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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 8, 2024

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 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

President and Representative Director
 General Manager of General Affairs Department

(Yen amounts are rounded to the nearest million.)

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

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2024	208,852	7.9	11,048	493.2	11,761	295.2	13,528	-
June 30, 2023	193,535	9.6	1,863	54.1	2,976	36.2	366	-

(Note) Comprehensive income: Three months ended June 30, 2024: 35,476 million yen [520.5%]
 Three months ended June 30, 2023: 5,718 million yen [(56.8)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	117.05	-
June 30, 2023	3.12	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of June 30, 2024	1,373,826	627,586	43.2
March 31, 2024	1,338,251	596,385	42.1

(Reference) Equity: As of June 30, 2024: 593,421 million yen
 As of March 31, 2024: 563,211 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	35.00	-	35.00	70.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		40.00	-	40.00	80.00

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

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2024	464,000	10.9	34,500	94.3	34,500	71.5	26,500	94.6	229.28
Full year	960,000	8.3	84,000	48.8	83,500	40.4	62,000	43.3	536.43

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

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

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please see "2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to consolidated financial statements, (Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)" on page 8 of the Attached Materials of these Quarterly Financial Results.

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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies due to other reasons: Yes

3) Changes in accounting estimates: Yes

4) Restatement: None

(Note) From the first quarter of the fiscal year under review, the Company has changed its method of depreciation. For details, please see "2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to consolidated financial statements, (Changes in accounting policy that are difficult to distinguish from changes in accounting estimates)" on page 8 of the Attached Materials of these Quarterly Financial Results.

(4) Number of issued shares (common shares)

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

June 30, 2024: 118,191,578 shares

March 31, 2024: 121,985,078 shares

2) Total number of treasury shares at the end of the period:

June 30, 2024: 2,614,229 shares

March 31, 2024: 6,405,914 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 115,578,252 shares

Three months ended June 30, 2023: 117,084,616 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (Voluntary)

* Proper use of earnings forecasts, and other special matters

< Cautionary Note Regarding Forward-looking Statements >

Forward-looking statements such as performance forecasts included in this document are based on information currently available to the Company and on certain assumptions deemed reasonable. However, actual results may differ materially due to various factors, including economic conditions, market demand, raw material prices, exchange rates, etc. For matters concerning earnings forecasts, please see "1. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Explanation of consolidated financial results forecast and other forward-looking information" on page 3 of the Attached Materials of these Quarterly Financial Results.

<About Rounding Changes>

In the past, fractions of less than 1 million yen were rounded down, but from the "Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP] ", amounts of less than 1 million yen are rounded to the nearest million. In line with this change, comparative information is rounded to the nearest whole number.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of business results

During the three months ended June 30, 2024, the Japanese economy showed a moderate recovery trend, partly due to the effect of various government policies under an improving employment and income situation, despite stagnant consumer spending. On the other hand, the economic outlook was uncertain due to soaring prices of resources and materials and the prolonged yen depreciation.

As for the global economy, while the U.S. economy grew, driven by increases in consumer spending and capital investment, the recovery of the Chinese economy was sluggish due to stagnation in the real estate market and falling prices of commodities, thus showing signs of weakness in some areas. The outlook for global monetary tightening, developments surrounding the Middle East region and other trends must be closely monitored.

Under such circumstances, net sales for the three months ended June 30, 2024 were ¥208,852 million (up ¥15,318 million year-on-year), operating profit was ¥11,048 million (up ¥9,185 million year-on-year), ordinary profit was ¥11,761 million (up ¥8,785 million year-on-year), and profit attributable to owners of parent was ¥13,528 million (up ¥13,163 million year-on-year).

Operating results by segment are as follows. The presented amounts are figures before elimination of inter-segment transactions.

① Cement Business

Domestic cement demand was generally weak due to a rise in various costs and delays in processes and construction starts caused by the labor shortage at construction sites, despite a certain level of demand for urban redevelopment projects and the construction of new semiconductor-related plants. Due to this, as a whole, domestic cement demand decreased 4.8% year-on-year to 8.17 million tons, of which, imported cement increased to 6 thousand tons from none in the same period of the previous fiscal year. Total exports increased 34.0% year-on-year to 2.02 million tons.

Under these circumstances, the Group's domestic cement sales by volume, including consignment sales, decreased 4.2% year-on-year to 3.06 million tons. Exports increased 27.7% year-on-year to 0.78 million tons.

At West Coast U.S. cement businesses, sales by volume decreased year-on-year mainly due to adverse weather conditions, but selling prices were higher than in the same period of the previous fiscal year. In the cement business in Vietnam, sales by volume decreased year-on-year mainly due to intensified domestic competition, despite a year-on-year increase in exports. In the cement business in the Philippines, sales by volume were on par with the same period of the previous fiscal year.

As a result of the above, net sales were ¥150,657 million (up ¥15,135 million year-on-year), and operating profit was ¥6,985 million (operating loss of ¥2,490 million in the same period of the previous fiscal year).

② Mineral Resources Business

In the aggregates business, sales by volume declined year-on-year. Sales by volume of limestone for cement decreased year-on-year in the mineral products business. In the geo-solutions business, sales by volume of products for immobilizing heavy metal contaminants in soil decreased year-on-year. In addition, efforts to pass on various cost increases to selling prices progressed in the entire business.

As a result, net sales were ¥22,002 million (up ¥396 million year-on-year), and operating profit was ¥2,419 million (up ¥426 million year-on-year).

③ Environmental Business

Sales in waste plastic processing and gypsum were sluggish, but coal processing and other products remained solid. As a result, net sales were ¥15,733 million (up ¥507 million year-on-year), and operating profit was ¥1,328 million (up ¥121 million year-on-year).

④ Construction Materials Business

Sales of construction and civil engineering materials and shield tunnel construction-related businesses remained strong, but ground improvement projects and sales of ALC (Autoclaved Lightweight aerated Concrete) were sluggish. As a result, net sales were ¥15,616 million (down ¥523 million year-on-year), and operating profit was ¥185 million (down ¥382 million year-on-year).

⑤ Other Business

Net sales were ¥19,302 million (down ¥842 million year-on-year), and operating profit was ¥758 million (up ¥23 million year-on-year).

(2) Explanation of financial position

Total assets increased ¥35,575 million from the end of the previous fiscal year to ¥1,373,826 million. Current assets increased ¥14,492 million from the end of the previous fiscal year to ¥444,781 million, and non-current assets increased ¥21,082 million to ¥929,044 million. The increase in current assets was mainly due to an increase in cash and deposits. The increase in non-current assets was mainly due to an increase in other property, plant and equipment.

Liabilities increased ¥4,373 million from the end of the previous fiscal year to ¥746,240 million. Current liabilities increased ¥5,044 million from the end of the previous fiscal year to ¥373,147 million, and non-current liabilities decreased ¥671 million to ¥373,092 million. The increase in current liabilities was mainly due to an increase in short-term borrowings. The decrease in non-current liabilities was mainly due to a decrease in other non-current liabilities. Interest-bearing debt (total amount of short-term borrowings, commercial papers, current portion of bonds payable, bonds payable, and long-term borrowings) increased ¥7,657 million from the end of the previous fiscal year to ¥378,127 million.

Net assets increased ¥31,201 million from the end of the previous fiscal year to ¥627,586 million. This was mainly due to an increase in foreign currency translation adjustment.

(3) Explanation of consolidated financial results forecast and other forward-looking information

The financial results forecast for the first half and the full year remains unchanged from the forecast announced on May 14, 2024 at this time.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	80,102	86,564
Notes and accounts receivable - trade, and contract assets	167,849	164,102
Electronically recorded monetary claims - operating	38,736	40,448
Merchandise and finished goods	49,341	55,560
Work in process	1,466	2,049
Raw materials and supplies	72,371	74,778
Other	20,624	21,481
Allowance for doubtful accounts	(198)	(199)
Total current assets	430,289	444,781
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	163,748	163,886
Machinery, equipment and vehicles, net	189,481	193,396
Land	158,496	160,539
Other, net	142,185	154,915
Total property, plant and equipment	653,910	672,737
Intangible assets		
Goodwill	104	94
Other	38,980	39,662
Total intangible assets	39,084	39,756
Investments and other assets		
Investment securities	132,314	131,811
Retirement benefit asset	38,906	39,017
Other	45,076	47,065
Allowance for doubtful accounts	(1,328)	(1,341)
Total investments and other assets	214,968	216,552
Total non-current assets	907,962	929,044
Total assets	1,338,251	1,373,826

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	94,951	92,928
Electronically recorded obligations - operating	17,502	19,571
Short-term borrowings	142,916	150,871
Income taxes payable	5,446	5,372
Provision for bonuses	6,502	5,044
Provision for loss on business withdrawal	96	-
Other provisions	322	310
Other	100,368	99,051
Total current liabilities	368,104	373,147
Non-current liabilities		
Bonds payable	70,000	70,000
Long-term borrowings	157,554	157,255
Retirement benefit liability	23,006	23,586
Provision for retirement benefits for directors (and other officers)	548	501
Provision for special repairs	305	324
Provision for product compensation	3,830	3,824
Provision for loss on business withdrawal	1,769	1,889
Other provisions	400	430
Asset retirement obligations	10,930	11,270
Other	105,421	104,013
Total non-current liabilities	373,763	373,092
Total liabilities	741,866	746,240
Net assets		
Shareholders' equity		
Share capital	86,174	86,174
Capital surplus	50,052	50,078
Retained earnings	379,126	377,967
Treasury shares	(17,942)	(7,164)
Total shareholders' equity	497,409	507,055
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,476	18,647
Deferred gains or losses on hedges	(20)	11
Revaluation reserve for land	3,697	3,550
Foreign currency translation adjustment	32,230	52,103
Remeasurements of defined benefit plans	12,419	12,055
Total accumulated other comprehensive income	65,802	86,366
Non-controlling interests	33,174	34,165
Total net assets	596,385	627,586
Total liabilities and net assets	1,338,251	1,373,826

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months)

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	193,535	208,852
Cost of sales	158,090	163,478
Gross profit	35,445	45,374
Selling, general and administrative expenses	33,582	34,326
Operating profit	1,863	11,048
Non-operating income		
Interest income	290	548
Dividend income	1,120	1,559
Share of profit of entities accounted for using equity method	251	-
Foreign exchange gains	802	942
Other	646	774
Total non-operating income	3,108	3,822
Non-operating expenses		
Interest expenses	881	992
Share of loss of entities accounted for using equity method	-	1,398
Other	1,113	719
Total non-operating expenses	1,994	3,109
Ordinary profit	2,976	11,761
Extraordinary income		
Gain on disposal of non-current assets	88	1,908
Gain on sale of investment securities	3	2
Gain on extinguishment of debt	-	4,459
Other	22	29
Total extraordinary income	114	6,397
Extraordinary losses		
Loss on disposal of non-current assets	781	428
Other	41	29
Total extraordinary losses	822	457
Profit before income taxes	2,268	17,701
Income taxes	1,710	3,964
Profit	558	13,736
Profit attributable to non-controlling interests	193	208
Profit attributable to owners of parent	366	13,528

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	558	13,736
Other comprehensive income		
Valuation difference on available-for-sale securities	1,139	1,216
Deferred gains or losses on hedges	1	0
Foreign currency translation adjustment	2,747	19,361
Remeasurements of defined benefit plans, net of tax	(120)	(351)
Share of other comprehensive income of entities accounted for using equity method	1,393	1,513
Total other comprehensive income	5,160	21,740
Comprehensive income	5,718	35,476
(Breakdown)		
Comprehensive income attributable to owners of parent	5,064	34,240
Comprehensive income attributable to non-controlling interests	654	1,237

(3) Notes to consolidated financial statements

(Note relating to going concern assumption)

Not applicable.

(Notes in the case of significant changes in amount of shareholders' equity)

The Company cancelled 3,793,500 shares of treasury shares on May 31, 2024 upon resolution of the Board of Directors meeting held on May 14, 2024. As a result of such cancellation, retained earnings and treasury shares decreased ¥10,785 million and ¥10,785 million, respectively. Partly due to this, retained earnings and treasury shares amounted to ¥377,967 million and ¥7,164 million, respectively, at the end of the first quarter of the fiscal year under review.

(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)

Calculation of tax expenses

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, including the first quarter of the fiscal year under review, and multiplying net income before income taxes by such estimated effective tax rate. However, in cases where the calculation of tax expenses using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the result is multiplied by the statutory income tax rate.

(Changes in accounting policy)

(Application of Accounting Standard for Current Income Taxes)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, revised on October 28, 2022), "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, revised on October 28, 2022) and "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised on October 28, 2022) from the beginning of the first quarter of the fiscal year under review. These changes have no impact on the quarterly consolidated financial statements.

(Changes in accounting policy that are difficult to distinguish from changes in accounting estimates)

(Change in method of depreciation for property, plant and equipment)

The Company and its domestic consolidated subsidiaries previously had depreciated property, plant and equipment (excluding leased assets) mainly using the declining balance method, except for buildings (excluding accompanying facilities) purchased on and after April 1, 1998 and accompanying facilities and structures purchased on and after April 1, 2016, which are computed based on the straight-line method, but changed to the straight-line method from the first quarter of the fiscal year under review.

Based on the 26 Medium-Term Management Plan, the Group is implementing a large-scale capital investment, focusing on strengthening its plants and mines, with the aim of establishing stable production systems over the long term. In line with this, the Company reconsidered the method of depreciation for property, plant and equipment and determined, in view of the fact that stable operation of production facilities is expected over the long term, that this change from the declining balance method to the straight-line method, which equally allocates expenses, would more appropriately reflect the actual use of property, plant and equipment.

As a result, operating profit increased ¥1,270 million, and ordinary profit and profit before income taxes increased ¥1,271 million, respectively, in the first quarter of the fiscal year under review, compared with those computed based on the previous method.

(Segment information, etc.)

[Segment information]

I. For the three months ended June 30, 2023

1. Information on net sales, profit or loss by reportable segment

(Million yen)

	Reportable segment					Other (Note) 1	Total	Adjustments (Note) 2	Consolidated Total (Note) 3
	Cement Business	Mineral Resources Business	Environ- mental Business	Construction Materials Business	Total				
Net sales									
Sales to outside customers	133,573	15,866	14,137	15,771	179,347	14,187	193,535	-	193,535
Inter-segment sales	1,949	5,740	1,088	368	9,145	5,957	15,102	(15,102)	-
Total	135,522	21,606	15,225	16,139	188,492	20,145	208,636	(15,102)	193,535
Segment profit (loss)	(2,490)	1,994	1,207	567	1,277	735	2,013	(150)	1,863

- Notes:
1. The “Other” section is a business segment that is not included in the reportable segments and includes the real estate, engineering, data processing, finance, transportation and warehousing, chemical products, sports, and electric power supply businesses.
 2. Adjustments to segment profit (loss) consist of elimination of inter-segment transactions.
 3. Segment profit (loss) is adjusted with the operating profit in the quarterly consolidated statements of income.

2. Information on impairment losses on non-current assets, goodwill, etc. by reportable segment

Not applicable.

II. For the three months ended June 30, 2024

1. Information on net sales, profit or loss by reportable segment

(Million yen)

	Reportable segment					Other (Note) 1	Total	Adjustments (Note) 2	Consolidated Total (Note) 3
	Cement Business	Mineral Resources Business	Environ- mental Business	Construction Materials Business	Total				
Net sales									
Sales to outside customers	149,011	16,340	14,800	15,223	195,374	13,478	208,852	-	208,852
Inter-segment sales	1,645	5,662	933	393	8,632	5,825	14,457	(14,457)	-
Total	150,657	22,002	15,733	15,616	204,007	19,302	223,309	(14,457)	208,852
Segment profit	6,985	2,419	1,328	185	10,917	758	11,675	(627)	11,048

- Notes:
1. The “Other” section is a business segment that is not included in the reportable segments and includes the real estate, engineering, data processing, finance, transportation and warehousing, chemical products, sports, and electric power supply businesses.
 2. Adjustments to segment profit consist of elimination of inter-segment transactions.
 3. Segment profit is adjusted with the operating profit in the quarterly consolidated statements of income.

2. Matters concerning changes in reportable segments, etc.

(Change in method of depreciation for property, plant and equipment)

As stated in “Changes in accounting policy that are difficult to distinguish from changes in accounting estimates,” the Company and its domestic consolidated subsidiaries previously had depreciated property, plant and equipment (excluding leased assets) mainly using the declining balance method, except for buildings (excluding accompanying facilities) purchased on and after April 1, 1998 and accompanying facilities and structures purchased on and after April 1, 2016, which are computed based on the straight-line method, but changed to the straight-line method from the first quarter of the fiscal year under review.

As a result of this change, segment profit increased by ¥782 million in Cement Business, ¥169 million in Mineral Resources Business, ¥38 million in Environmental Business, ¥67 million in Construction Materials Business, and ¥233 million in Other in the first quarter of the fiscal year under review, compared with those computed based on the previous method. The total increase in segment profit after elimination of inter-segment transactions was ¥1,270 million.

3. Information on impairment losses on non-current assets, goodwill, etc. by reportable segment
Not applicable.

(Statements of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 have not been prepared. Depreciation (including depreciation related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2024 are as follows.

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	¥15,895 million	¥14,382 million
Amortization of goodwill	¥12 million	¥10 million