Financial Strategy

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We will build a foundation for growth by investing steadily and by returning profits to shareholders, using the cash generated through expanded earnings and the reduction of cross-shareholdings.

Masaki Sekimoto
Director, Senior Managing Executive Officer
Responsible for the Legal Department, Corporate Planning Department, Administration Department, and Digital Advancement Department

FY2024 Performance and Outlook for the Final Year of Our Medium-term Management Plan

In fiscal 2024, the Cement business experienced a decline in sales volume precipitated by lower domestic demand, but we made further improvements in profitability thanks largely to the ongoing benefits of higher selling prices and lower energy prices since fiscal 2023, resulting in an increase in consolidated operating income in fiscal 2024, compared with the previous fiscal year. In consequence, the Cement business achieved profitability for the first time since fiscal 2020.

In terms of cash flow, our sustained proactive sale of cross-shareholdings, in combination with our recovery in business performance, resulted in a positive free cash flow. Furthermore, although our interest-bearing debt has increased since fiscal 2023 as we make necessary investments, our debt-to-equity ratio is below 0.5, and we are working to ensure financial stability while continuing to pay stable dividends.

Fiscal 2025 is the final year of our current Medium-term Management Plan. However, owing to the decline in domestic demand in the Cement business and a delayed recovery in sales of electrostatic chucks in the Advanced Materials business, we expect a need to make further gains on our income targets and indicators (ROE and ROIC). The foundation for our next Medium-term Management Plan is taking shape, and we will meanwhile continue to work toward the current plan's final-year goals by securing the early realization of the benefits of the new price increases in the Cement business, expanding the use of fossil fuel alternatives, and further boosting earnings in the Advanced Materials business.

Capital Allocation

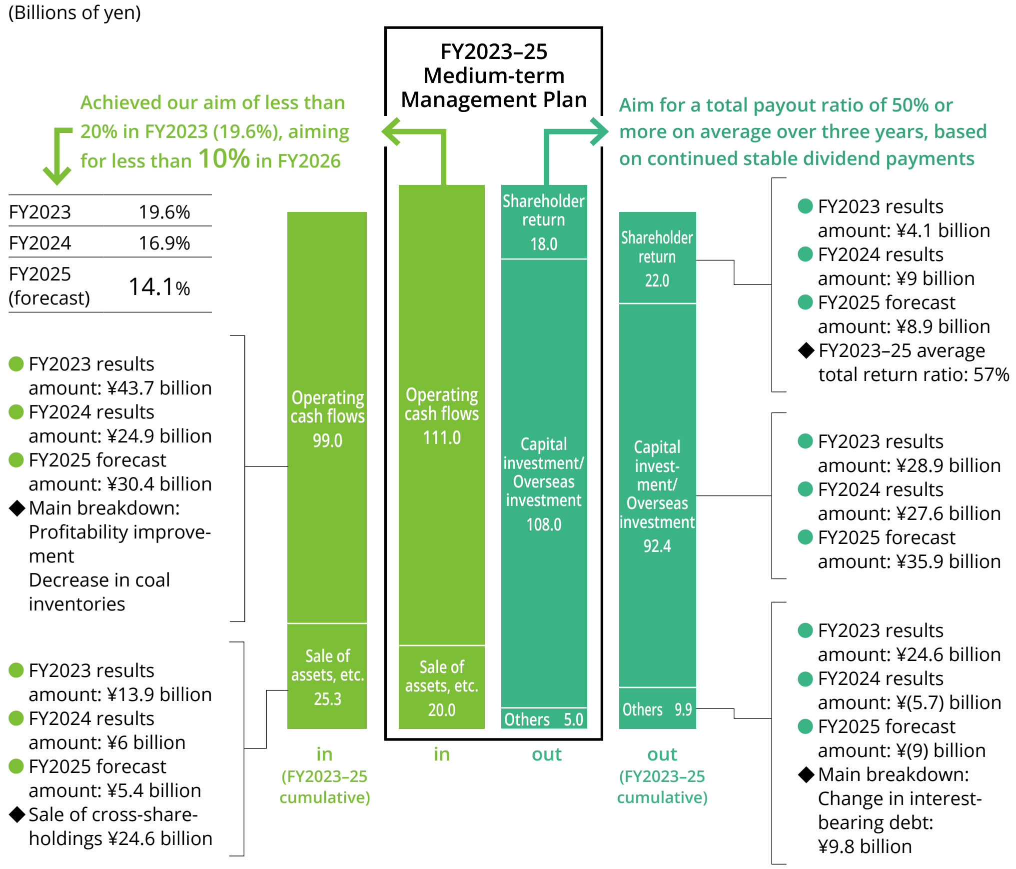
The financial policy of our FY2023–25 Medium-term Management Plan is to maximize income through business expansion and asset reduction, and to allocate the cash acquired in a balanced manner to investments for sustainable growth and shareholder returns. The status of our progress is as follows.

Operating cash flows were stable in fiscal 2024, thanks mainly to improved earnings in the Cement business. In fiscal 2025, we will continue our efforts to generate cash flow by working to enhance profitability while taking steps to reduce inventories and improve the cash conversion cycle.

In terms of asset sales, we made steady progress toward our target for reducing cross-shareholdings, with ¥5.8 billion sold in fiscal 2024, for a cumulative total of ¥19.7 billion for the two-year period from fiscal 2023. Our ratio of cross-shareholdings to net assets was 19.6% at fiscal 2023 year-end, thus achieving the primary target of less than 20%, and we further reduced the ratio to 16.9% at fiscal 2024 year-end. In fiscal 2025, we will also continue to exceed our initial targets for selling off cross-shareholdings, and will persist in our efforts to reduce our ratio of cross-shareholdings to net assets to less than 10%, which is our next target. For the period of the FY2023–25 Medium-term Management Plan, cash provided by operating activities, in combination with our sale of assets, is expected to generate cash inflows of ¥124.3 billion.

Although some investment timelines have been revised in light of the business environment and other factors, we are proceeding as planned with maintenance and renewal investments, high-yield carbon-neutral investments, and growth investments.

Capital Allocation
(Billions of yen)



Shareholder Returns

Under our FY2023–25 Medium-term Management Plan, our basic policy on shareholder returns is to provide stable dividends, while also implementing flexible share buybacks to return income to shareholders. On that basis, we aim for a three-year average total return ratio of at least 50%.

Regarding dividends, we paid a stable annual dividend of ¥120 per share in both fiscal 2023 and fiscal 2024, and we expect to pay an annual dividend of ¥120 yen per share in fiscal 2025 as well.

We also repurchased ¥5 billion of our own stock in fiscal 2024, and have announced that we will also implement ¥5 billion in share buybacks in fiscal 2025.

This will result in total shareholder returns over the three-year period of ¥22 billion, while our three-year average total return ratio is expected to be 57%, compared with our target of at least 50%.