is a lifeline for the refractory business. Where the purchase and stockpiling of raw materials is concerned, each production plant is charged with flexibly deciding upon and systematically securing raw materials. The role of administrative departments is to provide the capital support making rapid purchases depending on market conditions possible. Because raw materials for refractories are largely sourced from China, we maintain close ties with our local subsidiary and strive to accurately assess local information. While keeping a close watch on trends in the international community and currency exchange markets, we are working to reduce costs and diversify risk, even as we search for opportunities to procure from new raw material supply makers.

Because our main clients, the steel and cement industries, are facing calls to decarbonize, we imagine that pressure will mount for Yotai, as a supplier, to reduce its own CO₂ emissions, increasing the likelihood of pressure to make major investments for achieving decarbonization.

Given this perspective, along with maintaining financial soundness, we intend to secure and effectively allocate funds for sustainable growth going forward.

Future outlook

With “dynamic use of diverse human resources” and “creation of comfortable workplaces” as keywords, we plan to pursue measures designed to right-size working hours, promote health and productivity management and achieve career advancement for women. In solving labor shortages and promoting work style reforms, we are also practicing aggressive career recruitment. For the fiscal year ending March 31, 2023, we set a recruitment target of 25 individuals, a record high.

In terms of DX for boosting productivity, as a result of utilizing AI-OCR and RPA, previously adopted on a trial basis, we reduced working hours by 1,888 hours (in a year) for the March 2022 fiscal year compared to the previous fiscal year, and expect to reduce the same (also for one year) by 2,926 hours through continued utilization of these technologies. Additionally, we are scheduled to install a new mission-critical system (known as “Mikumo”) in October 2023, from which we expect to reduce working hours by 68,851 hours (in a year) and strengthen information security.

To enhance shareholder returns, in addition to a target consolidated payout ratio of 30%, we also plan to flexibly buyback treasury stock. This notwithstanding, we will continue to study options for arriving where we should be with respect to shareholder returns.

Achievements in the first year of the Medium-term Management Plan

- Introduction of RS for employees, in a follow-up to RS for directors and executive officers
- Sharing of medium-term management plan progress and issues by each business department head to energize the Board of Directors
- Certification of conformity with tax system for promoting investments for carbon neutrality and application of tax system for promoting securement of human resources

Future outlook and targets

- For shareholder returns, plans for a consolidated payout ratio target of 30%, flexible buyback of treasury stock
- Plans for record-setting human resource recruitment
- Adoption and operational launch of a new mission-critical system

ESG management at Yotai

Guided by requirements stated in the Corporate Governance Code, Yotai has defined a basic policy on sustainability that further promotes initiatives in this area, coupled with establishment of a Sustainability Committee as a crosscutting organization functioning companywide.

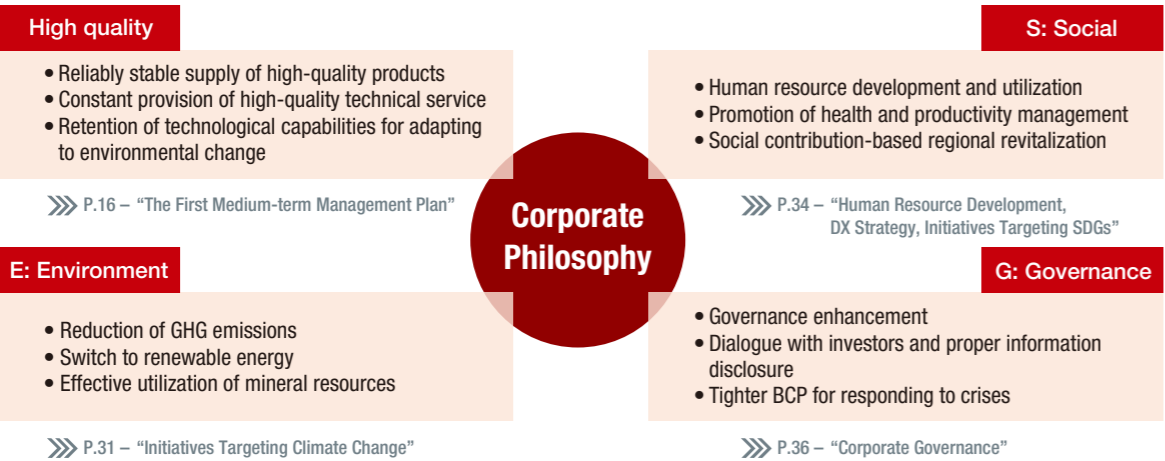
Yotai has also specified important issues (materiality) to prioritize addressing companywide, aiming for sustainable growth through these initiatives.



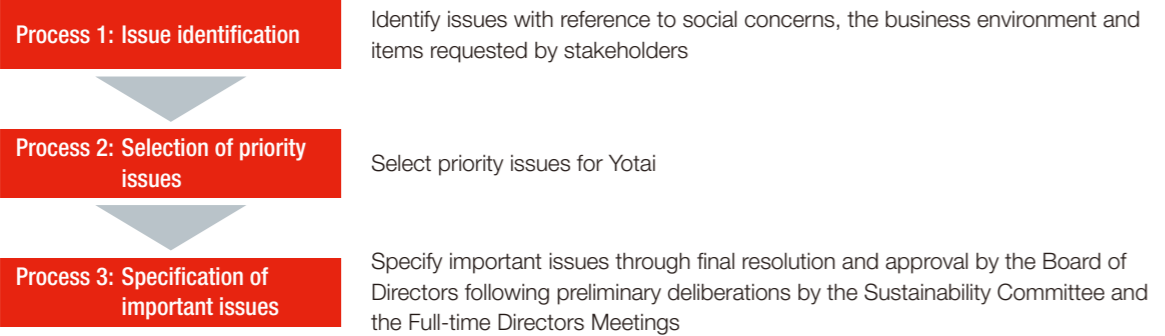
Basic policy on sustainability

As its corporate philosophy, the Yotai Group “aims to be a faithful company that creates new technologies and products in response to the demands of revolutionary times, enhances customer satisfaction and contributes to society, using our unique technology and passing on the history and experience in long-standing refractory manufacturing technologies to the next generation.” Together with striving to resolve social issues by putting this philosophy into practice, Yotai will push ahead going forward with initiatives for delivering its own sustainable growth.

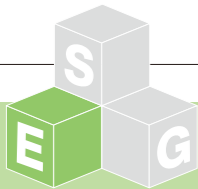
Important issues (materiality) to prioritize



Processes for specifying materiality



Environment



Initiatives Targeting Climate Change

Management system

The Sustainability Committee is the main body responsible for promoting Yotai initiatives to address problems related to climate change. In terms of process, the Sustainability Promotion Division drafts action plans for climate-related risks and opportunities. Following deliberation and review by the Sustainability Committee, these plans are reported to and deliberated twice yearly by the Full-time Directors Meeting, and reported once annually to the Board of Directors. The Board of Directors is responsible for setting goals for climate change-related initiatives and monitoring of the status of progress each year.

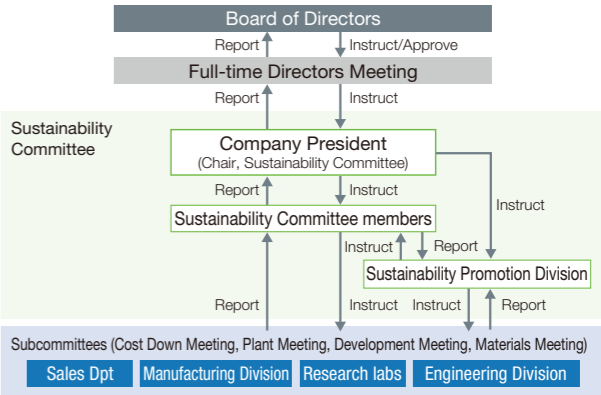
The Sustainability Committee studies climate-related risks and opportunities, reporting its findings to

the Board of Directors following deliberation by the Full-time Directors Meeting. After receiving reports on climate-related risks and opportunities, the Board of Directors ultimately specifies and evaluates climate-related risk for the entire Company, exploring options while paying close attention to the regulatory environment.

With respect to environment-related facilities, building renovations and other initiatives, the Cost Down Meeting, a meeting body that studies the cost side and GHG emissions Scope 1+2 impact of such changes, brings together and communicates with key personnel from worksites, and also collaborates with Sustainability Committee members from each business site.

Criteria for deciding relative importance of climate-related risks compared to other risks

1. Identification of risks and opportunities considered to impact materiality as defined by Yotai
2. Evaluation of importance of response measures based on the degree of impact of the identified risk or opportunity on stakeholders
3. Study from quantitative and qualitative perspectives to determine relative importance of climate-related risk



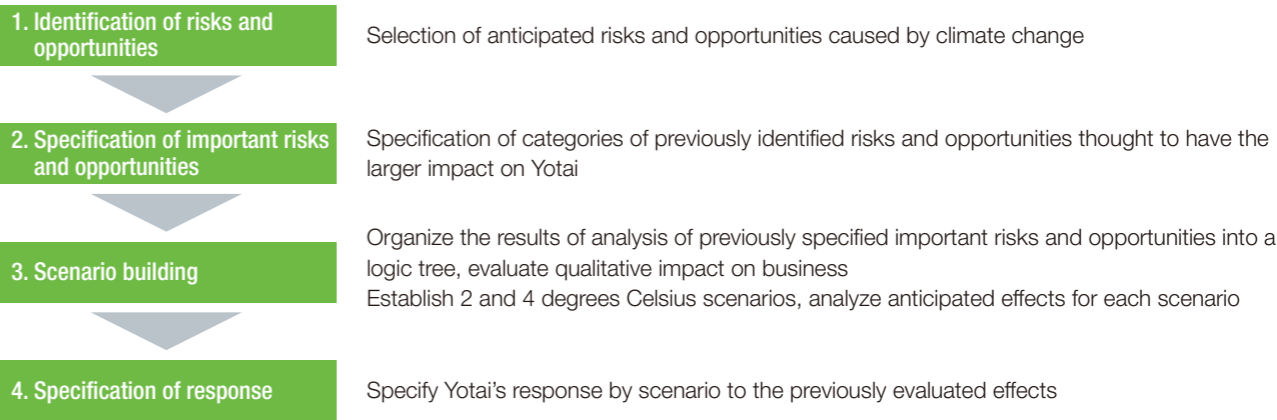
Short-, medium- and long-term climate change risks and opportunities

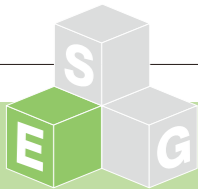
We conceptualized and conducted scenario analysis of the impact of climate change on Yotai along three time axes—short term (one to three years), medium term (through to 2030) and long term (from 2030 onward). For risks triggered by climate change, these are divided into those associated with transitioning to a low-carbon

society (transition risks) and those having a physical effect (physical risks). We identified those categories of risk and opportunities likely to have high impact in scenarios in which global average temperature rises by 2 and 4 degrees Celsius, respectively, compared to prior to the Industrial Revolution.

» P. 32 – “Likely impact of climate-related risks and opportunities on organization’s businesses, strategies and financial planning”

Scenario analysis process





Environment

Likely impact of climate-related risks and opportunities on organization’s businesses, strategies and financial planning

A rating of risk importance revealed 20 risk and opportunity items. Of these, nine listed in the chart below are considered to be of “major” importance.

■ Chart of potential risks and opportunities, degree of impact, response measures and timelines for items rated as “major” risk importance

(Degree of impact: ○ – Major impact, △ - Modest impact, × – No impact)

Type	Risk/opportunity category		Importance rating	Potential risk/opportunity	Degree of impact		Response measure	Timeline
	Broad category	Smaller category			2°C	4°C		
Transition risk	Policy/regulation	Carbon tax/ carbon price	Major	Molded products have drying and firing processes that use fuel oil, LNG and electricity. Molded products are classified as either fired or unfired products; fired products have a firing process that consumes a substantial amount of energy. Various policies currently being explored for adoption to combat climate change, including carbon taxes and higher energy conservation standards, will require significant additional costs.	○	△	● Investments in energy conservation, switch to renewable energy and switch to carbon-free energy ● Per-unit reductions in fuel and electricity ● Installation of storage batteries	Long term
		Carbon emission targets/policies in each country	Major	The international community is moving forward rapidly with initiatives to drive decarbonization. Failure to meet ensuing social demands could run the risk of lower sales Conversely, if more stringent targets are established in response to these demands, this could require more countermeasures than those for currently established targets at the 2°C standard. This, in turn, will entail expenses for new countermeasures. Yotai is establishing GHG reduction targets for fiscal 2031, and pushing ahead with introduction of solar power and other renewable energy. While reductions in future energy costs from the installation of such facilities will emerge, financial risk will rise during facility adoption.	○	×	● Investments in energy conservation, switch to renewable energy and switch to carbon-free energy ● Per-unit reductions in fuel and electricity ● Installation of storage batteries	Long term
		Stronger mandatory emissions reporting						
	Technology	Changes in energy mix	Major	Growth in fuel prices is directly linked to increases in manufacturing costs, a direct expense. However, there is concern that manufacturing costs could rise if the levy on renewable energy power generation based on the electricity feed in tariff in step with the widespread uptake of renewable energy going forward.	○	△	● Switch to renewable energy ● Further per-unit reductions in fuel and electricity	Long term
		Transition to low-emission technology	Major	There is a risk that profits could decline due to increased depreciation costs stemming from impairment losses and the acquisition of new equipment due to the upgrade of existing facilities and equipment in transitioning to low emissions technology. Similarly, there is a risk that profits could decrease due to higher R&D expenses accompanying the switch over to low emissions technology. Additionally, Yotai uses fossil fuels such as crude oil and LNG in the manufacture of refractories, as well as recycled fuel. Price volatility for fuels like crude oil and LNG in the transition to low emissions technology could potentially affect business performance.	○	○	● Shift costs to sales prices after observing impact on the entire supply chain ● Research and development of low-emissions products ● Sales volume expansion of low-emissions products	Long term Medium term
		Environmental regulations in each country	Major	Raw materials for refractories are sourced from China. China has also pledged to become carbon neutral in 2060, with domestic environmental regulations in China predicted to intensify going forward. High raw material prices that result from a decrease in supply volume are viewed as an ongoing risk.	○	△	● Discovery of new sources for purchase of raw materials	Long term
	Market	Changes in consumer preferences	Major	The entry of countries with low carbon price rates or those with more developed countermeasures to climate change into the refractory market, increased demand for unfired bricks and monolithic refractories, and a decline in refractory brick production volume are all predicted going forward. Furthermore, sales are expected to decline and logistics costs likely to increase in line with calls for low-carbon recycled refractories and low-carbon distribution.	○	△	● Sales volume expansion from shift to electric furnaces	Medium term
Physical risks	Chronic	Rise in average temperatures	Major	Labor productivity is predicted to decline among manufacturing worksite employees due to rising temperatures.	○	○	● Improved labor environment through capital investment	Long term
	Acute	Greater frequency and seriousness of abnormal weather patterns (torrential rains, flooding, etc.)	Major	Hindered operations and increased restoration costs predicted from damage to manufacturing bases and supply chain disruptions caused by more frequent large-scale typhoons, torrential rains and other weather.	○	○	● Production site dispersal in response to BCP	Long term
Opportunities	Products and services	Changes in consumer preferences	Major	Given strengths in the manufacture and sale of refractories for electric furnaces, the replacement of blast furnace products with low carbon, recyclable steel materials, coupled with anticipated growth in the scale of demand for such materials in the future, could lead to opportunities to expand product sales. Low-carbon refractory bricks, unfired bricks and monolithic refractories will contribute significantly to the scale of this market.	○	○	● Expanded sales of refractories for electric furnaces	Medium term

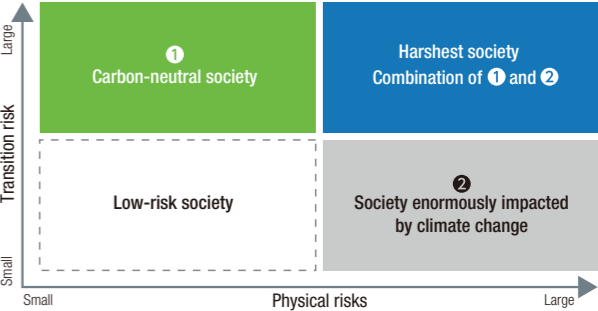
Established scenarios

From the study of results of analysis of in-house scenarios, by devising countermeasures, such as investment in energy conservation, energy-saving conversions and expanded sales of refractories for electric furnaces, this will heighten the resilience of Yotai

(1) Scenario with significant transition risk (2°C scenario)
In this scenario, “(1) Carbon-neutral society,” stringent restrictions are placed on GHG emissions and social systems move to mitigate climate change

(2) Scenario with significant physical risk (4°C scenario)
In this scenario, “(2) Society enormously impacted by climate change,” society must adapt to the physical effects of confronting threats from nature itself

businesses with respect to future risks. For the harshest social scenario, a combination of scenarios 1 and 2, risk can be reduced by amalgamating countermeasures separately devised for each scenario.



Process for distinguishing and evaluating climate-related risks and opportunities

At Yotai’s four domestic plants (Hinase Plant, Yoshinaga Plant, Kaizuka Plant and Mizunami Plant), along with risks and opportunities deliberated by both the Sustainability Committee and the Full-time Directors Meeting, we specify and rate risks and opportunities inherent to the business activity level of each plant. Results are reported to the Board of Directors for further deliberation and resolutions.

In discussing the rating of risks and opportunities, the Sustainability Promotion Division evaluates from the perspective of stakeholder needs and social trends, as well as importance to Yotai businesses. Following deliberation by the Sustainability Committee and the Full-time Directors Meeting, the results are reported to the Board of Directors.

For specified risks and opportunities, the

Sustainability Promotion Office first drafts an action plan, which is then reviewed and examined by the Sustainability Committee and approved by the Board of Directors. The approved action plans are implemented at each business site. Monitoring of the progress status of goals and targets for climate change-related initiatives is conducted annually by the Board of Directors.

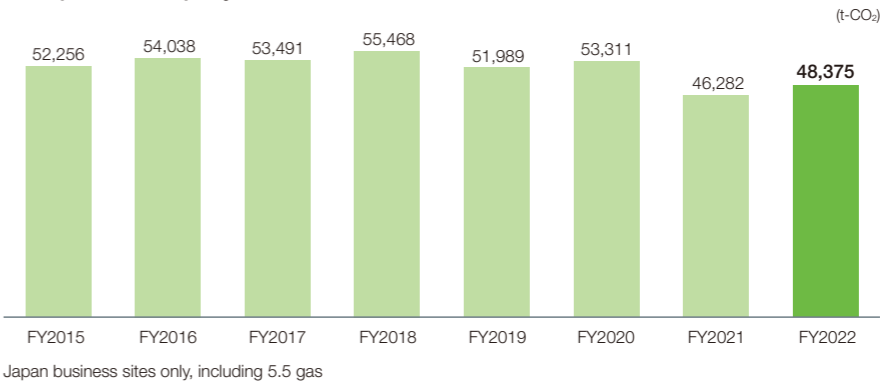
To integrate management of climate change risks and comprehensive organizational risks, Yotai conducts risk management through several bodies, including the Internal Audit Division, Compliance Supervision Division and the Sustainability Committee. Mechanisms are in place through which each department reports regularly to the Full-time Directors Meeting, and through which the meeting discusses the management of company-wide risk, including climate change.

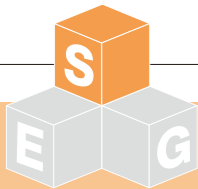
Indicators and targets

Yotai has defined GHG emissions Scope 1+2, along with the percentage of renewable energy accounting for electricity used in business activities, as two indicators in its management of climate-related risks and opportunities.

As targets for fiscal 2031, Yotai has set a 30% reduction in GHG emissions Scope 1+2, and aims to raise its renewable energy percentage to 30%, both compared to 2015 figures.

■ FY2015 to FY2022 Scope 1+2 companywide GHG emissions t-CO₂ conversion total





Social

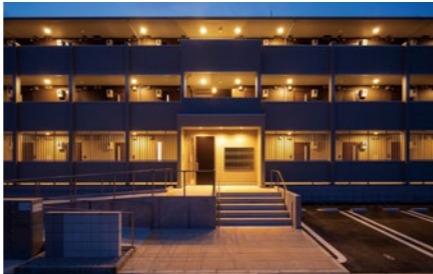
Improvement of Organizational Vitality and Productivity

Promoting human resource development and work style reform

With respect to human resource development, we plan to improve talent management. Initiatives are taking place to revise personnel evaluations as well as to create and implement skill improvement programs. Efforts are also underway to improve motivation via attentive treatment of employees. For work style reform, we are promoting the creation of an environment where employees can feel comfortable working in a drive to achieve work-life balance. Furthermore, where health and productivity management is concerned, we will enact seminars and other trainings to be certified by Japan's Ministry of Economy, Trade and Industry as a health and productivity management enterprise by the second half of fiscal 2024, ending March 31, 2024.



A discussion between Director Shinobu Akiyoshi and female regular employees



Building of a new employee dormitory in December 2020



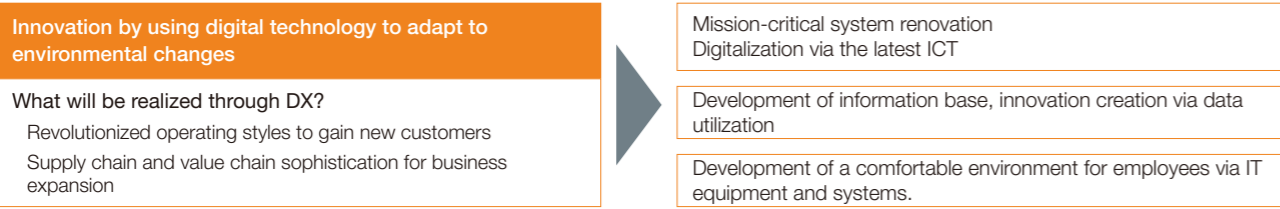
Promoting the recruitment of non-Japanese human resources

- Examples of Social (S) initiative
- Human rights.....Compliance consulting help desk establishment and education
 - Diversity.....Implementation of employee discussions led by a female external director
 - Creation of comfortable workplaces.....Personnel evaluation system reform and introduction of sustainable growth-style remuneration system
 - Promotion of health and productivity management.....Holding of health and productivity management seminars
 - For sustainable growth.....More aggressive approach to employment of new hires

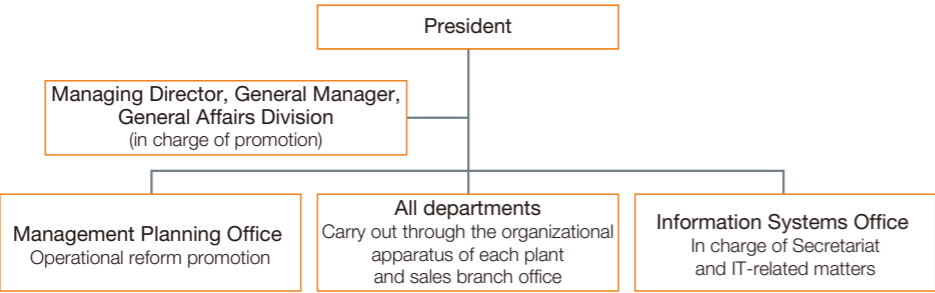
DX strategy

At Yotai, DX is about creating innovation using digital technology to adapt to environmental changes. Said innovations would include revolutionizing operating styles to gain new customers, and supply chain and value chain sophistication for business expansion. For these reasons, we will ready the DX system and solidly implement it under specific initiatives and definitive investment plans.

What is DX at Yotai?



DX promotion system map



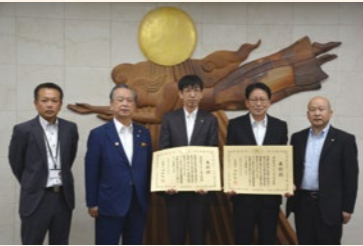
Schedule for investment in people, products, information and other areas

		…Preparation time window		…Start of operations			
		Fiscal 2022		Fiscal 2023		Fiscal 2024	
		First half	Second half	First half	Second half	First half	Second half
People							
Recruitment	Aggressive career human resource recruitment						
	Adoption of scouting-style recruitment approaches						
Training	Personnel evaluation system revision and implementation						
	Skill improvement programs creation and implementation						
Management	Working hour management system utilization						
	Personnel information consolidation and utilization						
	Promotion of health and productivity management						
Products							
Adoption of large high-pressure presses	Installation of presses 1,500 tons and over						
	Adoption of organization analysis systems						
Equipment for new product development	Adoption of property evaluation equipment						
	Study introduction of surface modification equipment for electronic part products						
Diversification of industrial furnace inspection methods	Adoption of industrial furnace inspection drones						
Lowering of CO ₂ emissions	Installation of solar panels						
	Adoption of electric vehicles and electric forklift trucks						
Information							
DX promotion	Improve business efficiency through the use of advanced ICT, such as RPA and AI-OCR						
	Improve customer response capabilities via introduction of sales support systems						
	Work style reform through working hour management system adoption						
	Promotion of talent management through personnel management system adoption						
	Organizational capacity improvement through systemization of manual work in the Engineering Division						
	Improve operational efficiency and productivity via mission-critical system renovation						
Other areas							
	M&A investment in related fields						

Initiatives targeting SDGs



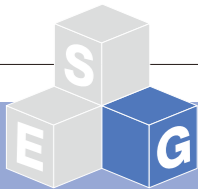
Support for eelgrass area restoration plan
Entered support agreement with the Town of Hinase fisheries cooperative association for plan to restore "eelgrass" seaweed that fosters rich fishing grounds



Blood donation activities
Our promotion of blood drives for nearly 40 years was recognized and received a commendation from Japan's Minister of Health, Labour and Welfare



Clothing support for refugees and disaster survivors
Donated of 262 outfits



Governance

Building a Highly Transparent, Effective Governance Structure

Overview of Yotai’s governance structure

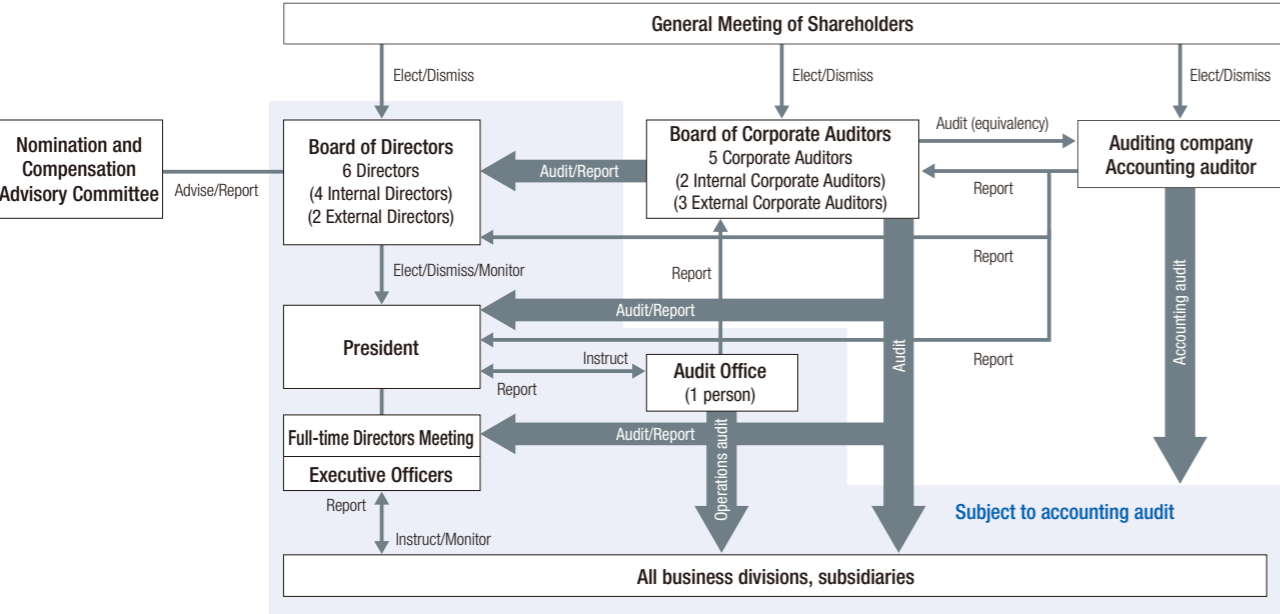
Rationale for adoption of current structure
In parallel with aims to achieve faster decision-making by Directors and energize the Board of Directors, we are working to encourage mutual management supervision by Directors, including External Directors, as well as thorough compliance. In addition, we are striving for more robust functionality for Corporate Auditors, including External Auditors, in order to maintain and enhance management soundness.

Board of Directors, Board of Corporate Auditors
Yotai’s Board of Directors is comprised of six members – President Mitsuo Taguchi, who serves as Board Chair, Shinichiro Takebayashi, Tadashi Taniguchi, Yorisada Matsumoto, Hiroshi Itano (External Director) and Shinobu Akiyoshi (External Director). The Board meets at least once monthly. Along with determining matters defined in basic management policies, laws and regulations, as well as articles of incorporation, the Board decides on important management-related matters, while also monitoring the status of business execution. In addition to electing Independent External Directors and preparing

to shift to a structure that emphasizes the supervisory functions of the Board of Directors, the Board is seeking to strengthen business execution functions through the introduction of an executive officer system.
Yotai has chosen to be a company with a board of corporate auditors. This configuration results in a highly objective and fair management structure supervised and monitored by the Board of Directors and the Board of Corporate Auditors.

Nomination and Compensation Advisory Committee
Yotai has established the Nomination and Compensation Advisory Committee, with Independent External Directors comprising over half the membership, as an advisory body to the Board of Directors. The Committee is entrusted with ensuring the fairness, transparency and objectivity of procedures pertaining to the nomination of and compensation for Directors and Corporate Auditors. The three-person committee is chaired by President Mitsuo Taguchi, with External Directors Hiroshi Itano and Shinobu Akiyoshi as the remaining members.

■ Corporate governance and internal control structure (as of June 28, 2022)



■ Composition of major meetings and times held

Meeting name	Composition	Fiscal year ended March 31, 2022 Number of times held
Board of Directors	4 Internal Directors, 2 External Directors	15 times
Board of Corporate Auditors	2 Internal Corporate Auditors, 3 External Corporate Auditors	13 times
Nomination and Compensation Advisory Committee	1 Internal Director, 2 External Directors	2 times

Initiatives for a more robust governance structure

Full-time Directors Meeting
Chaired by President Mitsuo Taguchi, the 16 members comprising the Full-time Directors Meeting gather at least once monthly to deliberate management planning and operational execution from a variety of perspectives.

Effectiveness evaluation of the Board of Directors
Each year, Yotai conducts an analysis and evaluation of the overall effectiveness of the Board of Directors. In fiscal 2022, analysis and evaluation of the Board’s overall effectiveness was based on the results of signed questionnaires submitted by all Directors and Corporate Auditors. In addition to the reporting of evaluation results to the Board of Directors, Yotai confirmed both the status of improvements versus the previous year’s evaluation and future issues to address. As a result, the Board of Directors was evaluated as having retained its effectiveness. Based on the results of the effectiveness evaluation and various input from each Director and Corporate Auditor, Yotai will take steps to further enhance the functionality of the Board of Directors going forward.

Director and Corporate Auditor training
Yotai provides ongoing opportunities for Directors and Corporate Auditors to acquire the knowledge and other skills necessary to fulfill their roles and responsibilities, with a basic policy of covering all necessary support, including bearing any related expenses. In fiscal 2022, Yotai held seminars led by external organizations for all Directors, Corporate Auditors and Executive Officers, centered on the themes of “responding to TCFD” and “insider trader regulations.” For External Directors and Corporate Auditors, we establish opportunities, as needed, for observing plants and other sites, and for heightening understanding of Yotai businesses. Meanwhile, newly appointed Directors

take part in seminars and other events held by external organizations to further deepen understanding of their role and responsibilities.

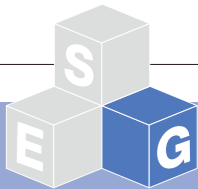
Constructive dialogue with stakeholders
Yotai recognizes dialogue with stakeholders as essential to sustainable growth and improving its corporate value over the medium to long term. To this end, the Head Office General Affairs Department serves as a point of contact for fielding requests from shareholders and all other stakeholders. In particular, certain Directors and other officers are assigned to answer requests for individual meetings and telephone interviews with shareholders and institutional investors.

Ensuring the diversity of core human resources
In the push for sustainable growth, Yotai is aggressively pursuing new and mid-career employee hires regardless of sex, nationality or age. At the same time, we are putting an environment in place for creating comfortable workplaces. To ensure diversity, we are vigorously hiring on mid-career professionals as core human resources. The First Medium-term Management Plan (FY2022-FY2024) is targeting a total of 25 mid-career hires, with sights on raising the percentage of mid-career hires in management positions.
For the recruitment of women into management positions, by fiscal 2027, the action plan for Yotai on a non-consolidated basis calls for (1) an employment rate of 20% or higher for women in the new graduate general employment pool, (2) the hiring of at least one woman into a management position, compared to 0 currently in place, as we put an employment environment in place where all employees can thrive regardless of sex.

On a similar note, our policy is to pursue aggressive recruitment and hiring of foreign national employees into management positions as well.

■ Enhancements and changes in corporate governance

	2019	2020	2021	2022
Board of Directors Figure in () is number of External Directors	5 (1)	6 (2)	6 (2, 1 woman)	
Board of Corporate Auditors Figure in () is number of External Corporate Auditors		5 (3 External Directors)		
Voluntary committee			Establishment of Nomination and Compensation Advisory Committee	
Director and other officer compensation			Adoption of remuneration system offering transfer-restricted shares	
			Introduction of Executive Officer system	
Other		June 2018 revised CG Code Full compliance	Compliance with June 2021 revised CG Code	Board of Directors effectiveness evaluation enactment



Governance

■ Composition of Board of Directors/Board of Corporate Auditors, skill matrix

	Name	Internal/ external independent officer	Sex	Rank and responsibilities within Yotai	Skill								
					Management	Technology/ R&D	Sales	Personnel/ Labor	Finance/ accounting	Legal/risk management	Audits (operations/ accounting)	ESG	IT systems
Director	Mitsuo Taguchi	Internal	Male	President Chair, Nomination and Compensation Advisory Committee	○	○	○					○	
	Shinichiro Takebayashi	Internal	Male	Managing Director; General Manager, Head Office General Affairs Department	○			○	○			○	○
	Tadashi Taniguchi	Internal	Male	Director; Manager, Hinase Plant	○	○						○	
	Yorisada Matsumoto	Internal	Male	Director; General Manager, Tokyo Branch	○	○	○					○	
	Hiroshi Itano	External	○ Male	External Director Member, Nomination and Compensation Advisory Committee	○		○	○		○		○	○
	Shinobu Akiyoshi	External	○ Female	External Director Member, Nomination and Compensation Advisory Committee	○					○		○	
Corporate Auditors	Takashi Umezawa	Internal	Male	Full-time Corporate Auditor	○	○					○	○	
	Tadaharu Tani	Internal	Male	Corporate Auditor	○	○	○				○	○	
	Shinichi Inoue	External	Male	External Corporate Auditor	○	○				○	○	○	
	Yasuo Fujiwara	External	Male	External Corporate Auditor	○					○	○	○	
	Kazuhide Urata	External	○ Male	External Corporate Auditor	○					○	○	○	

The above chart is not an exhaustive account of all skills, experience, capabilities, other knowledge or accomplishments possessed by the individual Directors and Corporate Auditors listed.

Compensation for Directors and officers

At a meeting of the Board of Directors on May 13, 2021, Yotai outlined a decision-making policy with regard to details concerning compensation for individual Directors.

For the remuneration of Yotai Directors, the Company has opted for a remuneration system linked to shareholder profits, allowing it to function amply as an incentive for sustained improvement in corporate value. When making decisions regarding the remuneration of individual Directors, the basic policy is to set such at a standard appropriate in light of the Director's specific duties and responsibilities. Specifically, Director remuneration consists of basic compensation as fixed remuneration, performance-based compensation, and non-monetary remuneration.

For the policy for determining the amount of individual compensation with respect to basic compensation (monetary remuneration), the basic compensation of Yotai Directors is decided based on a fixed monthly remuneration and comprehensive consideration of other factors such as rank, assigned duties, number of years in the position, performance in each business term, and balance with respect to employee salaries.

Performance-based compensation is designed to heighten awareness of the need to improve performance each fiscal

year. It consists of cash compensation reflecting performance, the amount of which is calculated based fundamentally on total dividends and ordinary profit each fiscal year, and is paid as a bonus given at a set time annually. For the fiscal year under review, performance-based compensation totaled ¥29 million.

Non-monetary remuneration involves the offering of transfer-restricted shares, and is granted as an incentive to encourage sustained improvement in corporate value, as well as to further promote shared interest with Yotai shareholders. Yotai Directors (excluding External Directors) are given monetary claims granting transfer-restricted shares, for a total amount capped at ¥50 million per year; Yotai can issue or dispose of up to 100,000 shares of common stock annually (however, in the event of a split of Yotai shares of common stock (including the gratis allotment of such shares) or a stock merger, depending on the split or merger ratio, the total number of such shares is adjusted within a rationale scope, as needed). These claims are dispensed at a set time annually. For the fiscal year under review, the Company paid non-monetary remuneration totaling ¥10 million in monetary claims treated as contributed assets, and allotted 7,879 shares.

As warranted, this system is reviewed upon request from the Nomination and Compensation Advisory Committee.

Internal control systems and risk management structure

The Board of Directors had defined the basic policy below regarding development of the Company's internal control systems. Based on this policy, Yotai and its subsidiaries work to ensure the suitability of their operations, while constantly

reviewing the status of their current systems to achieve ongoing improvements, with the goal of building a more effective internal control systems going forward.

1. System for ensuring the Directors and key personnel of Yotai and its subsidiaries execute duties in conformance with the law and the Articles of Incorporation

(1) Yotai has defined a corporate philosophy, code of conduct and ethical guidelines, extensively spreads awareness of these among all Yotai Group Directors, officers and employees, and complies with laws and internal regulations in line with its basic rules regarding compliance.
(2) Based on internal audit regulations, the Internal Audit Office collaborates with Corporate Auditors and others to conduct internal audits for examining whether the Yotai Group is in conformance with laws and internal regulations.
(3) The Yotai Group seeks to prevent situations in which the execution of duties by Directors and key personnel is in violation of laws, the Articles of Incorporation or internal regulations, or are lacking in legitimacy; the Group also fulfills its social responsibility as a corporation by ensuring the reliability of financial reporting and providing appropriate information. Together with monitoring regulations designed to contribute to the maintenance and improvement of the Group's social trust, Yotai strives to discover and correct wrongdoing as early as possible.

2. System for storage and management of information pertaining to execution of duties by Directors

(1) For information below pertaining to the execution of duties by Directors, such information is stored and managed in line with the law and internal regulations.
1. Minutes from the General Meeting of Shareholders 2. Minutes from meetings of the Board of Directors 3. Minutes from the Full-time Directors Meeting 4. Other information
(2) Yotai maintains such information so that it is readily viewable by Directors and Corporate Auditors.

3. Regulations and other systems for managing the risk of losses for Yotai and its subsidiaries

(1) Based on the current status of regulations regarding the risk management system, the Group maintains a risk management system that clarifies responsibilities and authority.
(2) The Group clarifies acute and latent risks, and rates the impact such risks pose to management.
(3) For risks believed to pose a significant impact for Yotai Group management, the Group maintains a monitoring system and a system for minimizing losses caused by risks that materialize.
(4) The identification and evaluation of risks to the Yotai Group are periodically reviewed.

4. System for ensuring efficient execution of duties by Directors of Yotai and its subsidiaries

(1) The Board of Directors, based on Board rules and the operating guidelines of the Full-time Directors Meeting, strives to enhance management efficiency without injuring the soundness of the Company itself.
(2) The Board of Directors decides management targets based on management policies, and spreads awareness extensively to key personnel through the Management Meeting, consisting of Directors and personnel in charge of each department and division.
(3) The Board of Directors, in principle, meets at least once monthly. In conducting efficient management, the Board evaluates goal achievement status and works to review management driven by rapid decision-making.
(4) In parallel with the election of Independent External Directors and preparing to shift to a system that emphasizes the supervisory functions of the Board of Directors, Yotai is introducing an Executive Officer system in a bid to strengthen operational execution functions.
(5) Yotai has established the Nomination and Compensation Advisory Committee, with Independent External Directors comprising over half the membership, as an advisory body to the Board of Directors. The Committee is entrusted with ensuring the fairness, transparency and objectivity of procedures pertaining to the nomination of and compensation for Directors and Corporate Auditors.

5. System related to reporting to Yotai of matters pertaining to the execution of duties by Directors of subsidiaries

Yotai's operating manuals for its Production Meeting and Management Meeting mandate the periodic reporting of subsidiary operating results, financial condition and other important information to the Company.

6. Matters related to key personnel requested to assist Corporate Auditors in performance of their duties

Key personnel to assist Corporate Auditors in the performance of their duties are allocated as needed upon request by the Corporate Auditors, with personnel chosen based on specialized skills for the task.

7. Matters related to ensuring independence from Directors of the aforementioned key personnel and efficacy of instructions given to such personnel

The appointment, transfer, period of assistance and other decision-making matters regarding personnel authority pertaining to key personnel assisting the Corporate Auditors requires the prior consent of the Corporate Auditors to ensure independence from the Directors.

8. System for reporting by Directors and key personnel to the Corporate Auditors and system for prohibiting mistreatment of reporters

(1) Directors and key personnel are to immediately report, upon discovery, any events that could have a significant or dramatic impact on Yotai Group management, or any such matters conveyed to them from outside the Company, to the Corporate Auditors.
(2) Upon request from the Corporate Auditors, Directors and key personnel are to report, without delay, on any matters pertaining to the status of execution of their duties.
(3) In accordance with internal reporting regulation, any retaliatory behavior against a reporter is prohibited.

9. Matters related to policy pertaining to advance payment of expenses arising from execution of duties by Corporate Auditors, reimbursement procedures and other expenses arising from said execution of duties and treatment of debt

When requested by Corporate Auditors to pay in advance for expenses arising from the execution of their duties, following deliberation by the relevant department or division, the requested expenses or debts are dealt with immediately, with the exception of cases in which these are recognized as unnecessary.

10. System for ensuring the effective conduct of other audits by Corporate Auditors

(1) The Corporate Auditors meet regularly with the President to exchange opinions and information.
(2) The Corporate Auditors have access to all important management-related information, and consistently monitor management.
(3) The Corporate Auditors have the authority to directly request reexamination based on the results of internal audits reported by any division or department.

11. Basic approach to and status of other preparations for dealing with anti-social forces

(1) Eliminating anti-social forces from civil society is both necessary and important from a corporate social responsibility perspective. Accordingly, as stipulated in its ethical guidelines and basic regulations on compliance, the Yotai Group has no relationships whatsoever with anti-social forces and promotes compliance management.
(2) As an integrated response department, the Company has installed personnel responsible for preventing inappropriate requests at the Head Office General Affairs Department. These staff members work in partnership with police and other external specialists to respond firmly to inappropriate requests from anti-social forces.

Policy regarding cross-shareholding

Yotai views the maintenance and development of relationships of trust and collaborative relationships cultivated with a wide range of business partners through business activities over the years as extremely important, from the perspective of both sustainable growth and medium- to long-term improvement in corporate value. Yotai will pursue such shareholding whenever it is deemed to maintain or strengthen transactional relationships with the business partners, enhance the profitability of both companies, or when doing so will contribute to improvement in Yotai's own corporate value. Each year, Yotai considers each individual

shareholding qualitatively to determine whether it contributes to improvement in the Company's corporate value, and quantitatively to determine if it is commensurate with capital cost. After a comprehensive determination is made, stocks deemed to offer little significance in holding further are sold off, while paying close attention to the market impact of doing so. In reviewing shareholding significance, the first evaluation is made by the Full-time Directors Meeting, with final decisions on the suitability of cross-shareholding made by the Board of Directors in light of this initial determination.

Compliance

Basic Compliance Rules

Yotai's "Basic Compliance Rules" define compliance as adherence to laws and regulations (including administrative notices and guidelines), internal rules, and our corporate philosophy, and serve as our basic management policy. Employees shall not only faithfully observe laws and regulations, but shall also be fully aware of our corporate philosophy and code of conduct, and shall perform their duties with common sense and responsibility as members of society.

Promotion System

In order to ensure that all employees are fully aware of their responsibilities, the Director in charge of the General Affairs Department serves as the promotion officer, with the head of each business site designated as the person in charge of promotion. The department in charge of promotion is the Head Office General Affairs Division.

All Directors, officers and employees work constantly and diligently to improve compliance awareness. An internal

compliance consulting helpline has also been established to better enable business execution based on a compliance mindset.

Training Program

As needed, we strive to raise awareness of compliance and provide correct knowledge by posting notices in our internal newsletter and on our website, as well as holding training sessions.

Internal Reporting System

We have established an "Internal Reporting System" for reporting to the Company the details of violations of internal rules, laws and regulations, and other violations of corporate ethics in the workplace. The Compliance Control Department is the internal contact point for reporting compliance violations, with an external consultation organization as the external contact point for reporting violations.

The General Manager of the Compliance Control Office is the officer in charge of the Head Office General Affairs Division. The member of the Compliance Control Department is appointed and composed by the General Manager of the Compliance Control Department.

Information Security Management Structure

The Information Security Management Committee has been established as an umbrella organization for information security. The committee promotes thorough information security based on the Information Security Policy and oversees the overall information security of the entire Company, including the establishment of decision criteria for matters not stipulated in the Information Security Policy.

The committee is chaired by the Director in charge of the Head Office General Affairs Division, and the information management manager appointed by the chairperson checks the status of information security as necessary.

Initiatives for Personal Information Protection

We have established "Personal Information Management Rules" to prevent unauthorized acquisition, use and disclosure of personal information, as well as other illegal activities involving personal information.

The personal information protection manager is the General Manager of the Head Office General Affairs Division. In addition, an audit manager appointed by the President periodically inspects whether personal information is being handled properly in the Company and how these rules are being applied. An audit report is prepared on the results of the inspection, which is reported to the President.

Response to COVID-19

In our response to COVID-19, we prioritize the protection of human life, including employees and their families, customers and related parties, and neighboring communities, and strive to prevent the spread of infection and ensure business continuity.

In addition, basic measures to prevent the spread of infection are thoroughly implemented, such as wearing gapless masks, washing and disinfecting hands, frequent ventilation of offices, and prohibiting conversation when eating and drinking.

Directors and Officers

Director



Mitsuo Taguchi
President



Shinichiro Takebayashi
Managing Director
General Manager, General Affairs
Department, Head Office



Tadashi Taniguchi
Director
Manager, Hinase Plant



Yorisada Matsumoto
Director
General Manager, Tokyo Branch



Hiroshi Itano
External Director



Shinobu Akiyoshi
External Director

Corporate Auditors



Takashi Umezawa
Corporate Auditor (Full-time)



Tadaharu Tani
Corporate Auditor



Shinichi Inoue
External Corporate Auditor



Yasuo Fujiwara
External Corporate Auditor



Kazuhide Urata
External Corporate Auditor

Connecting a vision for the Company's future and in-depth discussion of management risks to continued possibilities for Yotai

Hiroshi Itano
External Director



Board of Directors creating a consciousness among every Director to take responsibility and speak up

Instead of an atmosphere that stifles debate, Yotai's Board of Directors is a place where even I can actively speak about things that I notice. The Board listens to and earnestly considers what I and the other External Directors have to say. In terms of the Board's proceedings, previously, each Director would speak at the end after all of the agenda items were explained. Now, however, the Board has switched to an approach where each Director offers an opinion after every individual agenda item. This has made it easier to speak up and led to much livelier Board discussions.

Selection and training of future Director candidates through discussions by the Board of Directors

In recent years, Yotai has put systems in place by enacting a range of measures in step with Japan's Corporate Governance Code, including the introduction of an Executive Officer system and establishment of a Nomination and Compensation Advisory Committee, efficacy evaluations of the Board of Directors, and adoption of a remuneration system offering transfer-restricted shares. If I were to give one point for improvement, I would like to see more robust discussions from the point of view of shareholders.

Although at present we have been asking for all general manager-class personnel to attend meetings of the Board of Directors and provide presentations on specific themes, my feeling is that there is still little in-depth discussion of this request. Having difficult discussions will energize Board discussions, and will raise the consciousness of those general manager-class personnel giving presentations. It will also help to encourage the growth of future managers. On the Board side, too, this will prove useful in selecting future candidates for Director. In better grasping both the thinking and disposition of employees through Board discussions,

Yotai can achieve a greater number of Director candidates, while making the appointment of the best suited Directors possible.

Rising need for discussions from a medium- to long-term perspective

With social uncertainty today on the rise, exploring management risks from a medium- to long-term perspective is also an important theme. Because Yotai is a company that supports Japan's core industries, continuing to stably supply refractories must remain its social mission into the future. But since the prices of raw materials and transportation costs are surging higher, and there is high reliance on China for the procurement of raw materials for refractories, the level of importance of risk management for meeting Yotai's supply responsibilities is climbing.

Additionally, I think we need to discuss the kind of company that Yotai hopes to be in the future from a medium- to long-term perspective. Now that economic activity has resumed, the outlook is that firm demand for refractories will continue, particularly for sectors like steel, nonferrous, environmental systems and electronic parts. But since Japan's economy is maturing, demand for refractories can be expected to gradually diminish over the long term. Yotai's continued survival will hinge on tackling new business challenges to expand its business portfolio. Because it has abundant funds available, Yotai can buy both technology and time through M&A activity. That said, the Company needs to lay out concretely the future vision it is aiming for in order to do M&A effectively. With the First Medium-term Management Plan already running through the March 2024 term, this kind of discussion will be critical when formulating the Second Medium-term Management Plan.

As Yotai moves toward the goal of being a partner supporting Japan's core industries, I hope to contribute to the Company taking on the bold challenges that will enable it to develop even further.

Profile Joined Nomura Computer Systems Co., Ltd. (now Nomura Research Institute, Ltd.) in 1980. In 2015, became Representative Director and Senior Executive Managing Director in charge of NRI's Corporate Administration, Risk management, Compliance and Health and Productivity Management. Named a Director of NRI in 2017, and selected as Outside Director for Data Applications Company, Ltd. (current). Became a Director of FIXER Inc. in 2018. In 2020, named External Director of Yotai Refractories Co., Ltd. (current). Currently an Outside Director for Yamashin-Filter Corp.

Wide expectations for showcasing Yotai's presence as an enterprise supporting Japan's core industries by fulfilling its responsibilities to society

Shinobu Akiyoshi
External Director



Board of Directors where highly transparent discussion happen

At meetings of the Board of Directors, from my standpoint as an attorney, I have committed myself to offering objective and appropriate opinions and advice, mainly from a legal perspective, related to the Company's corporate governance, compliance, M&A activity, and other areas. I really feel as though Yotai's Board of Directors is a place where every person's words are heard and thoughtfully considered, and where highly transparent discussions take place.

At Board meetings, whenever an agenda item is unclear, or questions arise as to the specific effects or risks that it could entail, each Director examines it and offers input from their own specialized perspective. Any item not amply examined becomes homework for the Director to consider further, which they then report back on in detail at the next meeting.

Going forward, the issue that arguably needs more scrutiny is the Company's approach to cross-shareholding. While Yotai has already developed a framework for examining whether cross-shareholding contributes to enhancement of corporate value and reviews the system itself, cross-shareholding is something that I think should be recognized as an ongoing issue to address.

Real sense of creating comfortable workplaces through dialogue with female employees

From my position as a female External Director, the goal of much of my action has been to further energize initiatives designed to ensure diversity, including career advancement for women. As part of this, Yotai has established spaces for me to dialogue with female employees in the general employment pool who are to rise into management positions in the near future, and I've been able to hear candid opinions from them regarding their awareness of and requests with respect to work styles and other issues. None of the employees felt that a gender gap existed in the workplace, or expressed any unease in rising into management positions, and instead felt that Yotai has created a comfortable environment to work in. That said, since there are currently no women in

management, I was left with the impression that perhaps they had no specific image of the role or difficulties faced by female managers. Continuing to drive initiatives for the advancement of women can be the impetus for considering the kinds of systems necessary for turning points in our life cycle, and is expected to lead to initiatives for ensuring diversity.

Evaluation of contribution of decarbonization investments to improving medium- to long-term corporate value

During the past several years, beyond financial information alone, more attention has been turning to non-financial information, such as initiatives addressing the environment, society itself and governance (ESG), when it comes to evaluating a company.

Yotai is taking a variety of steps to answer social concerns and expectations of this kind. In particular, the Company has established a Sustainability Committee, chaired by the President, which seeks to put a framework in place for studying and promoting initiatives of this kind. Above all, guided by recognition that initiatives for moving to carbon neutrality are a key issue, Yotai is investing aggressively in areas like decarbonization. I think this investment can be construed as contributing greatly to improving corporate value over the medium to long term. Many employees also take part in the CSR activities Yotai carries out as a company, so there's a real sense of how deeply the idea of social contribution runs in every employee.

Yotai is an enterprise with a history of supporting the advancement of Japan's core industries by leveraging its strengths built over the years in manufacturing technology and knowhow, and its high market share in various sectors. This, in turn, has contributed to the advancement of our own lives. In April of this year, Yotai moved to the TSE's Prime market, which has brought attention to Yotai as a company and raised expectations for it even higher. Going forward, I expect that Yotai will not only continue to be a leader in the advancement of core industries, but will showcase its presence as a leading company in refractories, while also contributing to society as a whole through its proactive ESG-related initiatives.

Profile Registered as an attorney with the Osaka Bar Association in December 2008. Joined Doujima Sougou Law Office in January 2009. Named a partner at Doujima Sougou Law Office in January 2018 (current). Named regular delegate of the Osaka Bar Association in 2018. In 2019, retired as regular delegate of the Osaka Bar Association. From November 2020, began working as consultant for specified Nonprofit organization Hikosen, and became member of the Living Environment Dispute Conciliation Committee for the City of Ashiya, Japan. In 2021, registered as an Employment Environment Improvement Expert (Class 1). Named External Director of Yotai Refractories Co., Ltd. in 2021 (current).

Fiscal 2022 Financial Review

Operating results

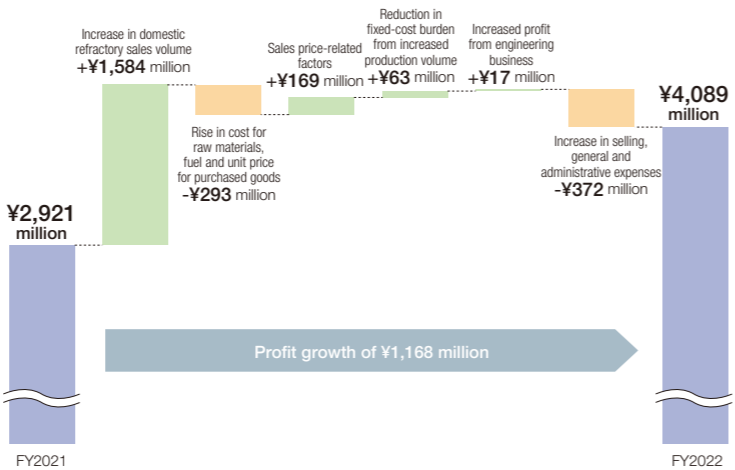
- Net sales rose 10.0% year on year, boosted by increased sales volume for refractories due to a rebound in the steel industry, the principal source of Yotai business transactions
- Despite higher prices for raw materials and fuel, ordinary profit climbed 36.5% year on year, reflecting growth in production and shipment volume
- Higher revenues and earnings in the engineering business, mainly atop increased orders for large-scale construction projects. Segment profit rose to a record high

Financial Analysis

Net sales for the consolidated fiscal year under review rose ¥2,357 million year on year, to ¥25,912 million. Higher sales volume for refractories, driven by increased demand from steel manufacturers, was the main factor behind this growth.

Operating profit rose ¥1,168 million year on year (operating profit to net sales ratio of 15.8%), to ¥4,089 million. Factors driving profit growth included increased domestic sales volume for refractories, sales price-related factors, and a smaller burden for fixed cost due to higher production volume, all of which offset factors such as rising prices for raw materials and fuel.

Analysis of change in operating profit



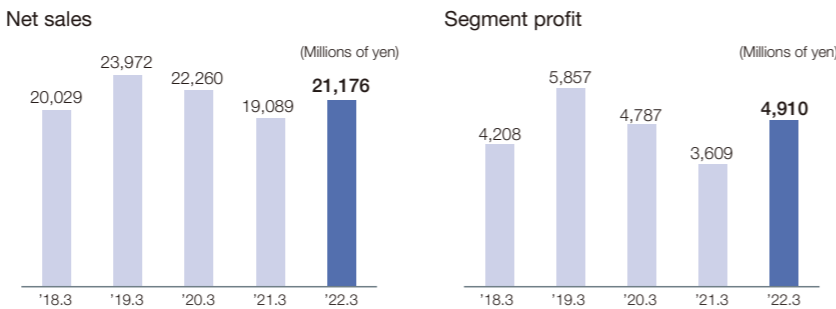
Performance by Segment

Organizationally, Yotai is fundamentally composed of the refractories business and the engineering business. The Company devises comprehensive domestic and overseas strategies and conducts business activities for each business individually. Accordingly, Yotai categorizes “refractories” and “engineering” as its reporting segments.

Refractories Segment

Net sales for the segment rose 10.9% year on year to ¥21,176 million, with segment profit up 36.0% to ¥4,910 million for the same period. Growth came atop increased demand from steel manufacturers.

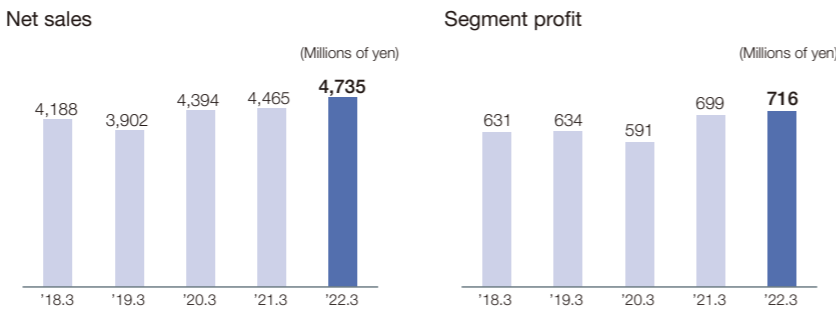
Refractories Segment – Net sales and segment profit



Engineering Segment

Net sales for the segment rose 6.1% year on year to ¥4,735 million, with segment profit up 2.5% to a record high of ¥716 million. Growth was spurred by an increase in orders for large-scale construction projects.

Engineering Segment– Net sales and segment profit



Dividend Policy

The speed of technological change and advancement in the industry is dramatic, making investment in the upgrade and streamlining of production facilities extremely important. In principle, the capital necessary to do so is allocated from internal reserves.

In terms of policy with respect to dividends, backed by a fundamental commitment to the continued payment of a stable dividend, our basic policy is to strengthen the Company's financial structure, while building and augmenting internal reserves and paying a dividend commensurate with earnings.

Guided by this approach, under the First Medium-term Management Plan (FY2022 to FY2024), in parallel with allocations to promote strategic investments, upgrade investments, IT investments and others to develop a management base to support sustainable growth, we are reinforcing fund allocation to shareholder returns. Regarding such returns, we intend to continue payment of a stable dividend, with a target consolidated payout ratio of 30%, while flexibly purchasing treasury shares.

In terms of year-end dividends from retained earnings for fiscal 2022 (ended March 31, 2022), we paid a dividend per share of ¥27, after accounting for a comprehensive range of factors, including financial condition and business performance. Combined with an interim dividend per share of ¥16, the full-year dividend was ¥43 per share, or ¥26 higher than in the previous fiscal year.

Financial Position

Total assets as of March 31, 2022 stood at ¥38,750 million, an increase of ¥3,353 million from the previous consolidated fiscal year-end. This growth mainly reflected increases in raw

materials and supplies, finished products, notes and accounts receivable - trade, and electronically recorded monetary claims, and came despite a decrease in cash and deposits.

Liabilities amounted to ¥8,640 million, an increase of ¥2,276 million from a year earlier. This increase was mainly due to unpaid expenses, including accounts payable - trade, electronically recorded obligations, and income taxes payable.

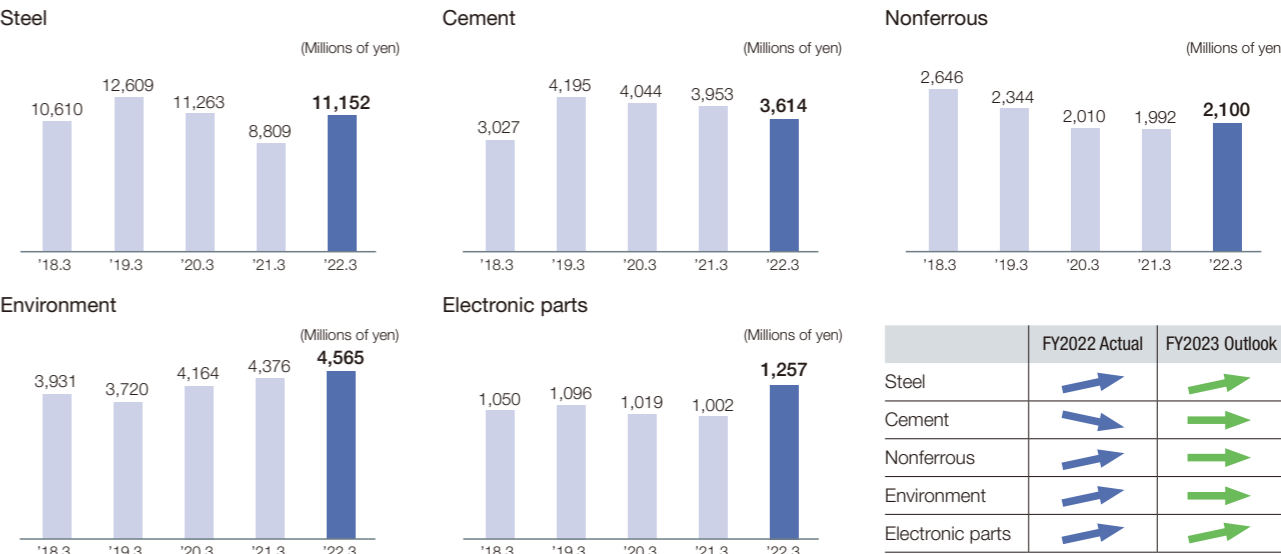
As a result, the capital adequacy ratio as of March 31, 2022 was 77.7%. While this was down 4.3 percentage points from 82.0% at the previous fiscal year-end, the Company's financial position is still deemed to be in good shape overall.

Cash Flows

Cash and cash equivalents as of March 31, 2022 stood at ¥8,537 million, a decline of ¥2,853 million year on year, as profit before income taxes and an increase in trade payables were offset by growth in inventories from increases in raw materials and ingredients, an increase in trade receivables, and cash used for the purchase of treasury shares (¥1,499 million).

Cash flows (Millions of yen)		
	FY2021	FY2022
Cash flows from operating activities	4,803	421
Cash flows from investing activities	(1,202)	(1,208)
Cash flows from financing activities	(418)	(2,111)
Effect of exchange rate changes on cash and cash equivalents	2	45
Change in cash and cash equivalents	3,184	(2,853)
Cash and cash equivalents, end of term	11,390	8,537

Sales performance (non-consolidated) by industry sector and outlook



Key Financial Data

	2012.3	2013.3	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3
Consolidated Fiscal Year (Millions of yen)											
Net sales	21,716	20,357	20,107	21,123	21,465	22,236	24,217	27,875	26,654	23,554	25,912
Cost of sales	18,045	16,822	17,095	17,787	18,002	18,182	18,527	20,587	20,535	18,594	19,565
Gross profit	3,671	3,535	3,011	3,336	3,462	4,054	5,690	7,287	6,118	4,960	6,347
Operating profit	1,556	1,441	884	1,179	1,309	1,913	3,559	5,134	4,017	2,921	4,089
Ordinary profit	1,627	1,554	1,043	1,346	1,396	2,013	3,663	5,224	4,134	3,021	4,123
Profit attributable to owners of parent	895	852	793	924	936	1,374	2,625	3,610	2,794	1,845	2,966
R&D expenses	158	147	149	167	156	138	124	134	137	167	188
Cash flows from operating activities	465	2,512	903	1,580	693	3,070	(1,759)	3,048	5,413	4,803	421
Cash flows from investing activities	(426)	(470)	(370)	(466)	(658)	(527)	(778)	(943)	(1,111)	(1,202)	(1,208)
Cash flows from financing activities	(437)	(1,096)	(354)	(244)	(248)	(234)	(229)	(317)	(398)	(418)	(2,111)
Consolidated Fiscal Year-end (Millions of yen)											
Net assets	15,345	16,305	17,029	18,000	18,319	19,728	22,163	25,104	27,234	29,032	30,109
Total assets	21,819	21,926	22,743	24,558	24,163	26,432	29,336	34,186	34,443	35,396	38,750
Per-share indicators (Yen)											
Basic earnings per share	39.94	38.03	35.54	42.03	42.61	62.53	119.44	164.29	127.17	84.59	141.28
Dividends per share (annual)	10.00	10.00	9.00	10.00	10.00	10.00	12.00	15.00	16.00	17.00	43.00
Net assets per share	684.57	727.46	774.38	818.64	833.34	897.58	1,008.43	1,142.27	1,239.17	1,332.86	1,460.90
Financial Indicators											
Operating profit margin (%)	7.2	7.1	4.4	5.6	6.1	8.6	14.7	18.4	15.1	12.4	15.8
ROE (return on equity) (%)	6.0	5.4	4.8	5.3	5.2	7.2	12.5	15.3	10.7	6.6	10.0
Capital adequacy ratio (%)	70.3	74.4	74.9	73.3	75.8	74.6	75.5	73.4	79.1	82.0	77.7
PER (Price-earnings ratio) (Times)	9.24	7.81	8.61	9.30	6.81	6.06	6.68	3.11	4.95	12.14	8.91
Share price (Year-end closing price) (Yen)	369	297	306	391	290	379	798	511	630	1,027	1,259
Payout ratio (%)	25.0	26.3	25.2	23.8	23.5	16.0	10.1	9.1	12.6	20.1	30.4
Net sales per employee (Millions of yen)	34.44	32.44	33.37	36.86	37.72	38.84	42.98	50.82	48.16	42.71	47.07

Non-financial Data

	2018.3	2019.3	2020.3	2021.3	2022.3
Environment					
Refractory Production Volume (t)	122,538	122,017	112,356	99,190	112,503
GHG Emissions (t-CO ₂)	55,468	51,989	53,311	46,282	48,375
Scope 1	40,694	37,187	38,824	33,023	34,641
Scope 2	14,774	14,801	14,487	13,259	13,733
Energy Usage (GJ)	589,606	547,177	514,473	482,076	509,188
Electricity Usage (MWh)	25,260	25,472	25,102	22,944	23,970
Water Usage (m ³)	89,359	79,785	77,857	77,164	74,515
Social					
No. of employees [consolidated]	556	541	566	537	564
[non-consolidated]	415	417	442	444	475
Pct. female employees (%)	8.9	9.4	12.0	13.5	13.1
No. of managers	72	69	69	75	73
No. of female managers	0	0	0	0	0
Average years of continuous employment Males (years)	15.23	15.23	14.67	15.29	14.64
Average years of continuous employment Females (years)	11.59	10.59	8.53	8.40	8.79
Turnover rate 3 years after employment (%)	38.5	31.6	25.0	20.0	15.0
Voluntary retirement rate (%)	8.2	3.4	2.3	2.5	3.8

	2018.3	2019.3	2020.3	2021.3	2022.3
Social					
Working hours *1 (hours/year)	2,293	2,238	2,178	2,064	2,171
Age brackets					
Under 30 years old	100	97	99	98	108
30-39 years old	120	112	119	118	124
40-49 years old	120	134	135	128	129
50-59 years	72	71	85	95	108
60 years or older	3	3	4	5	6
Days of paid leave taken *2 (days/year)	14	15	15	15	15
No. of care leave claimants	0	1	0	0	0
Disabled employment rate (%)	1.92	1.91	2.13	2.13	1.95
No. of childcare leave claimants					
Males	1	0	0	0	0
Females	1	1	0	1	1
Childcare leave reinstatement rate (%)	100	100	—	100	100
No. of education/training days *3	10	10	12	15	20
Health and Safety					
No. of fatalities (cases)	0	0	0	0	0
No. of accidents (cases)	15	9	9	10	10
No. of claimants for mental health leave	1	0	0	0	0

*1: Skilled laborers only. Scheduled working hours are 1,940 hours *2: Skilled laborers only. Union member average *3: Sponsored by Head Office

Corporate Overview

Corporate name	Yotai Refractories Co., Ltd.
Establishment	August 1936
Representative	Mitsuo Taguchi
Head office location	8-1 Nishikinaka-machi, Kaizuka-shi, Osaka Prefecture 597-0093
No. of employees	564
Paid-in capital	2,654 million yen
Business description	Manufacturing and sales of refractories/ new ceramics, and related engineering businesses
Market listing	Prime market, Tokyo Stock Exchange
Securities code	5357



Director/Officer Composition

(as of June 23, 2022)

President	Mitsuo Taguchi
Managing Director General Manager, Head Office General Affairs Department	Shinichiro Takebayashi
Director Manager, Hinase Plant	Tadashi Taniguchi
Director General Manager, Tokyo Branch	Yorisada Matsumoto
External Director	Hiroshi Itano
External Director	Shinobu Akiyoshi
Corporate Auditor (Full-time)	Takashi Umezawa
Corporate Auditor	Tadaharu Tani
External Corporate Auditor	Shinichi Inoue
External Corporate Auditor	Yasuo Fujiwara
External Corporate Auditor	Kazuhide Urata

Share Information

Total no. of authorized shares	70,000,000 shares
Total no. of outstanding shares	25,587,421 shares
Shareholders	2,295

Major Shareholders

Shareholder name	No. of shares owned (thousand shares)	Shareholding ratio (%)
Sumitomo Osaka Cement Co., Ltd.	3,589	17.42
The Master Trust Bank of Japan, Ltd. (Trust account)	1,614	7.83
Sunshine D Investment Partnership Executive Partner UGS Asset Management Inc.	1,110	5.38
Challenge No.2 Investment Partnership Executive Partner Capital Management Ltd.	1,000	4.85
The Chugoku Bank, Ltd.	908	4.40
The Tachibana Securities Co., Ltd.	846	4.10
Capital Gallery Co., Ltd.	800	3.88
Sanei Kosan Co., Ltd.	750	3.64
Sunshine G Investment Partnership Executive Partner UGS Asset Management Inc.	564	2.73
Custody Bank of Japan, Ltd. (Trust account)	534	2.59

(Note) The shareholding ratio is calculated after a deduction of 4,977 thousand shares of treasury stock.

Shareholder Memo

Fiscal year	April 1st to March 31st of the next year
Confirmation date for shareholder eligibility to receive year-end dividends	March 31st
Confirmation date for shareholder eligibility to receive interim dividends	September 30th
Ordinary general meeting of shareholders	June each year
Account management institution for shareholder registry administrator special account	Mitsubishi UFJ Trust and Banking Corporation
Announcement method	Will be announced electronically
Announcement URL	https://www.yotai.co.jp/ir/j_annual.html

However, in the event that an accident or other unavoidable factor prevents electronic announcement, announcements will instead be made via The Nihon Keizai Shimbun.

List of Business Locations

Head Office	8-1 Nishikinaka-machi, Kaizuka-shi, Osaka Prefecture 597-0093
Sales Offices	
Head Office Sales Division	8-1 Nishikinaka-machi, Kaizuka-shi, Osaka Prefecture 597-0093
Tokyo Branch	1-1-1 Koraku, Bunkyo-ku , Tokyo (TK-CENTRAL 6th Floor) 112-0004
Kyushu Branch	4-6 Konya-cho, Kokurakita-ku, Kitakyushu-shi, Fukuoka Prefecture (Kitakyushu Dai-ichi Bldg., 7th floor) 802-0081
Nagoya Branch	2103-1 Oda-cho, Mizunami-shi, Gifu Prefecture 509-6112
Okayama Branch	2601 Hinase, Hinase-cho, Bizen-shi, Okayama Prefecture 701-3204
Plants	
Hinase Plant	2601 Hinase, Hinase-cho, Bizen-shi, Okayama Prefecture 701-3204
Yoshinaga Plant	1250 Minamikata, Yoshinaga-cho, Bizen-shi, Okayama Prefecture 709-0223
Kaizuka Plant	8-1 Nishikinaka-machi, Kaizuka-shi, Osaka Prefecture 597-0093
Mizunami Plant	2103-1 Oda-cho, Mizunami-shi, Gifu Prefecture 509-6112
R&D Division	
Advanced Materials Laboratory	8-1 Nishikinaka-machi, Kaizuka-shi, Osaka Prefecture 597-0093
Technical Research Laboratory	2601 Hinase, Hinase-cho, Bizen-shi, Okayama Prefecture 701-3204
Engineering Division	
Engineering Division	2601 Hinase, Hinase-cho, Bizen-shi, Okayama Prefecture 701-3204
Overseas Base	
YINGKOU NEW YOTAI REFRACTORIES CO., LTD.	Qian jia village, Nan lou economy development area, Dashiqiao-city, Liaoning Province, China

Website Guide

Please visit the website for the latest information on Yotai
<https://www.yotai.co.jp/en/>

