

26 Medium-Term Management Plan – Progress of the 26 Medium-Term Management Plan and Attainment of the Long-Term Vision



Review of FY2025

In FY2025, the Taiheiyo Cement Group achieved record-high consolidated profits since its establishment, reflecting a significant recovery in performance. This was driven by the successful implementation of price revisions that turned the domestic cement business profitable and by strong performance in global operations, particularly in the United States. It was a year that demonstrated solid progress in the first stage of the 26 Medium-Term Management Plan.

A key milestone was our shift from a market share-oriented to a profit-oriented business approach. However, as domestic cement demand remains uncertain, further measures are needed to increase earnings in pursuit of the 26 Medium-Term Management Plan targets.

We will not rest on our laurels, but instead will continue to steadily execute each of our strategic initiatives.

Progress under the 26 Medium-Term Management Plan

The 26 Medium-Term Management Plan is founded on the basic policy of achieving Sustainable Growth and Enhancement of Corporate Value of the Taiheiyo Cement Group

It is built upon two central pillars, improving profitability and Pursuing growth potential, and is advanced through our 3D Approach, which combines three key strategies:

- (1) Further promotion of global strategies,
- (2) Revitalization of domestic business, and
- (3) Promotion of Sustainability Management and Contribution to Carbon Neutrality

Our management targets for FY2027, the final year of the plan, are to achieve an operating income margin and ROE of 10% or higher.

Further Promotion of Global Strategies

Under our global strategy we are first strengthening the profitability base of our existing operations in the United States and the Philippines. At the end of December 2024, CalPortland Company, a consolidated subsidiary in the United States, acquired aggregates and ready-mixed concrete business assets located in Ventura County, California, from Grimes Rock, Inc. and its related companies. With sustained demand driven by population growth in Southern California, we expect stable and high-margin expansion of our aggregates and ready-mixed concrete business.

In the Philippines, market conditions have deteriorated due to increased imports from Vietnam. However, the safeguard measures to be implemented in March 2025 are expected to support market stability. While Vietnam still has cement production capacity of more than twice its domestic demand, growing internal demand associated with economic development is improving the market balance. We will maximize production and sales volumes by combining cost reductions and exports.

We also continue to expand our trading business. We have decided to construct new production and shipping facilities for FA (fly ash) blended cement at the Saiki Ash Center in Oita Prefecture, with shipments scheduled to begin during the 26 Medium-Term Management Plan period. This will increase our export capacity for blended cement to over 1.3 million tonnes annually, primarily serving the growing demand of blended cement in Southeast Asia.

Revitalization of Domestic Business

In FY2025, stabilized coal prices led to lower production costs, and cumulative price increases totaling ¥7,000 per tonne since the previous Medium-Term Management Plan period resulted in a return to operating profitability. With pricing discipline now established as a business practice, it can be said that we have successfully transitioned from a market share-driven to a profit-driven business model. We believe this will enable the creation of a stable, sustainable earnings structure going forward.

Although no price revision has been determined for shipments after April 2026, a major external factor will be the GX-ETS (CO₂ Emissions Trading Scheme), to be launched in Japan in FY2027. This could significantly affect trading prices, and we will prepare to respond appropriately as necessary.

We are also preparing for the provision of total solutions, enabling a single sales representative to handle both cement and aggregates. To enhance collaboration and efficiency among our business divisions, we have begun developing a platform to share user information, particularly between the Cement and Resources divisions where overlaps exist. The platform will enable us to understand the transaction histories for each user and is expected to enhance the efficiency of sales activities in both the Cement and Resources divisions. It will begin operation in the second half of this fiscal year with the aim of establishing it as a regular operational tool.

Promotion of Sustainability Management and Contribution to Carbon Neutrality

Although there is a global slowdown in the transition toward carbon neutrality (CN), as seen in the United States' declaration of withdrawal from the Paris Agreement, our Group remains committed to establishing and commercializing various CN technologies, including the C2SP kiln. In April, based on the government's Green Transformation (GX) Policy, we established the GX Department, which is responsible for developing and implementing comprehensive strategies, and the C2SP Kiln Project Team, which specializes in installing C2SP kiln for CO₂ capture. Building on our previous demonstration experiments, we are now scaling up these efforts toward full-scale application.

Another key initiative is the promotion of digital transformation (DX). Previously handled by the IT Planning Group within the Corporate Planning Department, DX functions have been elevated to an independent DX Department. The department will take the lead in formulating company-wide DX strategies, developing DX human resources, and promoting DX projects across the Group.

Our Smart-factory technologies, such as the use of drones for inspections and remote operation systems, are steadily progressing. During the 26 Medium-Term Management Plan

period, we plan to develop 450 DX human resources, and applications are already exceeding expectations. Numerous innovative ideas for improving operational efficiency through digital tools are emerging, particularly relating to head office functions. We will continue to enhance our digital capabilities to create more efficient and employee-friendly workplaces both at plants and at head office.

In addition, each executive's annual performance targets include various ESG-related goals, and the degree of achievement, although qualitative, will be reflected in each executive's performance evaluation.

Toward Achieving the 26 Medium-Term Management Plan and Our Long-Term Vision

When formulating the 26 Medium-Term Management Plan, we first established our Future Vision targeting 2050 as the destination toward which all employees should strive. Working backward from this vision, our Taiheiyo Vision 2030 was formulated with the goal of becoming "a robust corporate group that achieves sustainable growth." To achieve this, we must enhance both profitability and develop carbon-neutral technologies.

One source of added value lies in our technological capabilities, which underpin the development of high-quality products and waste-processing solutions. We believe that the establishment and advancement of carbon-neutral technologies in particular will create significant value for customers in the near future. By leveraging this value, we aim to differentiate ourselves from competitors, deliver higher profitability, and achieve sustainable growth.

In the latter half of the 26 Medium-Term Management Plan period, securing new business opportunities in the domestic market will be key to success. While domestic operations are central to improving profitability, Japan is also facing rising social issues, including aging infrastructure, disaster prevention, and national resilience. However, due to workforce shortages, there are structural issues such as unspent public budgets despite allocated funding.

In light of these circumstances, our efforts go beyond simply supplying materials and we are working to develop and provide solutions, in cooperation with government agencies, to address challenges faced by the entire industry. By doing so, we aim to create new demand while contributing to the resolution of social issues. As a company committed to maintaining and advancing social infrastructure, we will continue to take on new challenges in pursuit of maximizing corporate value.

- 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/recycling-based society.

- 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.

- Sustainable growth and enhancement of corporate value of the Taiheiyo Cement Group
- Maximize corporate value through efforts to "Improve profitability" and "Pursue growth potential" (achieve a PBR of over 1x at the earliest possible time)

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

IR Strategy P.54-55

| | FY2025 Results | FY2027 Target |
|---------------------------|----------------|---------------|
| Operating income on sales | 8.7% | 10% or more |
| ROE | 9.5% | 10% or more |

| | FY2025 Results | FY2027 Target |
|-------------------------------------|-------------------|-----------------------------|
| Net sales | 896.3 billion yen | 1,000.0 billipn yen or more |
| Operating income | 77.7 billion yen | 100,0 billipn yen or more |
| Net debt/equity ratio (DER) (times) | 0.49 | around 0.5 |
| ROIC | 5.4% | 7% or more |

(Unit: billion yen)

| | | Net Sales | | Operating Income | |
|---------------------------------|-----------------------|----------------|---------------|------------------|---------------|
| | | FY2025 Results | FY2027 Target | FY2025 Results | FY2027 Target |
| Cement Business | Overseas subsidiaries | 344.8 | 410.0 | 38.4 | 45.0 |
| | Japan | 323.4 | 383.0 | 16.1 | 38.0 |
| | Sub-total | 668.2 | 793.0 | 54.4 | 83.0 |
| Mineral Resources Business | | 88.2 | 100.0 | 9.6 | 11.0 |
| Environmental Business | | 80.9 | 108.0 | 9.0 | 13.0 |
| Construction Materials Business | | 44.3 | 59.0 | 2.4 | 4.0 |
| Other Business | | 78.6 | 81.0 | 3.9 | 4.0 |
| Intergroup Elimination | | (63.9) | (71.0) | (1.6) | 0.0 |
| Sub-total | | 896.3 | 1,070.0 | 77.7 | 115.0 |

Sustainability Targets

| | | FY2024 | Target | Target Year | FY2025 |
|-----------------|--|--------|---|-------------|--------|
| Net Zero carbon | Reduction in specific net CO ₂ emissions per tonne (compared to 2000) | 9.8% | 10% or more | 2025 | 8.8% |
| | Reduction in specific net CO ₂ emissions per tonne throughout the supply chain (compared to 2000) | 11.6% | 20% or more | 2030 | 10.7% |
| DX | Development of DX human resources | — | DX human resources: 450 or more to be developed | 2026 | 170 |
| Human capital | Fatalities (Group) (cases) | 1 | Fatalities (Group) (cases) 0 | Every year | 4 |
| | Ratio of female employees | 9.9% | Female employees: 10% or more | 2026 | 10.6% |
| | Ratio of female managers | 2.5% | Female managers : 5% or more (3% or more) | 2030 (2026) | 3.2% |