

# Long-term vision – Future vision targeting 2050



We will take a firm step toward the realization of a sustainable society and the sustained development of our business.

Hideaki Asakura Vice President and Representative Director

## "Future vision targeting 2050" Please tell us about the strategic positioning of "Taiheiyo Vision 2030."

When formulating the new Medium-Term Management Plan (26 Medium-Term Management Plan), we first started by examining the long-term "Vision for 2050," with the desire to clearly establish an unwavering axis. We believe that it is important to incorporate the opinions of young employees who will be the core of the company in 30 years' time, and when we conducted an in-house survey, a common vision of "wanting to be the leader of the global cement industry" emerged. We are the top specialist manufacturer of cement in Japan and maintain a certain presence in the Pacific Rim. However, in order to become a leader in the global cement industry, we need to establish a position comparable to that of overseas majors in terms of scale, profit levels, and the number of business areas. Furthermore, in this process, it is essential to achieve compatibility with carbon

neutrality and circular economies. We will promote carbon neutrality and circular economies as a growth strategy, while seeking a balance with economic viability. In this way, we aim to achieve sustainable growth and become a leader in the global cement industry.

From there, we backcasted to set the interim target of "Taiheiyo Vision 2030," and further incorporated these visions into a concrete action plan, which is the 26 Medium-Term Management Plan covering the next three years. In the management targets and guidelines of the 26 Medium-Term Management Plan, we are aiming for the so-called Triple 10, with net sales of 1 trillion yen, operating income of 100 billion yen, and an operating profit margin of 10%. First, we will steadily achieve these targets and establish a solid profit base, and then realize the "Taiheiyo Vision 2030" and aim for "Future vision targeting 2050."

- Deploy around the world the Group's overall capabilities and revolutionary technologies including carbon neutrality.
- Become a leader in the global cement industry.
- Become a corporate group that supports a safe and secure decarbonized and recycling-based society.

### Future vision targeting 2050

- Expand the Group's presence in the Pacific Rim by utilizing its overall capabilities.
- Contribute to the achievement of carbon neutrality and circular economies.
- Become a robust corporate group that grow sustainably.

### Taiheiyo Vision 2030

### 26 Medium-Term Management Plan

### 23 Medium-Term Management Plan

### 20 Medium-Term Management Plan

### 17 Medium-Term Management Plan

Back casting

Materiality

Mission

- Supply critical materials for national resilience
- Key player in the formation of a circular economy
- Steady Transition to Carbon Neutrality
- Engagement with stakeholders

Long-term vision – Future vision targeting 2050

The 23 Medium-Term Management Plan fell short in many indicators. On the other hand, cement prices were drastically revised in a short period of time for the first time in the history. How do you reflect on this?

We must take it seriously that the management indicators set out in the 23 Medium-Term Management Plan, both operating income on net sales and ROE, were not achieved. The main factors were the decline in demand due to the COVID-19 pandemic and geopolitical risks, and the soaring prices of resources. The cement industry has been in a situation where it is difficult to pass through price increases due to sluggish domestic demand and industry practices. The result was a slump in the domestic business in the 23 Medium-Term Management Plan. Additionally, largely as planned, interest-bearing debt increased as a result of implementing growth investments outlined in the 23 Medium-Term Management Plan. Although our financial structure is improving due to the increase in operating cash flow, strengthening our financial base is one of our future challenges.

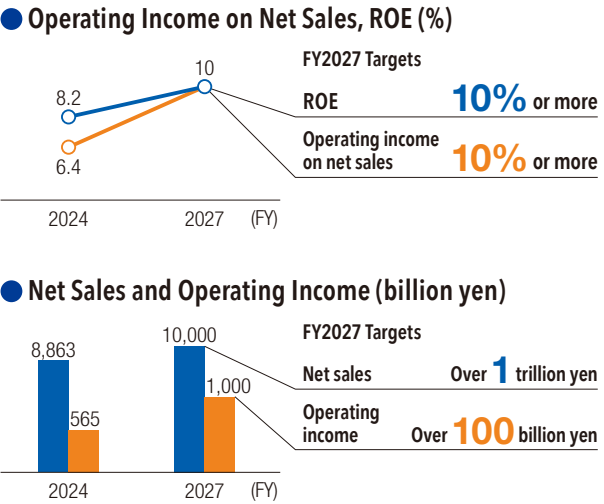
On the other hand, the success of drastic revision of domestic cement prices in a short period of time for the first time in the history in 2022 was an epoch-making event for the industry. We will strive to gain users' understanding regarding the appropriate maintenance of prices in accordance with the costs of raw materials, etc., and domestic demand. In addition, we consider it a major achievement that we were able to achieve the total return ratio as planned, and that progress has been made in domestic and overseas growth investments and carbon neutral initiatives.

The 26 Medium-Term Management Plan was formulated as a concrete measure to realize our long-term vision. How will you utilize the lessons learned from the challenges of the 23 Medium-Term Management Plan?

The basic concept of the 26 Medium-Term Management Plan is the "3D Approach for Sustainable Future." We will create synergy through three initiatives: revitalizing of domestic business, further promotion of global strategy, and promoting sustainability management towards carbon neutrality, and link them to improve corporate value. At domestic plants, we will promote the use of blended cement while contributing to the realization of circular economies through the effective use of waste and by-products, and aim to deliver carbon neutrality. Blended cement is in high demand overseas, and the options for selling cement produced in Japan will increase overseas as

Plan for FY2027

Management Targets			
Operating income on net sales	10%	or more	
ROE	10%	or more	
Guidelines			
Net sales	Over 1	trillion yen	
Operating income	Over 100	billion yen	
Net debt/equity ratio (DER)	Approximately 0.5	times	
ROIC	7%	or more	



well, which is a great advantage in the cement industry, where product shelf-life is short. In this way, we expect synergies such as carbon neutral initiatives contributing to the production and sales efficiency of cement.

As the basic policy of the 26 Medium-Term Management Plan, we have set forth Sustainable Growth and Enhancement of Corporate Value of the Taiheiyo Cement Group. Revitalization of the domestic business is essential to achieve growth. We will shift from focusing on market share to focusing on profitability and improve profitability by maintaining appropriate prices. Specifically, we will flexibly adjust the types of cement produced at domestic plants for domestic and overseas markets in light of domestic demand trends and optimize our production system. In this way, we would like to maintain domestic plant operations while also increasing profits overseas. At the same time, we will review our domestic sales structure. In the past, we had sales representatives for each business, such as cement, resources, and an environment services, for each user company, but in the future, we will break down the barriers between business divisions and

build a system that can propose total solutions. In conjunction with this, we plan to review our human resource evaluation system.

Overseas businesses, such as those in the U.S., have blossomed as a result of investments and are generating stable profits. In the 26 Medium-Term Management Plan, we will expand our trading business to capture the robust demand in the U.S. In particular, we anticipate increased demand for blended cement on the West Coast, and plan to make growth investments of 150 billion yen, including investments to expand our blended cement businesses. In Asia, we started production from the new line of Taiheiyo Cement Philippines, Inc. in the first half of FY2025. Along with the Philippines, Vietnam, and Indonesia, we will make it a production and logistics base and enhance our presence in the Pacific Rim.

Carbon neutrality and circular economies are particularly important in the Taiheiyo Cement Group's sustainability strategy. Please tell us about the challenges and prospects for each.

**Carbon Neutrality**

The development of innovative technologies is progressing smoothly. Regarding the C2SP Kiln, which is our unique and world's first kiln that can efficiently recover CO<sub>2</sub> with compact equipment, we plan to establish the technology by 2030 and then sequentially deploy it within the group. A demonstration plant has already been in operation since March 2024, and we have a vision of making it a global standard in a similar way as the NSP kiln became.

On the other hand, balancing economic viability is a challenge. Carbon neutral cement is very expensive, so we have to consider it while keeping an eye on technological innovation and market conditions. In addition, the support of the emissions trading system currently under consideration, government subsidies, and cement standardization is essential. We will continue to work on this as well.

**Circular Economies**

Cement plants manufacture cement while effectively utilizing waste and by-products as alternative fuels and raw materials. In other words, it can be said that it also plays the role of a waste treatment facility. In Japan, where resources and energy sources are scarce and the lifespan of final disposal sites must be extended due to the limited land area, we believe that this technology, which the cement industry has developed by utilizing its own characteristics, is of great social significance. In addition, natural disasters are becoming increasingly severe every year, and the disposal of disaster waste has become a social issue. We accept not only municipal waste and incineration residues generated on a daily basis, but also disaster waste. This

is an important initiative not only for its importance in circular economies, but also for adapting to the future increase in disasters due to climate change. Although the cement industry is recognized as a major CO<sub>2</sub> emitter, we would like you to know that it also has aspects that contribute to the environment in this way.

Socially, efforts toward collaborating with circular economies are progressing, and waste that can be used as an alternative to thermal energy is becoming difficult to obtain. Another challenge is that the amount of waste that can be utilized varies depending on the location and facilities of the plant. We will continue to fulfill our social responsibility of accepting waste and by-products by promoting technological development for the acceptance of recyclable waste that is difficult to handle at other industries, as well as by optimizing our production system.



Unloading of disaster waste (wood chips) from the Noto Peninsula Earthquake at Himekawa Port in Niigata Prefecture.

Finally, please tell us your about your enthusiasm for achieving the long-term vision.

In order to realize our long-term vision, it goes without saying that we need to make a solid profit. If we do not make a profit, we will not be able to make important investments toward our growth strategy, nor will we be able to return profits to our shareholders. In recent years, the cement industry has been facing headwinds, but we are finally seeing signs of improvement in profitability and financial strength. We will steadily turn the timing of the peak demand in emerging countries into results. Also, the motivation and sense of fulfillment of our employees are essential to realize our vision. I myself have been involved in the Vietnamese business for 18 years since the establishment of Nghi Son Cement in Vietnam, and I have found the dynamism and excitement of overseas operations to be very rewarding. I would also like to focus on investing in people and creating an environment where they can freely take on challenges.



# Financial Strategy



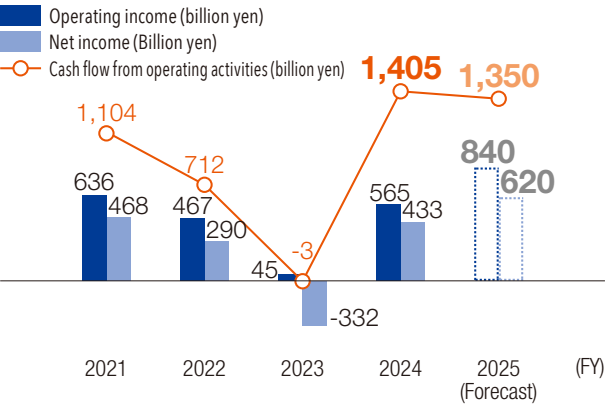
We will strengthen our financial base in order to achieve both aggressive growth investment and shareholder returns.

Masahiro Ban Managing Executive Officer

## 2024 in Review

In FY2024, both operating income and ordinary income increased significantly due to the strong performance of our U.S. business, which led the overall performance, and the penetration of price increases in each business, including cement sales prices, in Japan. In addition, due in part to the absence of the extraordinary losses recorded in FY2023 resulting from the withdrawal of business in China, the profit attributable to owners of parent turned to 43.3 billion yen. So, we were able to end FY2024, the final year of the previous medium-term management plan, with a V-shaped recovery.

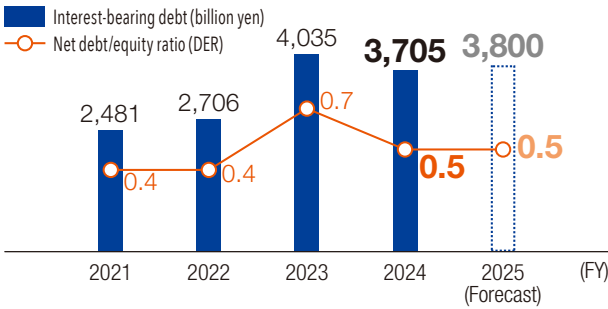
### Operating income, net income and cash flow from operating activities



Our mainstay domestic cement business recorded an operating loss of 1.4 billion yen, but this loss was a 35.6 billion yen improvement compared to FY2023. The profitability of the domestic business has improved significantly due to the increase in cement prices. Overseas, although there is a difficult market environment in Southeast Asia due to deteriorating economic

conditions, the cement business as a whole recorded an operating income of 34.2 billion yen, thanks to the contribution of our strong U.S. subsidiary. While continuing to invest in the new production lines in the Philippines, the financial situation also improved due to the increase in operating cash flow resulting from the recovery in business performance, and interest-bearing debt decreased by 33 billion yen year-on-year to 370.5 billion yen.

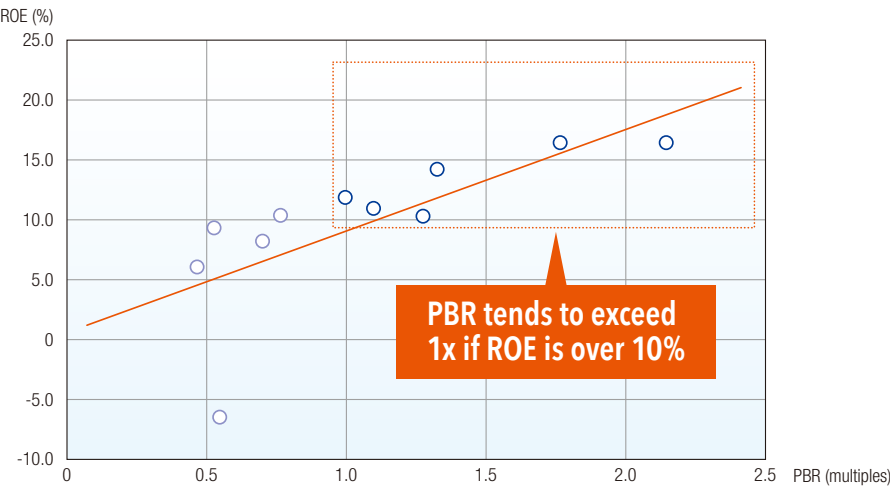
### Interest-bearing Debt and Net Debt/Equity Ratio (DER)



## Forecast for FY2025

For FY2025, we forecast a 73.7 billion yen increase in net sales to 960.0 billion yen, a 27.5 billion yen increase in operating income to 84.0 billion yen, a 24.0 billion yen increase in ordinary income to 83.5 billion yen, and an 18.7 billion yen improvement in profit to 62.0 billion yen compared to the previous fiscal year. The initial plan for the domestic cement business aims to turn profitable with the tailwind of improved domestic supply and demand and rising sales prices in the resource sector. Overseas, we expect business performance to improve not only in the U.S., which is doing well, but also in regions such as Southeast Asia. Although the cement sales volume has been declining both in Japan and the U.S. recently, we believe that there is no significant

### Correlation of PBR and ROE (based on FY2014-FY2024 results)



difference in the overall earnings forecast at this time due to the upward pressure on profits resulting from the weaker yen and stronger dollar in the first half of the fiscal year, as well as the rise in cement and ready-mixed concrete prices in the U.S. As for overseas, it seems that the situation of dependence on the U.S. will continue for the time being, but in Southeast Asia, the new production line in the Philippines has started operation, and we will work to build a system to earn globally in the Pacific Rim.

we systematically implemented growth investments, such as asset acquisitions in the U.S., renewal of production lines in the Philippines, and capital participation in SBI in Indonesia, and also carried out stable shareholder returns.

## 26 Medium-Term Management Plan Financial Strategy

### Improvement of PBR through achievement of management targets

In the 26 Medium-Term Management Plan, which started this fiscal year, we have set management targets of 10% or more for both operating income on net sales and ROE in FY2027. The formula for calculating ROE can be broken down into net profit margin on sales, total asset turnover, and financial leverage, but as a capital-intensive industry, our company has a high ratio of non-current assets, and there is not much fluctuation in total asset turnover and financial leverage. Net profit margin, which is highly correlated with ROE, is linked to operating income, so we have set a target for operating income as a management indicator to improve profitability. As a guideline for achieving the targets, we have also set numerical targets of net sales of 1 trillion yen or more and operating income of 100 billion yen or more. We will promote measures to achieve our targets through a global strategy that revitalizes our domestic business by raising cement prices to increase profitability, and builds a system to earn income overseas, mainly in the U.S., while also expanding into Southeast Asia.

The promotion of the 26 Medium-Term Management Plan will also lead to the early realization of a price-to-book ratio (PBR) exceeding 1x. Since 2023, there has been growing interest among investors and managers in resolving the PBR if below 1x, and our company also had a period last year when it remained in the 0.6x range. However, it improved to over 0.8x at the time

## Summary of the 23 Medium-Term Management Plan

In the 23 Medium-Term Management Plan, which started in FY2022, we set a management target of 11% or more for operating income on net sales and 10% or more for return on equity (ROE) in FY2024, the final year of the plan. But, in the end, we achieved 6.4% and 8.2%, respectively, and were unable to achieve the targets. Although the financial indicators set as guidelines for achieving the management targets also indicated poor results, net sales exceeded the target of 750 billion yen or more, and we were able to achieve an increase in sales to 886.3 billion yen.

During the 23 Medium-Term Management Plan period, the environment surrounding our company was burdened by a decline in domestic cement demand and increases in various costs, such as raw materials and fuel. The background to this includes the spread of COVID-19, Russia's invasion of Ukraine, and soaring coal prices in Australia due to inclement weather. On the other hand, we believe that it was a certain achievement that we were able to end the 23 Medium-Term Management Plan by creating a solid foundation for the next 26 Medium-Term Management Plan, despite the deteriorating business environment, by realizing a price increase for cement, which was not included in the original plan. In terms of financial strategy,

Financial Strategy

before the stock market crash in August, which exceeded Black Monday. During this period, in addition to the overall rise in the stock market, we believe that our own efforts, such as the implementation of share repurchases and the increase in cement prices, contributed to the rise in stock prices. Cement emits a large amount of CO<sub>2</sub> in the manufacturing process, so in recent years, the negative image of climate change has also affected stock prices. Recently, however, the evaluation of medium- to long-term carbon neutrality efforts, such as the use of blended cement, has progressed, and we believe this is also one of the factors that has improved PBR.

Theoretically, PBR will exceed 1x when ROE exceeds the cost of capital. In our case, analysis of past data suggests that ROE exceeding 10% will likely result in PBR exceeding 1x as well. First, we will strive to lower the cost of capital by ensuring understanding of our business through dissemination of information related to carbon neutrality, etc. Furthermore, by implementing measures to improve profitability and bringing ROE to a level of 10% or higher, we believe that we can achieve a PBR exceeding 1x along with the achievement of the targets of the 26 Medium-Term Management Plan.

Cash Allocation and Key Strategies

In the 26 Medium-Term Management Plan, we anticipate a cumulative operating cash flow of 400 billion yen over the three years up to FY2027 as a premise for cash allocation. Of this, 150 billion yen will be allocated to growth investments such as expanding sales of blended cement in the U.S. market and developing carbon neutral technologies. In addition, as a key strategy to strengthen our business foundation, we plan to allocate 20 billion yen to strengthen plant facilities, such as renewing large-scale key machinery, and 50 billion yen to strengthen quarries for the Shin-Tsukumi Quarry (Oita Prefecture) and development of Mount Kurohime summit (Niigata Prefecture). Furthermore, 140 billion yen will be required for normal maintenance investments. In recent years, the unit cost of investment projects has also been rising, and from a

financial strategy perspective, it is important to select the optimal financing for growth investments. In recent years, it has been possible to raise funds in Japanese yen at ultra-low interest rates and invest overseas, but in the future, the financial market will become a "world with interest rates," and it will be necessary to plan investments and recoveries that match local interest rates for each region.

Appropriate price increases for cement continue to be a key strategy. We achieved a price increase of total 5,000 yen per tonne in 2022, and in May 2024, we announced a price increase of 2,000 yen from April 2025. We believe that the appropriate price is the level at which we can recover fixed costs with the money earned from manufacturing and selling cement, and carry out the cycle of shareholder returns and investment for the future. The cement industry is a sector that is easily affected by economic sentiment, but in order to be evaluated as a company that can earn stable profits even if the business environment changes, it is essential to realize appropriate cement prices. By creating a track record in FY2024, we were also able to establish a flow of announcing price increases one year in advance and proceeding with negotiations. So I hope that price revisions, including the process, will become more common in the future.

Carbon neutrality is also an important strategy, but with a longer-term vision in mind, we will first focus on technological development during the three years of the 26 Medium-Term Management Plan. We are estimating the technical costs of CO<sub>2</sub> capture, CCU, CCS, etc., but the cost of oxygen required for the C2SP Kiln and hydrogen required for methanation also has a large impact. We believe that it is not only necessary for our company but for other companies to also advance technological development. Towards carbon neutrality in 2050, we will promote the commercialization of our own innovative technological development by realizing the carbon neutral model plant of DC Co., Ltd., a cement production subsidiary, in addition to a gradual approach such as promoting the use of blended cement and developing low-CO<sub>2</sub> cement.

Introduction and Penetration of ROIC

In the 26 Medium-Term Management Plan, we set a guideline of 7% or more for Return on Invested Capital (ROIC). ROIC is an indicator that measures how much profit was generated from the invested capital, so it has a very important meaning in capital-intensive industries such as ours, where the scale of investment is large. In the 26 Medium-Term Management Plan, we first set ROIC as a guideline for the entire company, but in the future, we will develop a system to introduce it in a framework that goes beyond individual businesses.

Currently, we are developing our cement, mineral resources, and environmental businesses separately in Japan. However, in reality the cement business purchases limestone, the main raw material, from the mineral resources business, and the environmental business uses cement production facilities. The three businesses are closely related in terms of internal transactions, non-current assets, and human capital, and are all developing their business as a trinity. The domestic cement business, which was in the red in the previous fiscal year, is also an indispensable business for the mineral resources business and the environmental business, and we cannot measure our true strength without considering the three businesses as a whole. The quarry developments are exactly the kind of project that will be a source of profit for both the cement and mineral resources businesses, so we would like to instill ROIC management, which is a guideline for the 26 Medium-Term Management Plan, in order to clearly demonstrate the investment effect.

Financial Strategy



In addition to growth investments for business expansion, continuous capital expenditure for maintenance and renewal is essential for our company, which owns large-scale production facilities. In order to support management with stable financing, we believe it is essential to maintain an A issuer rating in our financial strategy. In the current fiscal year, we received a JCR issuer rating of A+ and an R&I rating of A, both of which improved from the previous fiscal year. The improvement in ratings is largely due to the progress made in reducing interest-bearing debt, and the fact that rating agencies understand that we are a company with the means to secure profits and improve finances through the realization of cement price increases. Net debt/equity ratio (DER), which we emphasize in measuring financial soundness, is currently around 0.5 times the 26 Medium-Term Management Plan guideline. Although it may rise in the short term depending on investment projects in the future, we are establishing a system that can take measures to return to the level of about 0.5x in one to two years in order to maintain an A rating. For example, Taiheiyo Financial & Accounting, a financial subsidiary, has also established a system for mutual financing of surplus funds within the group, and we will consider increasing

the target currencies in the future to create a financial structure that does not rely too much on external funds.

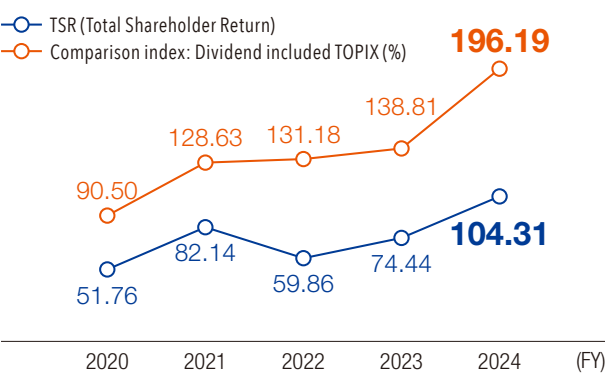
Shareholder Returns

Under the 26 Medium-Term Management Plan, our plan for shareholder returns is a total return ratio of 33% or more. As a return policy, we will implement flexible repurchase of treasury shares in addition to an annual dividend of 80 yen or more per share. In the 23 Medium-Term Management Plan, we were able to continue to implement an annual dividend of 70 yen for three terms, including FY2023, when we recorded a net loss for the period. For FY2025, the first year of the 26 Medium-Term Management Plan, we plan to pay a dividend of 80 yen per year, an increase of 10 yen from the previous year. In order to ensure that investors can hold our shares with peace of mind, we will steadily implement the dividend plan, which is a promise to our investors, and work to improve corporate value with awareness of TSR (Total Shareholder Return), which also takes into account stock price fluctuations.

Dialogue with stakeholders

In order to increase opportunities for dialogue with stakeholders, including institutional investors, we are actively facilitating interviews with the president and vice president in addition to regular briefings on financial results. We also plan to hold interviews with Independent Directors. We are strengthening our communication of sustainability information, and since our company's shares have a high percentage of ownership by foreign investors, we will also focus on IR activities overseas. We would also like to increase the number of individual investor shareholders, and we have begun to consider strategies to improve our name recognition.

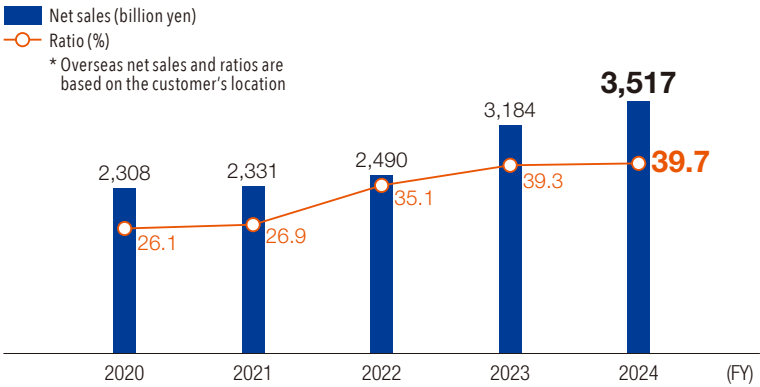
● TSR (Total Shareholder Return)



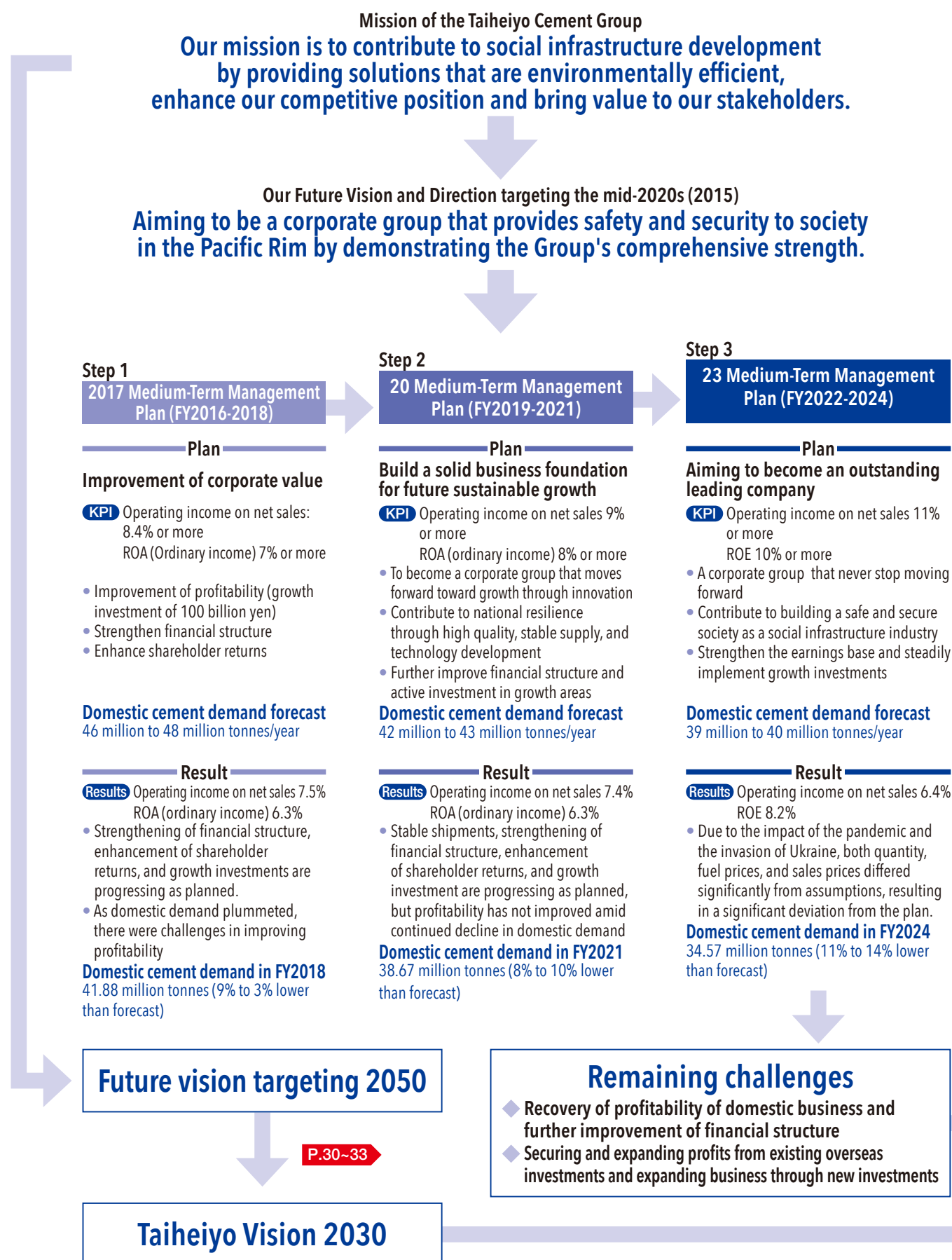
TSR (Total Shareholder Return)

The ratio of the return (mainly dividends and capital gains) earned on a stock investment divided by the stock price (investment amount), indicates the overall investment return for the shareholder. It is calculated using the closing price at the end of each fiscal year (last day of March) and based on an investment having been made at the closing price on the last day of March 2018.

● Overseas net sales and ratio



## Overview of the Previous Medium-Term Management Plan



## Overview of the 26 Medium-Term Management Plan

### 3D Approach for a Sustainable Future

– Three-dimensional challenge toward the realization of a sustainable society –

#### Sustainable growth and enhancement of corporate value\* of the Taiheiyo Cement Group

"Improve of profitability" and "Pursue growth potential"

##### Numerical Targets

ROE: **10%** or more

ROIC: **7%** or more

Operating income: **100** billion yen or more

Total return ratio: **33%** or more

Annual dividend per share: **80** yen or more

#### Maximize corporate value\* (Early realization of PBR exceeding 1x)

##### 1 Revitalizing Domestic Business

- Fundamentally revise pricing policy
- Provide total solutions
- Optimize production systems

##### 2 Global Strategy

- Strengthen our earnings base for existing businesses
- Further expand business areas
- Expand of trading business

##### Collaboration between Divisions

##### 3 Promoting Sustainability Management

- Carbon Neutral Strategy
- DX Strategy
- Human Capital Strategy
- IR strategy

#### Contributing to the Realization of a Sustainable Society

- Safe and secure living environment
- Formation of circular economies
- Resilient social infrastructure
- Rapid disaster response

\* Corporate value here refers to market capitalization.



Overview of the 26 Medium-Term Management Plan

1

Revitalizing Domestic Business

Fundamentally Revise Pricing Policy

While profitability is deteriorating due to declining domestic demand, we also need to fulfill our social responsibility to contribute to a recycling-based society and secure the necessary investment funds to respond to a recycling-based society and carbon neutrality. We will shift from an emphasis on market share to an emphasis on profitability, and aim to achieve improved profits.

Provide Total Solutions

We will shift from a sales style in which multiple sales representatives conduct sales based on their own knowledge and know-how to a sales style in which we provide total solutions to customers' needs through one-stop service and sales DX, and revitalize our domestic business by improving customer satisfaction and reducing costs.

Optimize Production Systems

We will strengthen the capacity of our production and logistics facilities to expand exports of blended cement, demand for which is increasing overseas. We will reduce costs by maximizing the acceptance of wastes and by-products as alternative raw materials and fuels and maximizing revenue from processing consignment fees, and also introduce energy saving equipment to reduce costs. In addition, we will conduct technological development to produce methane from the CO<sub>2</sub> emitted from the manufacturing process for use as fuel.

2

Global Strategy

Strengthen our Earnings Base for Existing Businesses

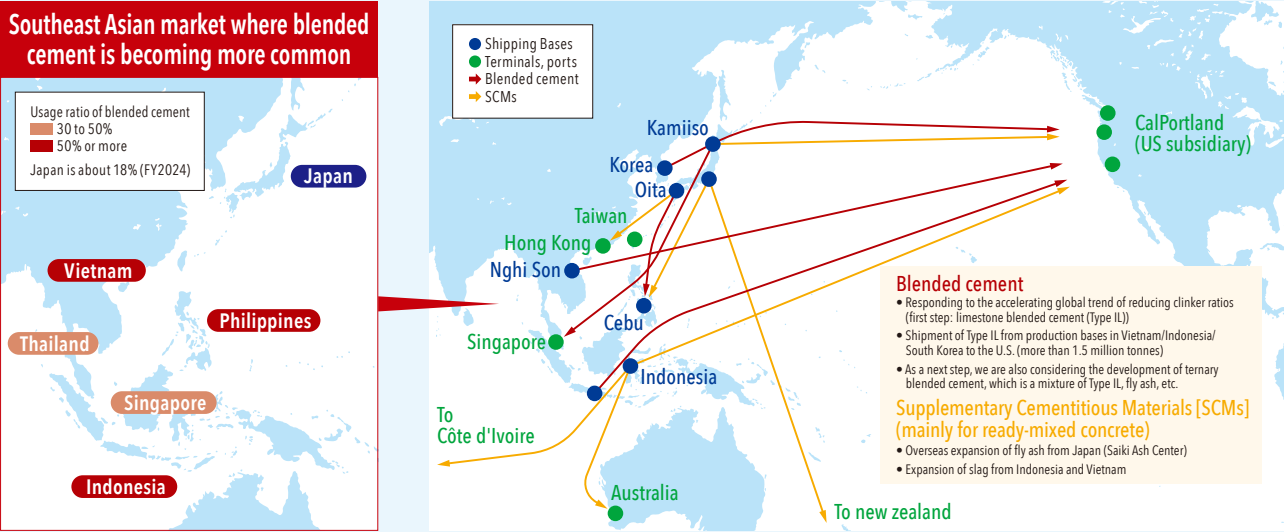
We will steadily implement strategies for the U.S. and Southeast Asia to maximize profits at each overseas location.

Further Expand Business Areas

We will proactively expand our business domains in order to become a leader in the global cement industry by 2050.

Expand Trading Business

We will deliver blended cement, demand for which is increasing demand overseas, directly to customers through our own network. We will leverage our accumulated know-how to strengthen our logistics network.



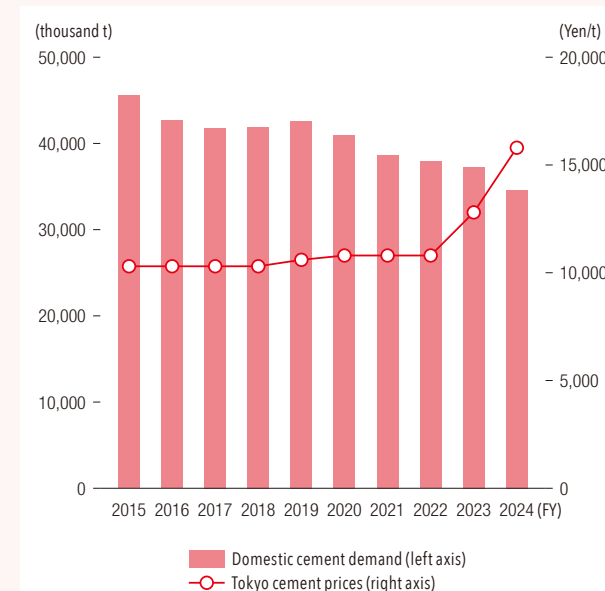
# 1 Revitalizing Domestic Business

## Revitalizing Domestic Business

### Fundamentally revise pricing policy

While domestic cement demand has been declining year by year, cement prices have been unable to rise to reflect rising costs. In response, during the 23 Medium-Term Management Plan period, we implemented a total price increase of 5,000 yen/tonne to cope with the unprecedented soaring coal prices and transportation costs associated with the spread of COVID-19 after 2020, the invasion of Ukraine in 2022, and natural disasters in Australia. However, we were unable to fully offset the high manufacturing costs, and the domestic cement business continued to operate in the red. Furthermore, against the backdrop of the difficult situation of the domestic cement business, which is our main business, we were unfortunately unable to achieve the ROE and profit margin targets of the 23 Medium-Term Management Plan. In the first place, we believe that it is not a sustainable business if we cannot cover the costs of maintaining and renewing domestic manufacturing and transportation facilities and sales expenses with the profits from domestic business. Our cement plants contribute to a recycling-based society by using waste as alternative raw material and fuel for cement production, and since it is challenging to relocate production facilities, we need to secure maintenance costs. In addition, production facilities have aged due to long-term use, and securing funds for facility renewal is also an issue. Furthermore, since social demands, such as carbon neutrality, are gradually becoming wider in scope, it is also necessary to make capital expenditures to respond to these demands.

### Trends in domestic cement sales volume and prices



Therefore, in the 26 Medium-Term Management Plan, we decided to fundamentally review our cement pricing policy and improve our profit structure. Specifically, we will implement various measures to shift from an emphasis on market share to an emphasis on profitability, reflect cost increases in prices in a timely manner, and optimize prices in light of investment costs to meet various social demands.

### Causes and problems of the slump in the domestic cement business

- Decrease in demand → Easing of supply and demand
- Main business and profit margin is directly linked to the company's target achievement level
- Maintaining the sustainability of the domestic cement business
- Continued contribution to a recycling-based society
  - Securing maintenance costs for production facilities
- Renewal of aging equipment and prompt response to new social demands
  - Increased costs for renewal and new construction

→ Optimizing domestic cement pricing is an essential goal

### Review of pricing policy in the 26 Medium-Term Management Plan

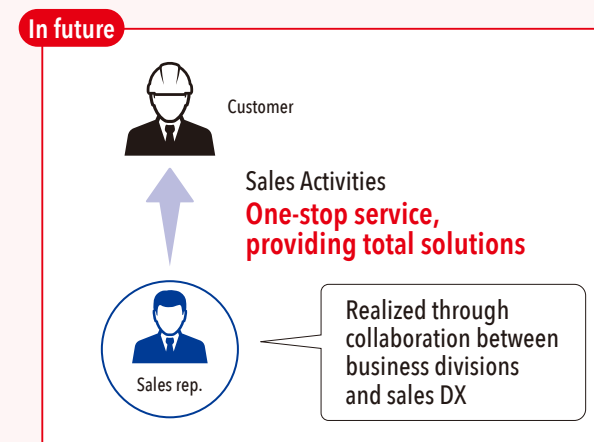
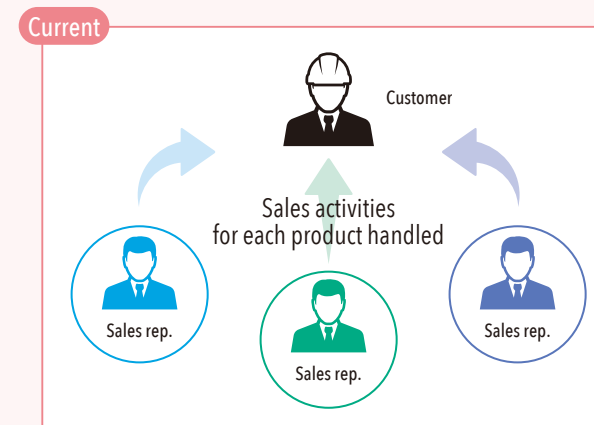
- Emphasis on profitability
- Shortening of the cost pass-through cycle
- Sharing with users the recognition of medium- to long-term price levels in light of investment costs for various social demands

→ Optimizing domestic cement pricing will maintain the sustainability of the domestic cement business and become a driving force for company growth

### Provide total solutions

Traditionally, we have assigned sales representatives for each segment to handle customer inquiries. However, while this system has advantages in terms of acquiring and utilizing specialized knowledge and customer information by the sales representatives, it also incurs high monetary costs due to the duplication of sales resources. Furthermore, there is a problem from the perspective of decrease in the working population.

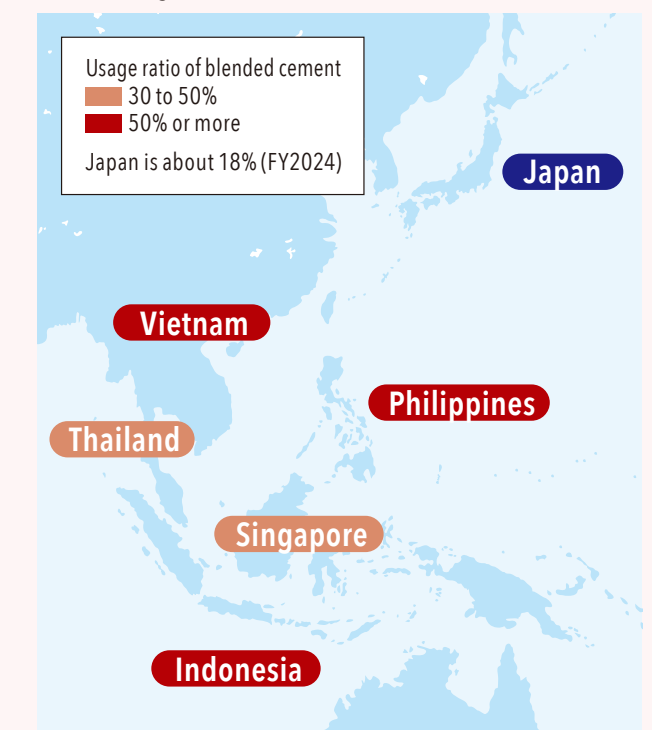
Therefore, as a measure during the 26 Medium-Term Management Plan period, we have decided to aim for multiple business assignments for sales representatives without compromising the advantages of the current system by improving collaboration between business divisions and utilizing IT technology in sales (Sales DX). This will not only reduce costs by streamlining the sales structure, but also enable us to provide comprehensive support to solve users' challenges.



### Optimize production systems

Domestic cement demand is decreasing year by year, so the operation rate of cement production is also declining. Since both variable costs and fixed costs per tonne of cement decrease with continuous operation and stable production, we will maintain the operation rate by expanding the production and export of blended cement, which is in high demand overseas.

### Southeast Asian market where blended cement is becoming more common



In addition, we have been actively engaged in technological development to expand the use of waste as an alternative fuel for cement production and to expand the treatment of waste that is difficult to handle, in order to reduce raw material and fuel costs and maximize revenue from waste treatment fees. In this Medium-Term Management Plan, we aim to further reduce raw material and fuel costs and maximize waste treatment fee revenue by expanding the use of fuel-based waste and expanding the use of sewage sludge as a cement raw material by expanding the introduction of sewage sludge pretreatment facilities, thereby reducing the manufacturing cost of domestic cement.

Similarly, we also aim to implement these measures, such as reducing electric power costs by replacing clinker cooling equipment with the latest models, and reducing fuel costs by replacing coal with methane as fuel for in-house power generation.

These measures will contribute to a recycling-based society and the reduction of greenhouse gases, but they will also contribute to reducing our costs.



Special  
Feature

Growth Strategy for our U.S. Business – To be a well-known company throughout the U.S. –

We promise to grow to our core business by demonstrating the Taiheiyo Cement Group's synergy in the U.S. market, where large scale and high growth coexist.

Tsuyoshi Hara

Managing Executive Officer and Deputy General Manager  
of the International Business Division  
President of TAIHEIYO CEMENT U.S.A., Inc.



The Cement Industry in the U.S.

From the medium-term perspective, the U.S. cement market has lots of topics that should stimulate its demand, such as the chronic shortage of new housing, the Infrastructure Investment and Jobs Act, and the 2028 Los Angeles Olympics. It is also an extremely attractive market in the long term.

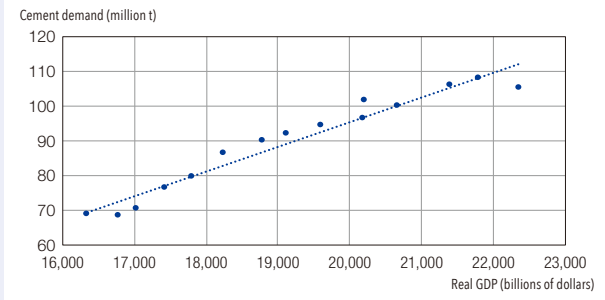
Due to its nature, it is not easy for the cement industry to create new demand by itself, for example through the introduction of innovative technologies or products, etc., so, in the long term, the economic power of the country or region itself is a major factor in determining demand. Therefore, there is a strong correlation between U.S. real GDP and cement demand.

Based on this premise, the characteristics and attractiveness of the U.S. economy from the perspective of the cement industry can be summarized as "a combination of the attributes of an industrialized country (large scale), a country continuing to develop (high growth), and a resource-rich country (stability)." Growth, growth arising from change in particular, is attractive. While everyone anticipated a decline in cement demand under the spread of COVID-19, "changes" such as the increase in e-commerce logistics bases and housing demand due to the rapid expansion of teleworking pushed up demand, thus enabling growth after 2020.

Also, being a "resource-rich country and a self-contained economy (the ratio of exports and imports to GDP is relatively low)" is important, and even during the soaring coal prices after 2021, our U.S. business was not significantly affected and was able to generate stable profits.

Furthermore, looking at the U.S. cement market situation, supply is falling short of demand, and the shortfall is being met by imports. Therefore, as described later, the attractiveness of the U.S. market lies in the fact that our international supply network and the value chain of our U.S. business can create synergy.

Correlation between U.S. real GDP and cement demand (2009-2023)



Characteristics and attractiveness of the U.S. economy from the perspective of the cement industry

Characteristics and attractiveness of the U.S. economy		Impact on the cement industry
Huge economic scale and high growth rate	Accounting for more than 1/4 of the world's GDP Continued growth exceeding the global average	Continued high demand and high growth in demand
Huge population size and high growth rate	3rd in the world, 30% increase in 30 years	Creation of housing-related demand
Growth through embracement of changes	Growth rising from changes in economic structure	Creation of new demand through scrap and build
Self-contained economy	Low ratio of exports and imports to GDP	Small impact from geopolitical risks

Our U.S. Business

We are developing a "general building materials business from upstream to downstream" in the U.S. through the CalPortland Company (hereinafter referred to as CPC). The business area covers the entire West Coast, and we have been developing and expanding cement, aggregate and ready-mixed concrete businesses, mainly with cement plants in the Southwest region - California, Arizona and Nevada State, and import cement terminals in the Northwest region - Washington and Oregon State. Operating income for the fiscal year ending March 2025 is expected to account for about 50% of our consolidated operating income.

We plan to actively expand our business while optimizing our business portfolio in consideration of the combination of regions and products.

Characteristics and Strengths of Our U.S. Business

The source of our strengths in our U.S. business lie in providing high-quality products and services along with the strong customer base, business development of a wide range of large scale and optimal cement plant and terminal locations built through M&A, etc., and our Group's capabilities.

Wide-ranging, large-scale, and optimal business development

- In the U.S., cement is mainly delivered at the shipping location. Users tend to prefer to pick up their orders at plants or terminals near the demand area, taking into account transportation costs and, especially in recent years, securing human resources, which creates our strength.
- Risk diversification - stable Northwest, high-growth Southwest - is also our major strength.
- We have built a stable and highly profitable model by developing a ready-mixed concrete business in areas where we have cement shipping bases.
- The U.S. has only gone without protectionist trade measures for about a third of the past 100 years and is traditionally a country with strong protectionist tendencies. Having a production base in the country has great value in enabling stable business continuity over the long term.

The Taiheiyo Cement Group's strength

- CPC has achieved high operation ratios and cost reductions at cement plants through collaboration with the Taiheiyo Cement Production Department and Maintenance & Engineering Department, etc.
- CPC has high technological development capabilities through collaboration with the Taiheiyo Cement Central Research Laboratory, etc., and are accelerating initiatives such as towards achieving carbon neutrality (CN).
- CPC has built a strong supply chain by stably importing high-quality cement through the Group's overseas network.

Initiatives of the 26 Medium-Term Management Plan to Achieve Our Future Vision

Aiming for our Future Vision of "enhancing corporate value to become a well-known company throughout the U.S. by 2050," we will work on the 26 Medium-Term Management Plan as follows.

Promotion of blended cement and expansion of cementitious materials business (CN initiatives)

- The use of blended cement, low carbon product, is rapidly spreading in the U.S. Both Taiheiyo Cement's and CPC's central research laboratories will collaborate to develop the next generation of even lower-carbon blended cements to prepare for further increases in demand. In addition, we will also collaborate on the development of innovative technologies towards achieving carbon neutrality.

Trends in demand for blended cement (mainly limestone cement) in the U.S.

	2021	2022	2023	January-May 2024
Five states on the West Coast	3.0%	2.5%	12.7%	17.9%
Nationwide	5.6%	23.7%	50.2%	54.7%

- On the other hand, one of the challenges for our U.S. business is the difficulty in procuring cementitious materials such as slag and fly ash in the West Coast region. We will make the compatibility of CN and profit expansion a growth strategy and utilize our overseas network to procure cementitious materials and work on business expansion. We will expand import terminals for that purpose.
- We will also introduce the business know-how of utilizing cementitious materials gained in the U.S. to Japan and Southeast Asia.

Business area expansion

- Through M&A, etc., we aim to expand the cement business regionally and expand the highly profitable aggregate and ready-mixed concrete businesses.

Supply chain strengthening

- We will realize high-quality and stable cement imports from Semen Indonesia Group and Nghi Son Cement (Vietnam).

Establishment of CPC University (tentative name)

- Aiming to strengthen human capital, we will proceed with the establishment of CPC College (tentative name) within the current CPC Central Research Laboratory. With lecturers from the company, we will not only conduct in-house training, but also plan to demonstrate the appeal and attractiveness of the cement industry and measures for CN through open lectures, etc., and work to improve the recognition of the entire industry. The college is scheduled to open in the second half of 2025, and we also aim to incorporate it into the curriculum of general universities in the future.





# Carbon Neutral Strategy 2050

We position the carbon neutral strategy as a growth strategy and work on it across businesses.



**Koshiro Hidaka**  
Director and Senior Executive Officer

## Key Strategies during the 26 Medium-Term Management Plan

We will achieve CO<sub>2</sub> reduction with an immediate approach utilizing existing technologies. One of these is to focus on shifting to blended cement production. Blended cement, which has a lower clinker ratio, is in high demand especially in countries with high environmental awareness, and we are positioning the shift to blended cement as an important strategy for our cement business. This is an initiative that contributes to carbon neutrality at the same time as revitalizing the domestic business and deepening our overseas business.

The other is aimed at reducing CO<sub>2</sub> through further utilization of waste and by-products, energy saving and higher efficiency of existing facilities, and substitution of fossil energy.

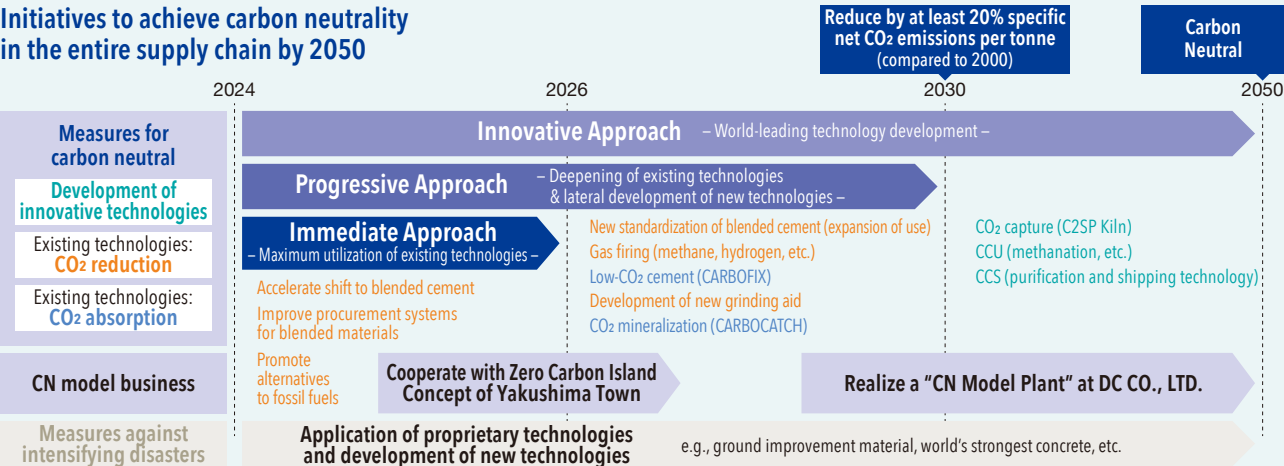
We will also steadily progress demonstration testing of the C2SP Kiln, an innovative CO<sub>2</sub> capture technology, and the recovered CO<sub>2</sub> fuel conversion process (methanation) technology development, which are being conducted in Sanyo Onoda City, Yamaguchi Prefecture.

## Roadmap for 2026-2030

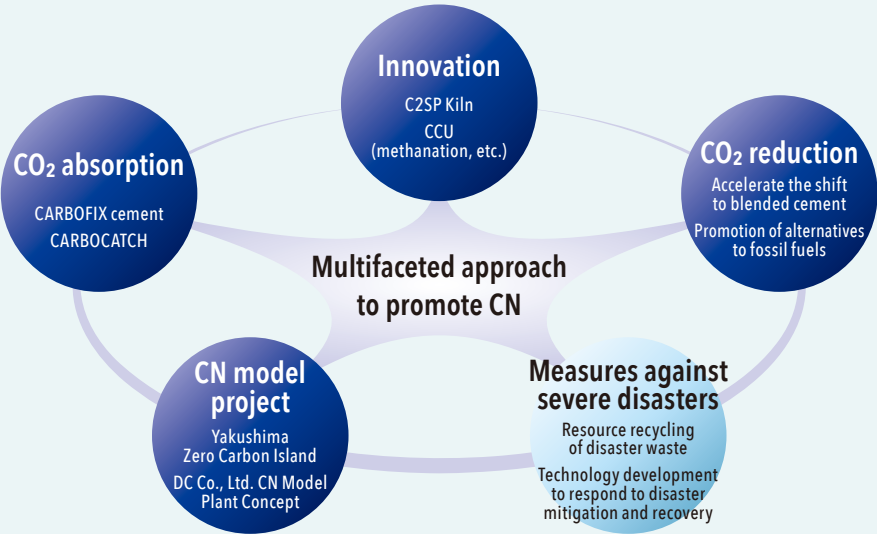
Following the 26 Medium-Term Management Plan, we will continue to shift to blended cement, but we will also work on new standardization for its further expansion. As measures in the manufacturing process, in addition to promoting the development and dissemination of gas firing (methane, hydrogen, etc.) technologies, we plan to complete the innovative technologies (CO<sub>2</sub> capture and utilization) currently under development by 2030. In particular, with regard to the C2SP Kiln, we aim to realize a carbon neutral plant by completing the technology through demonstration tests using an actual Kiln at DC Co., Ltd., a group company located in Kawasaki City, and combining this with the CO<sub>2</sub> capture, refining, transportation, and storage project that we are studying in the project of Japan Organization for Metals and Energy Security. Furthermore, we will complete the technological development of low-CO<sub>2</sub> cement, including CARBOFIX cement, and promote its market introduction.

### Carbon Neutral Strategy Roadmap

Initiatives to achieve carbon neutrality in the entire supply chain by 2050



CN : Carbon Neutrality



## 2030-2050 Roadmap

During this period, various innovative technologies, including the aforementioned C2SP Kiln, will be put into practical use and deployed to domestic and overseas plants in order to recover, utilize, and store CO<sub>2</sub> that is inevitably emitted during the cement burning process.

In addition, although this is a theme that we will start working on immediately, as well as on medium- to long-term, technological development to respond to disaster reduction and recovery (soil improvement materials, the world's highest strength concrete, etc.), in addition to resource recycling of disaster waste, as measures against severe disasters to adapt to climate change.

In order to realize these, not only will the Group's technological development and capital expenditure be essential, but we will also need government subsidies, the development of domestic standards, and collaboration with other industries. We will continue to work toward this goal.

## Thoughts on CN Cost

Technological development is steadily progressing, but implementation requires a great deal of investment. For example, we estimate that it will cost more than 100 billion yen to implement the C2SP Kiln at the DC Co., Ltd. plant. If all of this is borne by private companies, the sales price of cement will need to rise to several times the current level. Cost is one of the biggest challenges, and we recognize the need to continue to communicate with customers and other related parties, ask for government support, and raise awareness in society. On the other hand, we can expect costs to decrease as technology advances in the future, and we can also expect changes in the way people think about carbon pricing. We believe that it is important to assess the market value of carbon neutral cement and find the right price in order to achieve sustainable carbon neutrality.

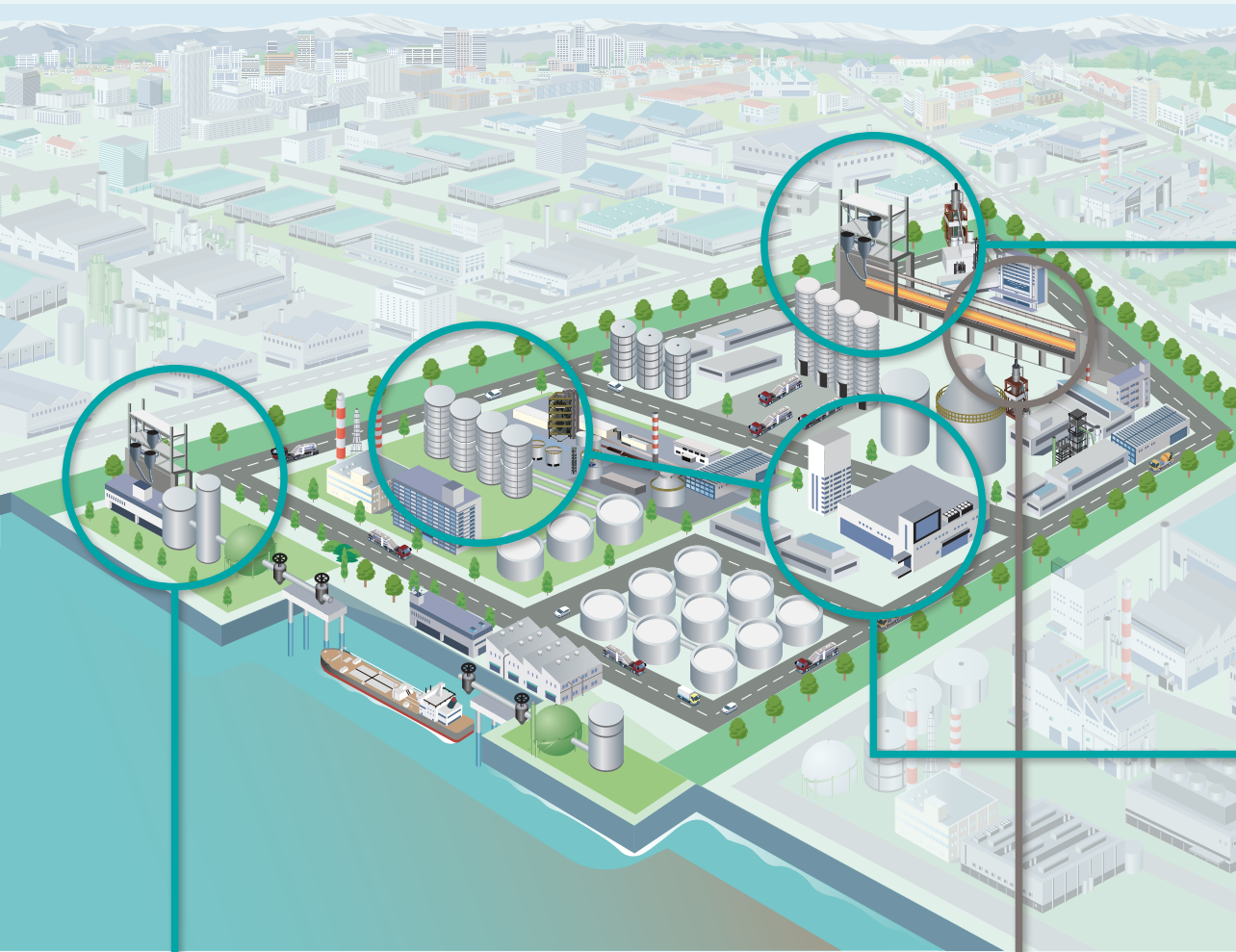
### Measures against severe disasters associated with climate change – Our company's proprietary technologies and future development –

[Corporate activities and technological proposals to prepare for severe disasters associated with climate change and realize rapid recovery and reconstruction]



Start of study of a carbon neutral model plant concept utilizing "existing technologies" in the cement production process and new "innovative technologies" that have not been available before.

Study of the carbon neutral model plant concept

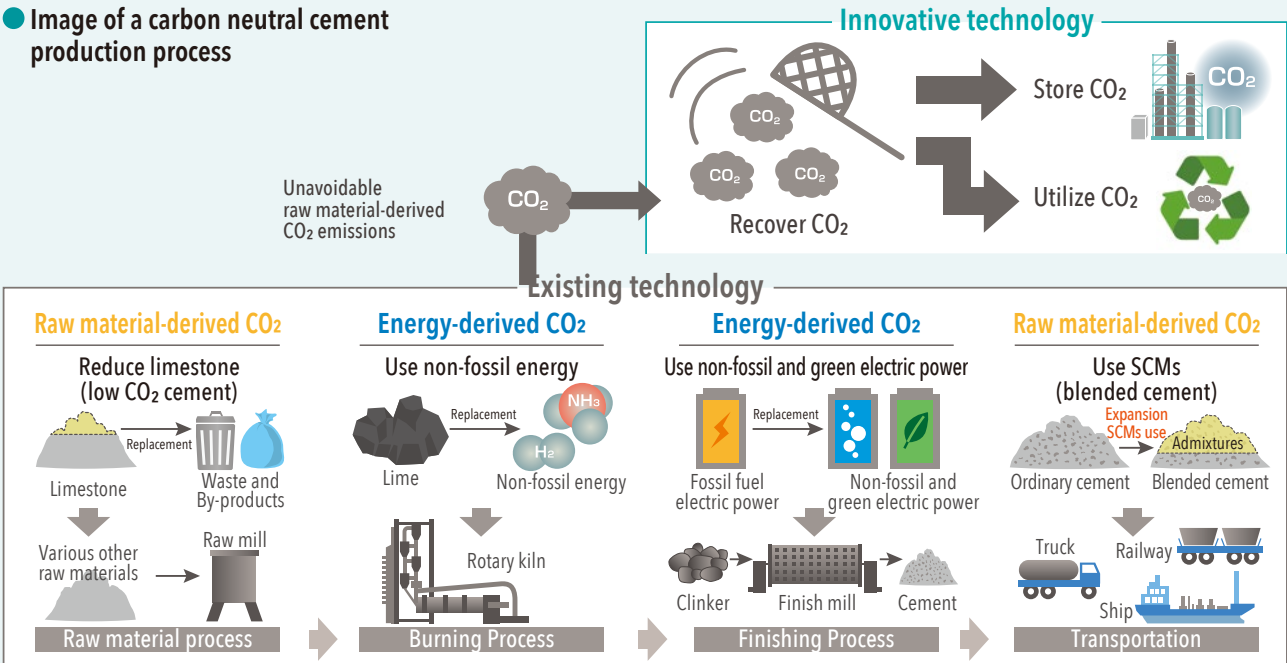


Existing Technology Existing Technology

Cement manufacturing requires a large amount of "fossil energy" because it is burned at a high temperature of 1,450°C, and a considerable amount of CO<sub>2</sub> is emitted because the main raw material, limestone, undergoes a decarbonation reaction during this burning process. For the former, we are promoting

the introduction of energy-saving equipment and the use of alternative fossil fuel. For the latter, we are working on the use of alternative raw materials to replace limestone, the development and diffusion of low-CO<sub>2</sub> cement, and the use of supplementary cementitious materials.

Image of a carbon neutral cement production process



Innovative technology CO<sub>2</sub> Capture

CO<sub>2</sub> that cannot be reduced by existing technologies alone needs to be recovered. In the cement production process, the raw materials are preheated in a device called a preheater, and then burned at a high temperature in a rotary kiln. Most of the CO<sub>2</sub> derived from raw materials is generated in a combustion device called a calciner in this preheater. We focused on this point and

started the development of a "CO<sub>2</sub> capture calciner" that efficiently recovers CO<sub>2</sub> from the calciner. By replacing the combustion gas of the calciner from the normally used air to oxygen (O<sub>2</sub>), it becomes possible to directly recover high-concentration CO<sub>2</sub> gas with compact equipment.

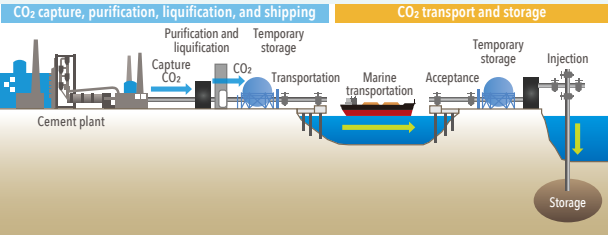
Innovative technology CO<sub>2</sub> Utilization

In order to prevent releasing the captured CO<sub>2</sub> back into the atmosphere, effective utilization or storage (CCS) is necessary. As one of the effective utilization measures, we are developing CO<sub>2</sub> mineralization (sequestration) technology. Carbonation (sequestration) is a technology that reacts CO<sub>2</sub> with calcium in cement-based materials and stably fixes it as calcium carbonate

in various concretes. We are also promoting the development of technology for the production of synthetic methane using recovered CO<sub>2</sub> as a raw material. Synthetic methane is expected to be used again as an energy source in the cement production process, as well as to be supplied to the existing city gas distribution infrastructure.

Innovative technology CO<sub>2</sub> Storage

We are also studying CCS for the recovered CO<sub>2</sub> as part of the activities of the JOGMEC project consortium. As an overall concept, CO<sub>2</sub> recovered from cement kilns is refined and liquefied, transported by ship, and stored at suitable storage sites, and we are promoting efforts toward implementation, such as designing necessary infrastructure facilities and estimating costs.





C2SP Kiln

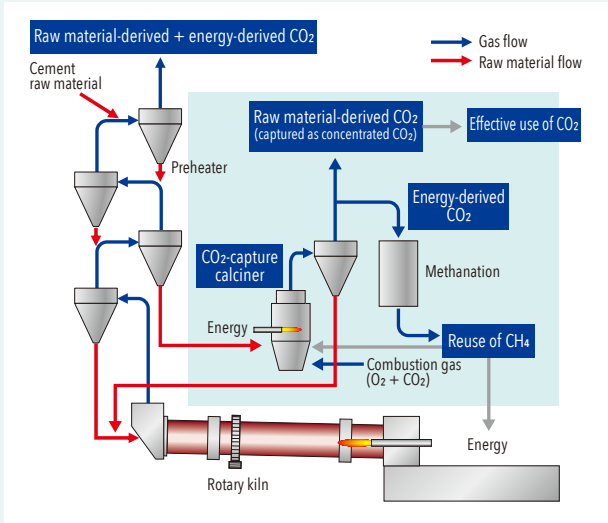
We are currently developing a unique CO<sub>2</sub> capture technology called the "CO<sub>2</sub> capture type cement production process (C2SP Kiln)," which utilizes technology we have cultivated in cement production. This development is being conducted within the NEDO (New Energy and Industrial Technology Development Organization) Green Innovation (GI) Fund project (~FY2031).

About 60% of the CO<sub>2</sub> generated from the cement production process is caused by the thermal decomposition of the main raw material, limestone (CaCO<sub>3</sub>). In the actual cement production process, the raw materials are heated in a preheating device called a preheater, and then further burned at a high temperature in a rotary kiln. When the raw material passes through a combustion device called a calciner in this preheater, it is heated to a high temperature of about 900°C, generating CO<sub>2</sub> (decarbonation: CaCO<sub>3</sub>→CaO+CO<sub>2</sub>). We focused on this point and started the development of a "CO<sub>2</sub> capture calciner."

In conventional calciners, air is used as combustion gas, but by replacing this with oxygen (O<sub>2</sub>), it becomes possible to recover high-concentration CO<sub>2</sub> gas with compact equipment. Since the equipment can be introduced by replacing the existing calciner, it is not detrimental to the excellent thermal efficiency, that can be said to be a characteristic of the NSP (New Suspension Preheater) which is current mainstream of pre-heating system for cement manufacturing process and waste (raw materials, thermal energy) can continue to be used as much as or more than before.

A demonstration equipment for this technology was completed in March 2024 in Sanyo Onoda City, Yamaguchi Prefecture. The goal of this technology is to realize a global standard facility for the cement industry aiming for carbon neutrality, and we are actively conducting development.

Gas flow of a C2SP Kiln



By concentrating the calcination reaction of raw limestone in an oxygen-fired calciner, highly concentrated CO<sub>2</sub> can be recovered directly from the cement process.



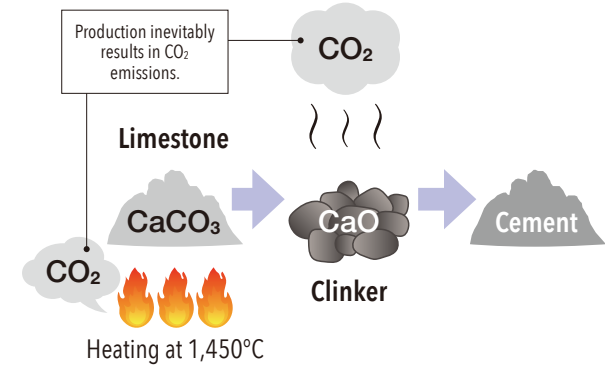
C2SP Kiln demonstration equipment (within the Onoda Plant of Taiheiyo Materials Corporation in Sanyo Onoda City, Yamaguchi Prefecture)

Why does blended cement have a CO<sub>2</sub> reducing effect?

The most widely used cement in Japan is Portland cement, but in recent years, **"blended cement"** has been attracting attention as an initiative toward decarbonization in the cement industry.

The production of Portland cement clinker emits a considerable amount of CO<sub>2</sub>, but blended cement, with say 50% of this replaced with supplementary cementitious materials, halves the CO<sub>2</sub> emissions.

Portland cement



Portland cement is an inorganic material whose main component is a sintered material called clinker, and the main raw material of this clinker is limestone (CaCO<sub>3</sub>). By heating the raw materials of clinker to a high temperature (1,450°C) and allowing the raw material components to react with each other, clinker is produced. Fossil fuels, such as coal, are used for heating, and limestone undergoes thermal decomposition (CaCO<sub>3</sub>→CaO+CO<sub>2</sub>) at high temperatures, resulting in the emission of a considerable amount of carbon dioxide during the production of (Portland) cement clinker.

Blended cement



Blended cement is manufactured by mixing Portland cement with secondary cementitious materials such as granulated blast furnace slag, a by-product of the steel industry, and fly ash, a fine powder of coal ash recovered from the combustion exhaust gas treatment process of coal-fired thermal power plants. Blended cement is expected to contribute to decarbonization because it is commercialized in a form that replaces part of the Portland cement by supplementary cementitious materials.

Blended cement is currently rapidly becoming more widespread not only in Europe and North America, but also in Southeast Asia. We also position the diffusion of this blended cement as one of our important strategies for decarbonization and are working on a wide range of measures to promote its use, including the development of technologies and securing sources of its raw materials.

Developer's Voice

Please share any memorable impressions that occurred during and up to the completion of the C2SP Kiln demonstration test facility.

The most difficult thing was that we built such a large facility in a very short period of time. The start of construction was delayed by more than half a year due to difficulties in procuring construction materials, but since the first stage of NEDO's GI Fund project was to be completed by the end of FY2024, we started with all parties involved working together to review the construction process, and we put together all the construction schedules like a puzzle. As a result, we were able to complete the construction in November 2023 as originally planned without any accidents or disasters, and we were able to hold the completion ceremony in March 2024 without any problems. This was of course due to the efforts of all the people involved, but I was overwhelmed with emotion, thinking that it was, in a sense, close to being a miracle. In the second stage from FY2025, we will move to the demonstration test stage using this facility and proceed with the demonstration toward actual implementation.



Kenichi Honma  
Manager, CO<sub>2</sub> Capturing team,  
Engineering and Technology group,  
Carbon Neutral Technology  
Development Department





# DX Strategy

**In a labor-constrained society, DX promotion will strengthen our competitiveness and achieve sustainable growth.**

**Hideaki Asakura**

Vice President and Representative Director

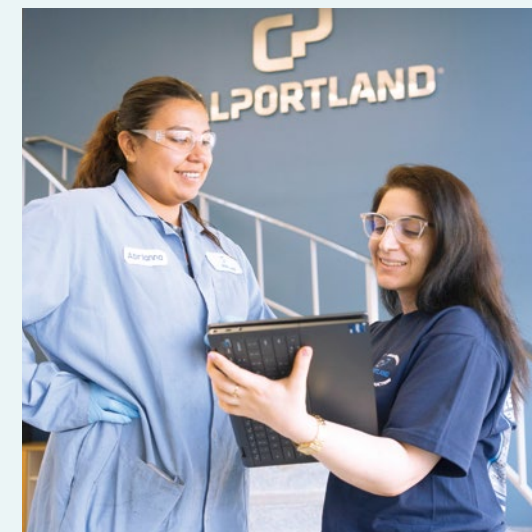


## Fundamental Policies of the 26 Medium-Term Management Plan

Recognizing that DX promotion is essential for maintaining and strengthening our competitiveness and developing new business areas, we launched the DX Promotion Team in June 2022 and have established a system to work on DX on a company-wide basis. In the 26 Medium-Term Management Plan, DX continues to be an important theme and is positioned at the core of our growth strategy. In the future, it is expected that it will become difficult to secure labor in Japan and, even in a labor-constrained society, improving efficiency and saving labor throughout the entire supply chain will be important in order to fulfill our supply responsibilities. We will solve these problems with the power of DX. Our main initiatives include production process innovation (smart factories) and streamlining of administrative work (smart offices). We will focus on developing DX human resources to effectively promote these initiatives. We will position our DX strategy as a key driver for achieving our ideal vision for the Taiheiyo Cement Group, and will work to achieve sustainable growth and strengthen our competitiveness.

## Production Process Innovation

We are developing a centralized management system for kiln operation at domestic and overseas plants, a support system by expert operators and an automated kiln operation system, and are considering unmanned nighttime operation. For example, in the calcination process it is necessary for the operator to make various adjustments while checking the inside of the kiln. We are attempting to automate this process using AI, and its accuracy is improving. We are test-introducing this initiative at the Kamiiso Plant and plan to roll it out to other plants in the future. In addition, we will introduce advanced equipment inspection methods, such as automatic collection of on-site instrument data and AI-based life span prediction, and a drone-based equipment inspection system. We are also promoting the automation and labor-saving of plant site work, such as through the introduction of remote-control systems for heavy machinery and self-driving trucks, automation of bagged cement loading, and the introduction of ICT in visitor management and safety education.



Promoting the use of tablets (CalPortland Company Research Center)



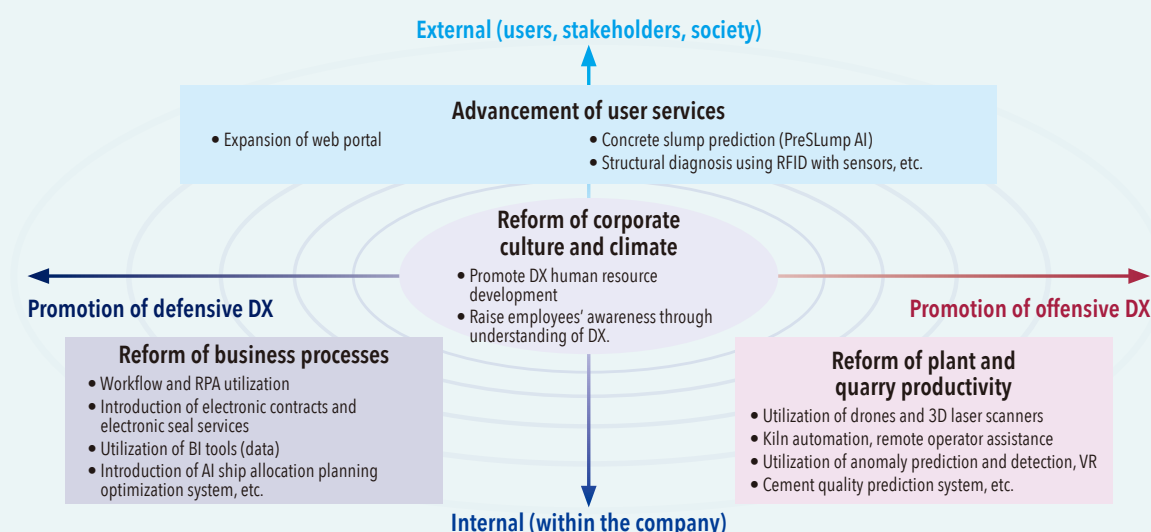
Promoting the use of tablets (CalPortland Company ready-mixed concrete plant (Las Vegas area))

## Streamlining Administrative Work

We are also working to improve the efficiency of our administrative work. For example, we are using automated workflow tools and data analysis tools. We are using AI to conduct demand forecasts and developing a system that can be used in daily sales and production activities. In addition, we are considering the efficient allocation of human capital by centralizing the operations of our administrative divisions at our headquarters. This will make it possible to reduce duplicate work at each site and allocate highly specialized personnel to the most appropriate locations. We are also promoting the elimination of borders in terms of the workplace through the use of remote work. We will streamline administrative work in conjunction with the automation of plant operations, and develop a system to prepare for the coming of a labor-constrained society.

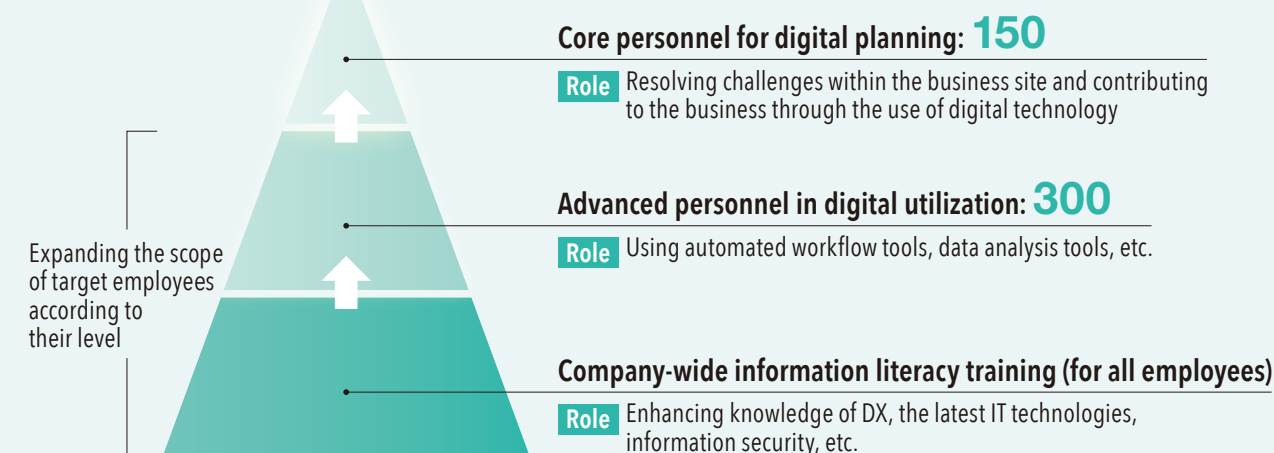
## DX Human Resource Development

We plan to develop more than 450 DX human resources during the period of the 26 Medium-Term Management Plan through cooperation between the Information - Technology Planning Group and business divisions. We will develop about 150 "core personnel for digital planning" who will be expected to identify challenges at each business site and play a central role in resolving them using digital technologies. The remaining 300 will be "advanced personnel in digital utilization" who will acquire the skills to master the use of the automated workflow tools that have been introduced. We will also provide DX literacy training to all employees to raise the level of the entire workforce. We will promote the development of human resources who will be the driving force behind the promotion of smart factories and smart offices.



## DX human resource development image

**Target: Develop 450 DX human resources across the company by FY2027**







# Human Capital Strategy

We will increase employee engagement, draw out the abilities of each individual, and develop human resources who can contribute to increasing corporate value.

Yusuke Nemoto Managing Executive Officer



## Improvement of corporate value

### Personal growth

- ◎ Motivated human resources
- ◎ Human resources with diverse ideas
- ◎ Human resources that can play an active role in the world

### Sources of competition

- ◎ Fostering motivation and a sense of fulfillment
- ◎ Presence of specialists in each field
- ◎ Accumulation of micro innovations

### Human resource system / training system Devices and mechanisms to motivate

- ◎ Supporting "personal" growth by fostering autonomy and self-reliance
- ◎ Providing opportunities and support for challenges and experiences
- ◎ Action plan to improve engagement



### The type of human resources that matches Taiheiyo Cement Group's management strategy

- ◎ Global human resource development
- ◎ Promoting workplace diversity
- ◎ Management human resource development

## Human Capital Strategy for Further Growth

We consider our employees as "capital," the driving force behind growth and the source of our competitiveness. Our basic human capital strategy is to create an environment where each employee can maximize their abilities by respecting each other's individuality and values.

In addition, we believe that it is important to enhance both well-being, which we consider to be a sense of happiness and comfort that employees feel while working, and engagement, which we consider to be a willingness to voluntarily contribute to the organization. In particular, we feel that it is essential for each and every employee to wholeheartedly in alignment with the company's policies and vision in order to improve engagement. Motivation and a sense of fulfillment in one's work can only be fostered when the direction of the company and what one wants to do are perfectly aligned. We have introduced an engagement survey from FY2024, and we will continue to monitor the extent to which employees empathize with our policies and vision, and promote initiatives such as dialogue with management, in order to ensure that our policies and vision are thoroughly understood.



Dispatching young employees to Taiheiyo Cement Philippines, Inc. for production line renewal work



Discussion at an overseas internship training program (Malaysia)

## Key Initiatives of the 26 Medium-Term Management Plan

In the 26 Medium-Term Management Plan we have set forth three goals for the type of human resources that match the Taiheiyo Cement Group's management strategy: "development of global human resources," "promotion of workplace diversity" and "development of management human resources." Of these, with regard to the development of global human resources, which is also an urgent matter in our growth strategy, we are actively providing opportunities to gain overseas experience by implementing an overseas trainee program, an overseas language study program and an overseas internship program. These are in addition to expanding our overseas trainee program. We want young employees to experience working abroad at an early stage, and we want them to efficiently acquire the minimum skills necessary to do so through practical experience in Japan and training programs. We will also actively promote exchange personnel programs with overseas group companies.

With regard to the promotion of workplace diversity, in addition to measures to promote the careers of female employees, such as next-generation female leader training, we will also aim to create an organization with workplace diversity by hiring foreign nationals, actively hiring experienced personnel, including through referrals and alumni networks, as well as employing people with disabilities and further utilizing senior citizens.

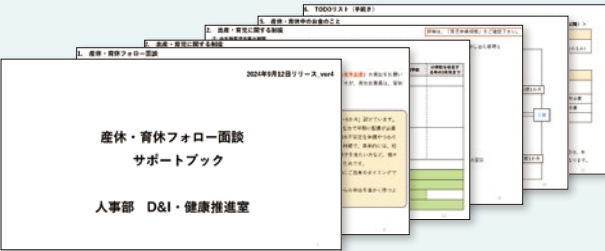


Program to train the next generation of female leaders: Debriefing session

## Aiming to be a Company where People want to Continue Working

What I believe is most important is the retention of human resources. In order to be a company where our valuable employees, whom we have hired and trained, feel they want to continue working, it is important to improve the ease of working, as well as fostering motivation and a sense of fulfillment.

In recent years, the number of dual-income and co-parenting households has increased, and it has become more difficult to accept the conventional transfer system which involves frequent relocation. For example, we are considering a flexible transfer system that is tailored to the life stages of our employees, such as exempting employees from transfers for a certain period of time depending on their circumstances and those of their families, reducing the frequency of transfers, and extending the period between transfer confirmation and the actual relocation. In addition, from this fiscal year we have introduced maternity/childcare leave follow-up interviews to support the smooth leave of absence and return to work of eligible employees. By conducting multiple interviews with supervisors and human resources personnel before and after childbirth, we are helping to alleviate anxiety about taking leave and returning to work. Creating a work environment where employees feel they want to continue working for a long time is essential for our future growth. We believe that by balancing motivation, a sense of fulfillment, and ease of working, we can retain our human resources and draw out the abilities of each individual, which will lead to improved competitiveness for our company.



Maternity/childcare leave follow-up interview support book