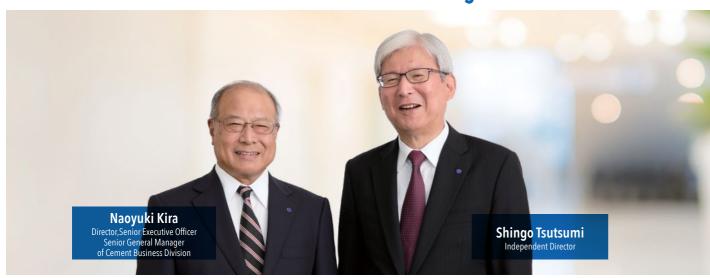
## **Business Strategies**

# [Special Feature: Dialogue]

# - Revitalization of Domestic Business as the Driving Force for Growth



# Domestic Business Strategy and Future Outlook of Taiheiyo Cement – A Conversation with Senior Executive Officer Kira and Director Tsutsumi

## Outlook for the Domestic Business Environment and Taiheiyo Cement's Role

## Kira:

In recent years, the domestic cement market has continued to face severe conditions, with demand posting year-on-year decreases for over 30 consecutive months. The main causes are the contraction in demand due to population decline, the erosion of profitability from soaring material and labor costs, and a serious shortage of workers. In addition, restrictions on working hours stemming from work-style reforms have caused bottlenecks, slowing project progress.



## Tsutsumi:

I also come from the materials industry, and Japan's equipment industries as a whole are facing aging facilities, shrinking domestic demand, and increasingly fierce competition in exports due to factors such as the economic slowdown in China. Although some degree of industry consolidation has already taken place, I believe

there is potential for another wave of restructuring in the future. Amid these circumstances, I believe our Group is positioned to play a leading role in the industry as a top supplier moving into the future. One of our major strengths lies in our well-balanced network of plants across Japan, which enables us to make significant contributions not only to the maintenance of social infrastructure, but also to disaster response when emergencies occur. Although the market environment remains challenging, there are indeed opportunities for demand, such as in national resilience projects and the restoration of aging infrastructure. It is our mission to address the causes of stagnant demand—for instance, through innovations in construction methods—while fulfilling our social roles in maintaining infrastructure and accepting waste and by-products.

## **Achieving Fair Pricing**

## Kira:

A major factor behind the recent recovery in earnings has been our decisive price revisions totaling ¥7,000 per tonne over the past three years. These adjustments were essential to offset rising costs. In particular, the price increase of ¥2,000 per tonne effective April 2025 was announced a full year in advance, giving users time to prepare for the pass-through, resulting in smooth negotiations. Going forward, we will continue to emphasize a collaborative approach, ensuring that price increases are understood and accepted across the entire supply chain rather than imposed unilaterally.

Tsutsumi:

I believe that achieving fair pricing was largely driven by President Taura's own efforts to personally visit the front lines of sales operations and ensure that the principle of "profit over market share" was thoroughly instilled and put into practice at the operational level. In the past, maintaining market share had been the top priority, but I sense a real shift in mindset recognizing that fair pricing is essential for reinvesting in aging facilities and revitalizing our domestic operations. This is the cornerstone of building a sustainable business, and it is a policy that must be continued going forward.

# **Business Opportunities in Domestic Operations**

## Kira

While there is underlying demand in the domestic market, it is not easily translating into actual orders due to on-site constraints such as labor shortages and the spread of a five-day working week. Going forward, we believe that developing new products that enable labor-saving and greater efficiency at construction sites will be essential. At the same time, solidifying materials for ground improvement represent a promising product area. In the Noto earthquake, for example, land that had undergone ground improvement sustained almost no damage. By strengthening our PR activities and raising public awareness of these materials, we expect to see substantial growth in demand from the perspectives of national resilience and "pre-disaster recovery."

## Tsutsumi:

In recent years, the frequent occurrence of natural disasters and accidents involving public infrastructure has prompted society as a whole to recognize the fragility and aging of Japan's infrastructure. To safeguard the infrastructure that supports people's daily lives and safety, investment in maintenance, renewal, and reinforcement is essential. Recently, the government has been promoting national resilience and large-scale disaster prevention and mitigation plans more vigorously than before. Our Group operates plants across Japan, playing an important role in building and maintaining local economic and social infrastructure, as well as in waste management and disaster response. We believe it is also important to further strengthen our communication of these social contributions.

# Initiatives for Further Enhancement of Corporate Value

## Kira

We are integrating our sales functions for cement, aggregates, and waste treatment to establish a total solution framework that enables us to provide one-stop solutions to customers' challenges. In anticipation of a future decline in

sales personnel, improving efficiency is also one of our key objectives. However, there are many issues to address-such as system integration and organizational restructuring-and we are currently promoting this initiative on a company-wide basis. Another major strength of our Group is that we own and operate our own limestone quarries, enabling us to produce and supply products not only for cement and ready-mixed concrete aggregates, but also for a wide range of industrial applications. However, in order to make the most of this strength, it is essential to extract and ship limestone-naturally distributed underground in varying grades—while maintaining a proper balance of quality and particle size. Because such mining operations inevitably need to be large-scale, a certain level of investment is unavoidable. Even so, by advancing the profitability enhancement measures mentioned earlier, we aim to generate substantial returns that will enable us to maintain our nationwide network of plants. Through this, our Group can continue to fulfill its social mission by providing unique value in supporting social infrastructure during disasters and other emergencies. Ultimately, we believe these efforts will lead to further enhancement of our corporate value.

## Tsutsumi:

Owning Japan's largest domestic source of raw materials within the materials industry and being able to vertically and horizontally expand our business around it is a major advantage. Our Group's business model is built around limestone as the starting point, closely linking the cement, ready-mixed concrete, environmental and resource, and construction materials and civil engineering businesses. This is the source of our ability to provide one-stop solutions that meet the diverse needs of our customers. Moreover, our total-solution capability is not limited to hardware (products) but also encompasses software—our people and technologies—reflecting the comprehensive strength of the Group. Going forward, we intend to communicate these strengths more proactively to external stakeholders and work to further enhance public recognition of our value.

## Kira:

Our mission is to "continue producing cement until the very last tonne of domestic demand" and we will remain committed to contributing to social development together with our customers. At the same time, the cement industry as a whole–including our peers—has roles and challenges that must be addressed across the entire supply chain. As a leading



company in the industry, we intend to take the initiative in tackling social issues and creating new value.

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