CalPortland Pursues Sustainability

We report on CalPortland, which will continue to take on advanced initiatives in response to cement demand on the West Coast of the U.S. while adopting the region's forward-looking environmental regulations.

Developing a Business Focused on the U.S. West Coast

Thirty years have passed since Taiheiyo Cement entered the U.S. construction market, one of the largest in the world. CalPortland Company, which plays a central role in Taiheiyo Cement’s U.S. business, is one of the largest cement manufacturers in the West Coast. The company has developed the cement, ready-mixed concrete, and aggregates business from Alaska in the north to California and Arizona in the south and has responded to demand for cement from the construction industry across the entire region.

In addition, CalPortland has focused on tripartite trade, fully leveraging the group network of Taiheiyo Cement. It has imported and sold high-quality cement products and met the needs of this regional market. In recent years, cement demand in California and other areas along the U.S. West Coast has been robust, benefiting from the U.S. government policy of expanding investments in social infrastructure to create a sustainable society with a strong IT industry. In the context of the world’s most stringent environmental regulations, the government is strongly encouraging CalPortland to strengthen its corporate structure to ensure a steady supply of cement to support the region’s development.

- Forecast of Cement Demand in Five States (principal market for CalPortland)
The forecast of the Portland Cement Association (PCA) as of autumn 2017 (published in January 2018)

![Forecast of Cement Demand in Five States](image)
Enhancing Manufacturing, Distribution, and Sales Systems

CalPortland is engaged in the manufacturing, import and sales of cement and manufacturing and sales of ready-mixed concrete and aggregates, focused on the U.S. West Coast markets. Cement manufacturing, its core business, is operated at the Oro Grande Plant and Mojave Plant in California State and the Rillito Plant in Arizona State.

The Oro Grande Plant is near Los Angeles, California. We acquired the plant from a local company in 2015. The plant manufactures four types of cement products and is further reinforcing its manufacturing capacity through measures such as the construction of a new finish mill. The Mojave Plant boasts the largest cement grinding capacity among CalPortland’s three plants. It is responsible for supplying cement to markets from Los Angeles and its neighbors to Northern California. One distinct characteristic of the plant is its oxygen enrichment system, which contributes to higher manufacturing volume.

CalPortland faces the challenge of more effectively utilizing the cement manufacturing capacity of each plant. To address this issue, the company constructed cement distribution terminals in strategic locations across California and Nevada and has enhanced train and truck transportation between the sites. As a result, CalPortland has established strong, stable manufacturing and distribution systems to meet the recently rising demand for cement.

Furthermore, cement plants are required to strictly comply with environmental regulations associated with climate change and reduced pollutant emissions due to the large scale of their operations at a single site. CalPortland has been proactively and flexibly responding to these regulations while pursuing sustainable business operations.

1, 2: Coal transported by belt conveyor is stored inside the dome.
3, 4, 5: Cement transported by trains and shipped from plants by trucks.
6: The Mojave Plant is located in a desert.
7: Overview of the Oro Grande Plant from the top of a preheater.
8: Head office of CalPortland.
Rigorously Responding to Strict Environmental Regulations

California, a principal market for CalPortland’s business operations, is also known for its long history of achievements in the forefront of international environmental regulations. The U.S. maintains very strict environmental regulations, and residents are very aware of environmental issues. Consequently, the cement industry faces difficult challenges in supporting regional construction demand, including ensuring a steady, ongoing supply of cement and consistently reducing environmental impact. Under such circumstances, it is virtually impossible for cement manufacturers to conduct business without having established environmentally-sound operations at all of their facilities.

The Cap-And-Trade Program, a greenhouse gas (GHG) emissions trading initiative, is an example of California’s strict regulations. The program targets businesses that emit 25,000 or more tons of CO₂ annually and applies to the energy industry as well as a broad range of other business sectors, including cement and glass manufacturers, beer breweries, wineries, and canneries. The volume of greenhouse emissions has been decreasing over time as a result of the program.

Some regions in California have adopted regulations for other products and materials, such as water resources, hazardous waste, and dangerous substances. Such local regulations can be more stringent than U.S. or state regulations. This means each CalPortland plant must adopt different environmental management systems. For instance, to support the region’s sustainable growth, the Oro Grande Plant near metropolitan Los Angeles must comply with stricter regulations than those enforced by the state.

To effectively respond to the spirit and letter of these environmental regulations, CalPortland has steadily improved environmental efficiency by launching its own energy management program in 2003. This has led to initiatives for more efficient energy consumption, which in turn has resulted in the introduction of new technologies and encouraged employee engagement.

The company also organizes regular visits, or “Treasure Hunts,” at the plants for small groups of experts while also identifying the high-quality initiatives of each plant from a professional standpoint and sharing information with other plants to improve overall operations. Through these efforts, the plants are nurturing a corporate culture for doing business while keeping pace with improvements that are environmentally sound and efficient.

CalPortland Energy Cup Raises Environmental Awareness at All Plants

CalPortland sponsors the annual CalPortland Energy Cup as a voluntary initiative for improving efficiency in energy consumption at the Mojave, Oro Grande, and Rillito plants.

The program monitors annual energy consumption at each plant, compares their achievements, and then recognizes the plant that has demonstrated the most improvement. To determine the winner and ensure the program is viewed as more than a competition, the company conducts an in-depth analysis of selected measures at each facility.

Program judges ascertain levels of achievement at each location and then share related information with all of the plants. Consequently, the program offers an opportunity to generate synergies for future plant operations.

CalPortland will continue raising environmental awareness at each plant through the CalPortland Energy Cup and establish a system for quickly complying with the stringent environmental regulations of California and the federal government.

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<thead>
<tr>
<th>Year</th>
<th>Key Environmental Regulations in California</th>
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<tr>
<td>1966</td>
<td>Adopted the U.S.’s first automotive emissions regulations.</td>
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<td>1974</td>
<td>Enacted a law that sets energy efficiency standards for electrical appliances.</td>
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<td>2006</td>
<td>Enacted the California Global Warming Solutions Act (AB32).</td>
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<td>2014</td>
<td>Implemented Cap-And-Trade, a greenhouse gas emissions trading program.</td>
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<td>2016</td>
<td>Extended a new state law to enhance countermeasures for climate change (SB32).</td>
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<td>2017</td>
<td>Founded the Climate Union, which consists of states that take the initiative to achieve the goals of the Paris Agreement.</td>
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Making Every Effort to Support the Region’s Sustainable Growth

As a result of ongoing efforts to improve environmental efficiency, CalPortland received the “ENERGY STAR Partner of the Year—Sustained Excellence Award” for the fourteenth time in a row. This award is part of an environmental labeling program that the U.S. EPA (Environmental Protection Agency) sponsored in 2018 and encourages support for companies and groups that have made strides in reducing their greenhouse gas emissions by improving energy consumption efficiency. CalPortland, in turn, has reduced greenhouse gas emissions by promoting its unique energy management program, which features a wider application of ICT, such as monitoring its facilities with drones. Now the company can also declare that CalPortland is a frontrunner in the U.S. in terms of implementing energy management for plant operations.

Given the slow but steady decline in construction investments in Japan, the open U.S. West Coast market, which demands a massive volume of cement, is increasingly important for the sustainable growth of the Taiheiyo Cement Group. Furthermore, the region is further distinguished by its high level of awareness of environmental regulations. The region therefore presents significant potential as a market for the environmental technologies that Taiheiyo Cement has developed in Japan. Taiheiyo Cement and CalPortland Cement will work together to contribute to the sustainable growth of this region by responding to the stringent environmental regulations in California, quickly and effectively, while it steadfastly supplies high-quality cement.

Doing Business with Close Community Ties in an Environmentally Conscious California

Allen Hamblen
President and CEO, CalPortland Company

Our social mission is to support the region’s development over the long run through the steady supply of cement. We should note that environmental regulations in California are stringent compared to other U.S. states, and residents there are very aware of environmental issues. In operating the plants, we should place the highest priority on ensuring the safety of people in the region. That said, it is also essential to raise awareness of environmental protection to earn community support for our business.

We intend to be a company that develops close ties with the community and to support local employment by both enhancing compliance and implementing other efforts, such as achieving increased energy consumption efficiency prior to the enforcement of stringent regulations. Moreover, it is a critical mission of CalPortland to comply with legal requirements and operate plants “with integrity,” as stated in our mission, as a company with close ties to the community.