



President and Representative Director  
**Yoshifumi Taura**

Driven by our mission to support the foundation of social infrastructure, we aim to achieve global growth and contribute to the realization of a sustainable society.

Looking back on my first year as President – a year of performance improvement driven by the successful penetration of price revisions

FY2025 marked not only my first year as President but also the inaugural year of the “26 Medium-Term Management Plan.”

A major achievement during this year was the improvement in business performance driven by the successful penetration of price revisions in the domestic cement business.

The domestic segment had suffered a significant decline in earnings in FY2023 due to the surge in coal prices. However, the price revisions proved effective, and by the final year of the previous Medium-Term Management Plan (FY2024), we had established a solid path toward recovery.

Furthermore, in FY2025, business performance continued to improve, and on a consolidated basis, we achieved our highest profit since the establishment of Taiheiyo Cement in 1998.

This two-year consecutive growth demonstrates that our profit recovery was not a temporary rebound, but rather the result of a structural transformation—one that enables cost pass-through via price increases, a practice that had been difficult under traditional business customs. This transformation provides great reassurance. I also feel that the improved performance of our domestic operations has led to a tangible boost in employee morale.

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“People” Who Support the “Strategy” for Maximizing Corporate Value

With the aim of maximizing corporate value, our Group has formulated a strategy built upon three key pillars: further promotion of global strategy, revitalization of domestic business, and promotion of sustainability management and contribution to carbon neutrality—all from the perspectives of enhancing profitability and pursuing growth. The entire company is united in working toward achieving the goals of the 26 Medium-Term Management Plan.

The most crucial factor in maximizing the effectiveness of our strategy is investment in people—fostering motivation in each employee and ensuring that everyone works together toward a shared direction. As Henry Ford once said, “If everyone is moving forward together, then success takes care of itself.”

I believe that “engagement” and “inclusion” are key to inspiring employees’ motivation. In simple terms, engagement refers to one’s emotional connection and commitment to the company. Such engagement, however, can only emerge in an inclusive environment where every employee is respected and empowered to perform at their best, regardless of their workplace or role. For this reason, I see engagement and inclusion as two sides of the same coin.

A company’s growth and profits ultimately stem from a shared sense of purpose and action. When the company provides an environment where employees are respected, and employees in turn empathize with the company’s mission and direction, their collective efforts naturally lead to positive results. What matters most, therefore, is engaging in direct dialogue and listening to employees’ opinions. Over the past year, one of my key initiatives has been to strengthen this communication – I visited 27 locations, including plants and branch offices across Japan, to hold meetings and exchanges. My personal motto in work is “cheerfully, enjoyably, and energetically.” I am always thinking about ways to encourage and uplift our employees – and these meetings are very much part of that effort.

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**The Social Value of Taiheiyo Cement**

## Social Responsibility of the Cement Industry and the “7R+1T” Framework

In discussions with employees, I emphasize the importance of cultivating a habit of interpreting situations based on data and facts rather than assumptions—a mindset rooted in “factfulness.” From this perspective, we have analyzed the factors driving cost increases that our Group must consider, and summarized them in a framework called “7R+1T.” Through this, I communicate the importance of maintaining appropriate pricing levels. The term “7R+1T” collectively refers to seven risks (R) and one threat (T).

The seven risks are as follows:

- (1) Decline in production volume due to the contraction of the domestic market
- (2) Concerns over fluctuations in coal prices
- (3) Rising environmental costs
- (4) Securing of essential resources
- (5) Aging of production facilities
- (6) Labor shortages
- (7) Changes in international circumstances, such as intergovernmental relations and geopolitical risks

In addition, the “one threat (T)” refers to the need for preparedness and resilience against severe natural disasters and major earthquakes—threats that pose significant risks specifically to Japan.

For example, regarding the severe natural disasters and major earthquakes cited as threats, both debris processing and cement are indispensable for recovery and reconstruction.

Some have argued that “cement plants should be closed in line with declining domestic demand,” but if the cement industry were to shrink excessively, it would no longer be able to accept disaster debris or supply cement when it is most needed. In our Group, 413 kilograms of waste and by-products are processed for every tonne of cement produced, thereby playing a vital role in maintaining public sanitation and extending the lifespan of final disposal sites. Following the Great East Japan Earthquake, for instance, our Ofunato Plant processed approximately one million tonnes of debris.

Our management philosophy states: “Aiming to be a leader in building a sustainable future for our planet, we engage in business activities that harmonize not only economic growth but also environmental stewardship and social contribution.”

Maintaining our domestic plants in preparation for potential threats, such as large-scale natural disasters that could occur at any time, is both a measure of preparedness for threats and a social responsibility.

Of course, it would be inadequate if these plants were useful only in emergencies, like disaster response kits. Rather, as with rolling stockpiles of emergency water, where older stock is used and replaced with new, facilities must be economically viable at all times. Therefore, maintaining prices that fully reflect the seven identified risks is crucial to ensure both sustainability and readiness for such threats.

I want all employees, and not just those engaged in the domestic business with involvement in price negotiations, to fully understand the “7R+1T” described above - as the saying goes, “Know your enemy and know yourself, and you will never be defeated in a hundred battles. By sharing a sense of social responsibility for the cement industry, employees can strengthen their engagement, gain confidence and conviction in our ongoing pricing policies and other strategies, and work together “cheerfully, enjoyably, and energetically.”

The analysis of our employee engagement survey conducted earlier this fiscal year revealed that “a strong sense of understanding and agreement with the company’s policies and business strategies” was identified as one of our

key strengths. I was very pleased to see this result, as it clearly demonstrates the positive impact of our continuous efforts to engage directly with employees.

Under the concept of our 26 Medium-Term Management Plan, “3D Approach for Sustainable Future,” one of the three strategic pillars is what I call the “Domestic Revival Plan,” focusing on the revitalization of our domestic business. Encouraging and engaging our employees is one of the most vital means to achieving this goal.

## Growth Potential of Taiheiyo Cement – Pursuing Further Growth through Global Business Expansion and Diversification of the Business Portfolio

### 1. Global Strategy

In Japan, domestic cement demand peaked at 86.29 million tonnes in 1990. At that time, global demand was 1.2 billion tonnes, with Japan ranking second after China’s 200 million tonnes. Today, while global demand has expanded to 4 billion tonnes, Japan’s demand has shrunk to about 32.66 million tonnes, roughly one-third of its peak. This data clearly shows that domestic cement demand is declining; however, from a global perspective, cement remains a growth industry. We will therefore continue to focus on our global strategy to capture this demand.

Our current focus is on exporting blended cement. We are promoting the export of blended cement made using fly ash, a by-product of coal-fired power plants. This initiative involves every relevant division across the company –not only the Production Division and the Overseas Business Division which handle manufacturing and export operations, but also the Environmental Business Development Department which coordinates with electric power companies, and the Research & Development Division which provides technical support through research on raw materials and production processes.

The resulting fly ash (FA) blended cement offers high profitability. Even if domestic cement demand declines to around 28 million tonnes, we anticipate being able to maintain full operation at existing plants by expanding exports of FA blended cement.

Blended cement plays a vital role for our Group as a source of earnings, a means of maintaining the operation of our domestic plants, and a key driver in promoting carbon neutrality. Beyond enabling the supply of high-quality products to our export destinations in Asia, it also plays a vital societal role: offering solutions for industrial waste disposal, processing disaster debris in times of major natural catastrophes, and supporting the operation of coal-fired power plants, which serve as baseload energy sources. In this sense, blended cement represents a truly comprehensive value creation model – a “win-win-win-win” initiative that benefits our company, consumers, power utilities, and society at large.

The United States, one of our Group’s key markets, experienced a temporary slowdown in demand around the 2024 presidential election. However, the overall market environment remains highly favorable. This positive trend is underpinned by the Infrastructure Investment and Jobs Act, introduced under the previous Biden administration, whose effects are now steadily materializing.

Looking ahead, with the Los Angeles Olympic Games in 2028, we anticipate continued expansion in demand.

In the United States, a growing number of younger generations, including Generation Z, are leaving densely populated and high-cost areas such as California to build homes more affordably in states like Arizona. That said, California is far from hollowing out—inbound migration continues, and housing demand remains robust. According to the president of our U.S. subsidiary, demand is expected to rebound in the second half of this fiscal year, and we anticipate a continued solid performance in the American market.

In Southeast Asia, for instance, Indonesia is experiencing increasing demand as it moves forward with the relocation of its capital city. At the same time, the country’s geography as a volcanic archipelago presents challenges due to weak ground stability. Since the domestic supply capacity for solidifying agents—materials essential for ground stabilization and reinforcement—is limited, our Group is exploring the transfer of technologies that leverage our comprehensive strengths across related fields such as

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# Message from Top Management

resources, construction materials, and civil engineering.

We have also begun exploring potential new destinations for expansion in Southeast Asia. When entering a new market the most critical factor is engaging with the right partner in that country or region. It is crucial that our partners are reliable, eager for growth and are seeking advanced technologies. Of course, linguistic and cultural barriers must also be considered. Therefore, with the cooperation of our Group companies engaged in engineering businesses locally, we are conducting detailed feasibility studies to identify and evaluate new investment opportunities.

The division responsible for our global strategy was renamed the Global Business Division as part of the organizational restructuring implemented in April this year. While our domestic business remains a vital pillar, the new name reflects our intent to set a clear strategic direction that encompasses Japan and the entire world. Notably, the name was proposed and chosen through the initiative of our younger employees within the division, who played a central role in shaping this new identity.

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**Carbon Neutral Strategy /**  
**[Feature]: C2SP Kiln**

**2. Carbon Neutral Strategy**

Carbon neutrality is a key element of our Group's medium- to long-term growth strategy.

We have established the GX Department, responsible for formulating and promoting our comprehensive strategy, as well as a dedicated project team focused on developing technology for the "C2SP Kiln," a CO<sub>2</sub>-capturing cement production system. With government support and from the perspective of fulfilling our social responsibility, our Group is firmly committed to achieving carbon neutrality.

We regard the C2SP Kiln as our own version of the "Apollo Project." The Apollo program cost approximately ¥14 trillion in today's value, with the Apollo 11 mission alone requiring about ¥600 billion to achieve the first moon landing. However, space travel has since become dramatically less expensive. Similarly, the initial stage of innovation demands enormous investment, but once commercialization begins, costs drop significantly.

Moreover, the Apollo program did far more than just bring back lunar rocks – it spurred advancements in numerous technologies, including communications systems, rocket and jet engine development, heat-resistant tiles, computers, telecommunications, and even zippers.

Likewise, our C2SP Kiln will not only enable CO<sub>2</sub> capture but also drive broader technological innovation across multiple fields, such as heat-resistance engineering, heat-exchange systems, and cryogenic separation. That is why we are determined, and have declared internally, that this innovation is something we must accomplish.

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**Environmental Business**

**3. Fostering Businesses Independent of the Cement Segment**

Until now, our Group's business portfolio has primarily revolved around the cement value chain. Going forward, however, we intend to focus on developing businesses that are not dependent on the cement segment. For example, we see strong potential in environmental-related businesses as a new pillar of growth. While our environmental operations have traditionally centered on waste treatment using cement kilns, we are now looking to expand into diverse fields beyond that scope – including investments in emerging companies specializing in areas such as water treatment and PFAS (per- and polyfluoroalkyl substances) countermeasures.

By actively partnering with external companies possessing advanced technologies and by strategically investing capital and expertise, we aim to nurture the seeds of new businesses that could grow tenfold or even a hundredfold. Environmental businesses not only carry intrinsic social value but are also expected to contribute significantly to business diversification and sustainable growth.

## Policy on Shareholder Returns and Engagement

Under the 26 Medium-Term Management Plan, we have set a total shareholder return ratio target of 33% or higher. We are committed to delivering on our shareholder return promise by maintaining an annual dividend of at least ¥80 per share and implementing flexible share buybacks as appropriate.

In fact, for the current fiscal year, we have announced an annual dividend of ¥100 per share.

At the same time, I believe it is important to strike a balance between short-term results and long-term growth. While our current performance is strong and we receive feedback regarding our dividend payout ratio, we are actively investing in a variety of areas that are beginning to yield tangible results. As we further strengthen our financial foundation over the course of this Medium-Term Management Plan, we intend to enhance shareholder returns, including through additional share buybacks when appropriate.

We also intend to actively create more opportunities for dialogue with investors.

While our financial results briefings are limited to about 30 minutes, we would like to take more time to provide in-depth explanations.

In our "3D Approach for a Sustainable Future," we have positioned IR strategy—alongside carbon neutrality, digital transformation (DX), and human capital development—as a key element under "Promotion of Sustainability Management and Contribution to Carbon Neutrality."

We will continue exploring ways to increase engagement and visibility among individual investors and others interested in our company, ensuring our efforts are better understood by a broader audience.

Our Group has set forth a "Future Vision Targeting 2050" to "Become a leader in the global cement industry." To realize this goal, we are strengthening our engagement with long-term overseas investors and major institutional shareholders. Currently, 40% of our shareholders are overseas investors, a notably high proportion. We believe that being continuously evaluated by the rigorous standards of global investors helps us grow stronger and move steadily closer to the vision we aspire to achieve.

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**– Engagement with Investors**

## In Closing – Reflections on the "First Year of Pre-Disaster Recovery"

The Taiheiyo Cement Group has designated 2025 as the "First Year of Pre-Disaster Recovery."

With this in mind, we will focus on infrastructure development and community building from a perspective of preparing for recovery before disasters occur.

In July 2025, we published a brochure titled "Disaster Prevention and Recovery Technologies of the Taiheiyo Cement Group," through which we are promoting initiatives to raise awareness and encourage broader utilization of our Group's related technologies.

The term "First Year of Pre-Disaster Recovery" embodies our strong determination to reaffirm the mission of the cement industry—to support the very foundation of society—and to carry that mission forward into the next generation. Japan continues to face the risk of large-scale natural disasters such as the Nankai Trough and Tokyo inland earthquakes. Our experience from past events—including the Great East Japan Earthquake and the Noto Peninsula Earthquake—has shown that cement companies play an indispensable role in society, from the swift restoration of social infrastructure and the processing of disaster debris to the supply of temporary housing.

That is why we believe it is our mission and responsibility to maintain our plants and supply chains even in normal times, ensuring a sound and sustainable business structure that contributes to building a more resilient society. Taking the "First Year of Pre-Disaster Recovery" as a new starting point, we will continue to create indispensable value for society as a leader in the industry.

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