

Business Strategies – Global Strategy



In April this year, to build a truly international network in our business, we renamed the former Overseas Business Division as the Global Business Division. The change reflects a shift from a Japan-centered perspective to a genuinely global one.

In regions where we already operate, such as the United States, Vietnam, and the Philippines, as well as in Indonesia and other areas where we expect further business expansion,

we will place greater emphasis on on-site initiative and creativity in order to respond swiftly to rapidly changing geopolitical and economic risks.

We also aim to further enhance our presence in the global market by strengthening exports of FA blended cement from Japan, expanding triangular trade, diversifying export destinations, and increasing the handling of supplementary cementitious materials (SCMs).

Market Environment

United States

- Continued Population Growth and Economic Expansion

Southeast Asia

- Potential for Economic Growth

Global Market

- Global Trend Toward Carbon Neutrality in the Global Market

Risks

- Slower construction demand in the U.S. due to the high interest rate policy
- Tariff policy under the Trump administration
- Capacity expansion and new market entrants among competitors in the Asian market

Opportunities

- Increased infrastructure investment and foreign investment in the U.S.
- Shift toward low-carbon blended cement markets on the U.S. West Coast
- Growing cement demand and rising need for blended cement in Southeast Asia

Strengths

- Well-balanced portfolio across the Pacific Rim
- Vertically integrated business encompassing cement, SCMs, aggregates, and ready-mixed concrete on the U.S. West Coast
- Export of blended cement utilizing fly ash from Japan
- Strong credibility and network built through long-standing trading operations

Governance

- Defensive governance: Establishment of anti-bribery measures and internal reporting systems, and implementation of the “three lines of defense” (business execution, risk management, and internal audit)
- Proactive governance: Pursuing growth opportunities while minimizing risks
- Human resources underpinning governance: Developing personnel who earn the trust and respect of local communities in the regions where we operate

Initiatives and progress under the 26 Medium-Term Management Plan

Strengthening the earnings base of existing businesses	
Region	Progress status
United States (SCMs/blended cement business)	In response to the growing adoption of low-carbon cements, we are leveraging the trust built through our long-standing trading operations to expand the SCMs and blended cement business. To this end, a large receiving silo is under construction at our terminal in Northern California, scheduled for completion in February 2026.
United States (Aggregates/ready-mixed concrete company acquisition)	CalPortland has strengthened its business foundation through vertical integration from upstream to downstream operations by acquiring aggregates and ready-mixed concrete assets from Grimes Rock and its affiliated companies.
Vietnam (Enhancing competitiveness)	Amid intense market competition, we are working to maximize exports to the United States while implementing cost-reduction measures such as expanding the use of low-grade coal and introducing a waste heat recovery power generation facility (scheduled for completion in May 2027).
Philippines (Plant renewal)	Following the completion of the plant renewal, the production capacity has been expanded to 3 million tonnes per year. We aim to further increase cement sales by leveraging the advantages of our high-efficiency facilities.

Further expansion of business domains	
Region	Progress status
Indonesia (Deepening partnerships)	Led by our local subsidiary, we are working to deepen our partnership with PT. Solusi Bangun Indonesia Tbk. through initiatives such as launching exports from the company's Tuban Plant to the United States and collaborating in the ground improvement business.
United States, Southeast Asia, and Oceania	We are currently examining potential M&A opportunities based on information gathered through our trading and other global networks.

Expansion of the trading business	
Region	Progress status
U.S. market	We are working to stabilize cement supply to the U.S. market and expand the sales of blended cement.
Export of blended cement from Japan	We aim to expand blended cement sales across Asia by utilizing the Saiki Ash Center in Saiki City, Oita Prefecture, which has newly installed facilities for producing and shipping FA blended cement.

Topics

Renewal of production line at Taiheiyo Cement Philippines, Inc.

In November 2020, we decided to renew the production line at Taiheiyo Cement Philippines, Inc. Despite the challenges posed by the COVID-19 pandemic, construction progressed steadily, and a completion ceremony was held in July 2024. Approximately 80 attendees participated in the ceremony, including senior officials from the Philippine government and representatives from the Embassy of Japan.

The Philippines is experiencing remarkable economic growth, with infrastructure investment advancing under the Marcos administration's "Build Better More" initiative. The renewal of the production line has increased annual cement production capacity to 3 million tonnes and introduced state-of-the-art technology, enabling the stable supply of high-quality cement made with Japanese technology while also contributing to reducing environmental impact.

Furthermore, Taiheiyo Cement Philippines, Inc. is constructing a new cement terminal on Luzon Island to strengthen its market presence in the Philippines.

Taiheiyo Cement Philippines, Inc. - Cebu Plant  
(Philippines)

# Business Strategies

## [Special Feature: Dialogue] Global Business

Further Promotion of Global Strategies

Revitalization of Domestic Business

Promotion of Sustainability Management and Contribution to Carbon Neutrality



**Shinji Fukami**  
Vice President and Director  
Senior General Manager of  
Global Business Division

**Yoshiko Koizumi**  
Independent Director

## Strengthening the Foundations of Global Business through Defensive and Proactive Governance

### Strengthening “Defensive” Governance through Trust

**Fukami:** In our global strategy, we reinforce governance from both defensive and proactive perspectives. On the defensive side, we regard bribery as the most significant risk in overseas operations. We have benefited from the advice of Director Koizumi, who has long worked as an attorney in corporate law and international transactions. As a group initiative, in January 2017 we established our Anti-Bribery Policy, and since then we have strictly enforced compliance and the prevention of violations.

**Koizumi:** There are countries—some where we are already operating—that require particular caution with respect to bribery. When we once considered entering a certain region, I advised the management team to exercise the utmost care. Even suspicions of bribery can result in project suspension, delays in material delivery, and other significant impacts. Regarding internal whistleblowing systems, it is also essential to enhance operations with attention to language and other considerations.

**Fukami:** We set up a global whistleblowing system in April 2025. From the perspective of strengthening compliance, such systems are extremely important. We are enhancing the framework for handling whistleblowing reports, including multilingual support. At our overseas bases, risk management is carried out under the “three lines of defense” concept, with the business execution unit, risk management unit, and internal audit unit each playing their roles. Together with statutory auditors, internal audit departments, and subsidiary-specific initiatives, we have built multilayered audit mechanisms.

**Koizumi:** That is extremely important, and our company has established the right structures.

**Fukami:** On the other hand, if we only focus on setting up the framework, the audit tends to become merely a formality. Both sides must avoid falling into an authoritative stance or a sense of being forced. I always emphasize that it is the communication between the auditors and the local staff, and the trust built on that basis, that makes it possible to speak up and address the issues that truly need to be raised.

### “Proactive” Governance for Growth

**Fukami:** On the growth and proactive side, our global business aims to maximize corporate value by enhancing competitiveness and profitability, underpinned by the development of global structures and talent cultivation. In this sense, proactive governance is about managing the risks that inevitably accompany growth. Each country presents its own risks when entering new markets, but new businesses cannot be created without taking on some risk. Governance must enable us to take on challenges while minimizing risks.

**Koizumi:** The company discloses information on overseas entry and retreat decisions to independent directors, which ensures transparency and also places heavy responsibility on us. As an international lawyer, I routinely exchange information with overseas attorneys. When important contracts with foreign companies are brought forward, I examine them in light of each country’s latest legal and business updates. Since such information is likely to affect the choice of schemes and other transaction methods, I believe that information sharing is essential.

**Fukami:** In overseas M&A and contracts, even when the execution side believes internal discussions are sufficient, revisions and adjustments are often required in the final stages. To further reduce risk, I look forward to continued advice from Director Koizumi on corporate law and international business matters.

**Koizumi:** Entering new countries or regions involves significant risks due to differences in language, religion, law, culture and so on. At the same time, these regions may offer attractive opportunities such as high profitability or strong economic growth potential. Proactive engagement is necessary. I also try, as much as possible, to go out into the world at international conferences and interact with people from various countries. From what I have observed, companies that have successfully expanded abroad often start by building trustworthy local relationships and networks, and by steadily working from there. Even if such processes may seem indirect, I would recommend

going through them as well.

### Human Resources that Support Governance

**Koizumi:** Building communication and trust is crucial for the growth and success of global business. When I spoke with a local subsidiary president, I was impressed by their active efforts—frequently organizing gatherings and engaging closely with employees to genuinely understand their sentiments and individual circumstances, thereby strengthening mutual trust. Even when dispatching executives from Japan to overseas subsidiaries, it is vital to consciously develop and send individuals who will be trusted and respected locally.

**Fukami:** In observing employees dispatched overseas, I find that engineers in particular can build trust even without advanced language skills, because they convey clear technical messages grounded in their expertise. When such professional respect is combined with communication skills, they are able to demonstrate genuine leadership.





# Business Strategies

## [Special Feature: Dialogue] Voices of Local Leaders

(Taiheiyo Cement U.S.A., Inc.\* and CalPortland Company)

### on "Growth Strategy for the U.S. Business"

\* Taiheiyo Cement U.S.A., Inc. is a wholly-owned subsidiary of Taiheiyo Cement Corporation, holding 100% of the shares of CalPortland Company



We aim to deepen collaboration with Taiheiyo Cement and maximize profitability in the U.S. market.

#### Strategy and Corporate Culture with a 100-Year Perspective

**Hara:** Taiheiyo Cement (TCC) entered the U.S. market in 1990 and, in 2005, consolidated its local subsidiaries to establish CalPortland (CPC). Since then, the company has expanded through various M&As as well as capacity enhancements and new facilities construction. In 2023, CPC surpassed the record profits achieved in 2006, with revenues now double that level. I would like to ask CPC's top management about the factors behind this growth.

**Hamblen:** Over my 15 years as CEO, we have focused on our core strengths—cement, ready-mixed concrete, and aggregates—while actively pursuing investment opportunities that generate synergies. At the same time, it is "people" who ultimately turn investments into results. CPC has attracted some of the most outstanding talent in the industry, and M&A also provides opportunities to acquire new talent. Furthermore, support from TCC, both financially and in terms of human resources, has been essential and indispensable. The fusion of these elements has enabled us to achieve the growth we see today.

**Hara:** Over the past 15 years, CPC has become one of the most

active investors among cement producers on the West Coast. In particular, I believe that we have been successful in M&A by effectively taking advantage of the timing of other companies' restructuring.

**Hamblen:** Reputation is the key in M&A. For sellers, what matters is not only the purchase price but also whether they can entrust the future of their valuable business to the buyer. This naturally involves considerations such as quality and service. In our case, thanks to our market reputation, we have often been given the "first opportunity to engage".

We have invested great effort into building relationships—whether with suppliers, customers, or employees. At the core of our corporate culture is the belief that "our people and long-term trust are the most important assets." The support we receive from TCC further strengthens this foundation. CPC has a history of 135 years, and TCC's history stretches back even further. The reason both companies have endured so long is that we evaluate investments not merely on short-term profit, but with a long-term horizon. We act not only for the present but with an eye to the next 100 years. I believe that this long-term perspective is one of the reasons we have been able to achieve significant growth in the market.

**Hara:** What aspects do you focus on in M&A, and what do you

think have been the main factors behind your success so far?

**Hamblen:** There are two points we emphasize when considering M&A. The first is whether there is truly a "synergy" within our business model. The second, of course, is profitability.

**Hara:** From the standpoint of synergy, I believe a strong match between cement supply bases and ready-mixed concrete locations has generated substantial results.

**Hamblen:** The current business foundation did not come together overnight. It is the result of a carefully designed, long-term strategy combining large-scale M&A with reinforcements to existing operations, each executed step by step. For example, the acquisition of the aggregates and ready-mixed concrete business at the end of last year took nine years from the start of our evaluation before it finally materialized.

**Hara:** Our combined strengths have also been a key driver of synergy. At the Redding plant, which we acquired in 2022, the operating rate improved from around 70% at the time of acquisition to over 90% within two years. This demonstrates the synergies not only between CPC and TCC, but also across CPC's existing plants.

**Mullen:** We worked hand in hand with TCC on equipment and operational improvements. In terms of transforming employee mindsets, our management team built trust directly with frontline employees, while CPC personnel also took on responsible positions. This helped achieve cultural change—improving awareness of safety and health, environmental responsibility, and work practices. This outcome is a clear demonstration of the synergies created through our collective strength.

**Hara:** Let us now discuss your strengths. One of them is surely your solid customer base. What do you consider essential in building and maintaining such a customer base?

**Mullen:** The most important point is to always deliver on promises. In particular, "quality commitments" are critical. Of course, stability and high quality are fundamental, but so is delivering products at the promised time and to the promised location. For ready-mixed concrete—the final product—this is especially vital. While it may sound obvious, achieving it requires coordination across all aspects of the business—processes, people, production, logistics, sales, and IT. Another key element is long-term relationships maintained by consistent personnel. By understanding customers' perspectives and values over decades, we have built relationships of trust. Only then can we deliver products that are valuable and competitive for customers.

Further Promotion of Global Strategies

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**Hara:** So "long-term" is indeed a critical keyword. Could you now tell us about more direct business strengths?

**Hamblen:** First of all, our network. CPC has wide coverage across the entire West Coast, with particularly dense coverage in key metropolitan areas. In the U.S., cement and aggregates are sold on an ex-works basis, so customers naturally prefer to procure from the closest supply point. To meet this need, CPC not only operates cement plants and quarries but also strategically located terminals and aggregate yards, particularly in major demand areas. In the Los Angeles area we have two cement plants and two terminals, while in the San Francisco Bay Area we have one cement plant and three terminals. This allows us to provide reliable and convenient supply to customers.

Second is profitability. As I mentioned earlier, our integrated business model—linking cement, aggregates, and ready-mixed concrete—creates powerful synergies that support a highly profitable structure.

And third is stability. By operating in multiple states with different economic bases, we ensure a stable management foundation.

**Mullen:** Technology is also a major strength. CPC operates one of the premier central research laboratories in the U.S. cement industry. We develop new products and technologies in line with market needs, and we also provide technical support for customers when launching new products. This capability is an important factor that gives customers reassurance and earns us strong support. In research, too, we collaborate with TCC, and this partnership provides a solid foundation for our technological strength.

#### Characteristics and Appeal of the U.S. Cement Industry

**Hara:** What unique characteristics, roles, and appeals do you see in the U.S. cement industry?

**Hamblen:** Here in Las Vegas, where CPC's headquarters is located, we have the famous Hoover Dam—one of the world's largest and most notable multi-purpose dams, built between 1931 and 1936 during the Great Depression and straddling the Arizona-Nevada border. Across the country, there are also massive facilities such as stadiums. Most of these long-lasting structures are made of cement. I believe the appeal of this industry lies in the exciting opportunity to build new



structures that endure for generations.

**Hara:**

Indeed, I understand that the Hoover Dam was built using cement shipped from CPC's former Colton plant. Cement supports everyday life, entertainment, and the U.S. economy itself. In fact, U.S. construction material companies are trading at high levels of PBR and EV/EBITDA, which makes sense given the industry's growth potential. What is your outlook for the cement industry and the U.S. economy going forward?

**Hamblen:**

The United States is one of the countries with the greatest prospects for population growth and the accompanying economic expansion. Cement demand will increase in line with that. In terms of the quality of demand, new opportunities are also emerging from structural changes in society—for example, the construction of data centers driven by advances in AI. Data

centers require large volumes of cement to ensure disaster resilience. Furthermore, to secure adequate power supply, there may also be demand for new small modular reactors (SMRs). In fact, leading IT companies such as Microsoft and Google are supporting SMR construction. Such investments in new technologies present tremendous opportunities for the cement industry.

**Mullen:**

While there is some uncertainty regarding the impact of tariff policies, the foundation is the 'Made in America Agenda'—a policy of reviving and reshoring domestic manufacturing. We believe they will have a positive impact on cement demand. Particularly for CPC, with the largest cement production capacity on the West Coast, this policy framework offers significant long-term advantages.

Future Strategy: Continuing Growth as a Sustainable Enterprise

**Hara:**

Under its group management philosophy, TCC has set forth the "Taiheiyo Vision 2023" and the "Desired State for 2050" as long-term goals. How does CPC envision its own future?

**Mullen:**

To achieve sustainable long-term growth we focus on how best to utilize our existing assets, but also pursuing strategies that include entry into new markets. For example, securing limestone reserves is a task we view on a 50- to 100-year horizon, and we are actively developing new mining areas. In terms of new markets, we see opportunities for expansion

into other states in the U.S. as well as into Canada. Mexico remains a market of interest, but cultural differences with CPC present challenges.

**Hara:**

Culturally, in some of the regions TCC is considering for expansion, the local cultures may in some cases align more closely with the U.S. than with Japan.

**Hamblen:**

In such cases, CPC would be actively involved from the early consideration stage.

**Hara:**

Carbon neutrality (CN) is also a highly prominent theme. As a short-term strategy, you are working to promote blended cement. In California, adoption lags behind Oregon and Washington. How are you planning to encourage its use?

**Mullen:**

The key to new products uptake lies in sufficient testing and the sharing of information with customers. CPC has conducted R&D and testing at our central research laboratory and our own ready-mixed concrete plants, with support from TCC, and we have achieved quality at the ready-mix level comparable to existing products. By sharing these results with customers we have built understanding and trust. As a result, the number of projects opting for blended cement in California is growing, and demand will continue to expand.

**Hamblen:**

Marketing is another important factor. We have launched blended cement products under the "Advancement" brand to highlight them as innovative next-generation cements that create new value.

**Mullen:**

We are also researching new cementitious materials, alternative fuels, and renewable energy utilization.

**Hamblen:**

From a longer-term perspective, we are pursuing capture, utilization, and storage of CO<sub>2</sub> while leveraging government subsidies, though these initiatives are extremely costly. We are exploring approaches in collaboration with TCC.

**Hara:**

CPC is taking the lead within the group in blended cement initiatives. When blended cement is introduced in Japan, we expect to share know-how across the group.

Human Capital

**Hara:**

I believe one of the major challenges you face is securing human resources.

**Hamblen:**

Yes, the outflow of talent due to retirement is a significant challenge. To address this, several years ago we introduced succession planning and employee development programs.

In addition, we are evolving these initiatives further by working to establish an in-house educational institution, the Advancement Institute. Retirees will be invited to serve as instructors so their experience and expertise can be passed on to future generations. As a long-term goal, we also aim to provide educational services to customers and local communities, as well as to develop degree programs in collaboration with universities. We hope to deliver value that strengthens relationships with customers, local stakeholders, and employees.

We are also focusing on improving employee engagement. Our management team makes a point of visiting worksites, speaking directly with employees at all levels, shaking their hands, and telling them "We care about you and your families." We want employees to understand that we are not just a corporation, but people. One of the values the Advancement Institute provides is to demonstrate our commitment to employees' futures and career paths.

Safety, Environment, and Governance Initiatives – Safety and Environment as Top Priorities

**Hara:**

CPC has achieved remarkable results in safety, which is a cornerstone of sustainable management. Could you share some of the key initiatives behind this success?

**Hamblen:**

Safety must be the top priority across the organization. Protecting "people," our most important asset, requires nothing less. The key is not to leave safety to the worksites alone but to foster a culture in which headquarters and all employees work together. Another important point is to continually send the message from top management that "safety is the highest priority," for example by making it the first agenda item at every meeting. We also emphasize that the company is not solely responsible for employees' safety, but that each individual must also take responsibility for their own safety. Ultimately, it is also vital to acknowledge and celebrate employees' achievements.

**Hara:**

At TCC as well, we always communicate that "safety leads to employee happiness." Ultimately, this ties directly to higher plant operating rates, improved employee retention, and increased profitability. Could you now tell us about your environmental initiatives?

**Hamblen:**

The environment is also a top priority. While meeting regulatory requirements is a given, we go beyond compliance to emphasize environmental stewardship and contributions to local communities. We want CPC to be recognized as a responsible steward in the community. To this end, we have appointed environmental managers who report directly to

headquarters and work closely with worksites, providing training opportunities, strengthening support, and ensuring strict compliance with standards.

**Hara:**

Next, let us discuss governance. CPC has now expanded to a scale comparable to TCC alone, and you have been strengthening your auditing functions. What results have you seen so far?

**Hamblen:**

In 2023, we established an internal audit department reporting directly to the CEO and integrated it with our existing J-SOX team to strengthen our auditing functions. We have also enhanced communication with TCC's audit department as well as with external auditors. Already, we have achieved many improvements, such as better process flows and management data. We believe it is vital to establish a governance structure that ensures safety, environmental initiatives, and internal auditing all function properly, thereby strengthening confidence in CPC's business operations in the U.S.

Message to Readers

**Hara:**

Finally, could you share a keyword that represents your vision for 2025, and what you think is necessary to achieve it?

**Hamblen:**

The keyword we have chosen is "Focus."

**Mullen:**

We believe we must focus on the areas we can control—such as sales, production, and logistics. Factors like interest rates and certain economic variables are beyond our control. We must focus on the things that help us achieve our goals.

**Hamblen:**

In other words, we focus on understanding and leveraging our strengths, and on recognizing and controlling our challenges. For example, while we are focusing on blended cement, we also focus on the import of slag, and on individual bidding projects. By focusing on the many small things, executing them one by one, and steadily building on them, we can maximize profits. That is why COO Mullen and I selected "Focus" as our keyword.





Business Strategies – Revitalization of Domestic Business



As Japan's leading cement supplier with a long history, we recognize our mission is to maintain the ability to provide a stable supply of cement across the country, including for disaster recovery and measures to strengthen social resilience. In addition, we accept not only waste and by-products generated by local communities and other industries but also waste resulting from natural disasters as raw materials and fuel for cement production, thereby

contributing to the creation of a circular economy and the recovery of affected areas. Under the 26 Medium-Term Management Plan, we will continue working to optimize cement prices and enhance our presence in the domestic market. By shifting our focus from market share to profitability, we aim to revitalize our domestic cement business with a target operating profit margin of 10% or higher.

Market environment

Risks

- Domestic cement demand continue to decline while there is steady demand from major projects such as the Hokkaido Shinkansen extension to Sapporo, large-scale urban redevelopment, and new semiconductor plant construction, factors such as a chronic labor shortage, the wider adoption of a five-day work week, soaring construction costs, and shortages of lightweight aggregates have combined to suppress demand.
- Adverse weather conditions – including torrential rain caused by typhoons and linear precipitation bands, and heavy snowfalls along the Sea of Japan coast – have also weighed on demand.
- Due to an imbalance between supply and demand, although order backlogs on the supply side are accumulating, progress in completing them has been slow.

Opportunities

- Decline in domestic demand
- Rising manufacturing costs, environmental protection expenses, and soaring labor costs
- Population decline and labor shortages
- Aging production facilities
- Decarbonization challenges and volatile energy prices
- Maintenance and renewal demand for aging infrastructure
- Contribution to a circular economy (e.g., environmentally conscious products)
- Introduction of new technologies (such as C2SP kiln)
- Increased operating profit through revisions to cement sales prices
- Advancement toward a more resilient society
- New investments resulting from reshoring of supply chains

Strengths

- As a leading cement supplier with a long history, the Company provides a stable supply of cement.
- There are no alternative materials that can replace cement.
- By accepting not only industrial and community-generated waste and by-products but also disaster-related waste as raw materials and fuel for cement production, the Company contributes to solving social issues such as promoting a circular economy and supporting disaster recovery efforts.

Initiatives and Progress under the 26 Medium-Term Management Plan

Fundamentally revise pricing policy

Outline of Strategy	Progress Status
<ul style="list-style-type: none"><li>As domestic cement demand has continued to decline year by year, rising costs and soaring coal prices could not be reflected in product prices, resulting in continued losses during the previous Medium-Term Management Plan period.</li><li>From the perspectives of disaster response and waste treatment, maintaining the domestic cement business remains essential. Under the 26 Medium-Term Management Plan, we are shifting our focus from market share to profitability and promoting a review of our pricing policy.</li></ul>	In FY2025, the effect of a total price revision of ¥5,000 per tonne was realized, resulting in a significant improvement in profit and loss. However, profits have since been squeezed by factors such as further increases in transportation costs, maintenance and renewal expenses for aging facilities, and rising labor costs. Effective from shipments in April 2025, an additional price revision of ¥2,000 per tonne was implemented, which has been well received and is quickly gaining acceptance among users.

Provide total solutions

Outline of Strategy	Progress Status
We will shift from the conventional sales approach in which multiple representatives independently relied on their own knowledge and expertise, to a sales model that offers total solutions to customers through a one-stop service and sales DX. This transition aims to enhance customer satisfaction, reduce expenses, and revitalize our domestic business.	We have launched the development of a platform to share information between the Cement Business and the Resources Business, where overlapping customers exist.

Optimize production systems

Outline of Strategy	Progress Status
While domestic demand for cement continues to decline, demand for blended cement is increasing, particularly in Southeast Asia. We aim to maintain the operating rate of domestic plants through the production and export of blended cement.	Along with upgrading fly ash export facilities at the Saiki Ash Center, we have also advanced efforts to enhance logistics efficiency by introducing AI-based ship allocation optimization as part of our DX strategy. The AI-assisted vessel allocation system began operation in May 2025 to support optimal scheduling and logistics efficiency.

Topics

Introduction of environmentally friendly transport vessels

We are promoting the construction of new ships with excellent energy-saving performance, while also working in collaboration with shipping companies to develop additional energy-efficient vessels that use existing fuels.

Shift to AI-driven operations

To improve the efficiency of vessel allocation we have implemented AI-based scheduling, which has reduced fuel consumption and port charges. In addition, we are upgrading the AI engine to adapt to changes in the operational environment surrounding vessel allocation.

Launch of Blast Furnace Cement Type C

In September 2025, we began sales of "Blast Furnace Cement Type C", a low-carbon blended cement that with reduced CO<sub>2</sub> emissions during manufacture of by approximately 65%.

Launching ceremony for a newly built vessel

# 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

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Revitalization of Domestic Business  
Promotion of Sustainability Management and Contribution to Carbon Neutrality

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.





# Business Strategies – Mineral Resources Business



To ensure the long-term and stable supply of limited resources, we are engaged in quarry development with a vision looking 100 years into the future. Utilizing our overwhelming supply capacity and supply chain network from 13 domestic limestone quarries, we continue to maintain our competitive advantage not only in cement production but also in supplying aggregates and raw materials to a wide range of other industries, including ready-mixed concrete, steel, electric power, and lime manufacturing, while promoting higher added value.

Furthermore, we are expanding the sale of solidification and stabilization materials such as “DENITE”, processing of surplus construction soil, and the development of functional material businesses such as ultra-high-purity silicon carbide (SiC) and functional hollow particles “CellSpheres”. By strengthening the comprehensive capabilities of the Group and maximizing synergies, we aim to establish a resilient earnings structure less affected by fluctuations in cement demand. In addition, we are actively promoting initiatives toward the realization of carbon neutrality.

## Market Environment

### Aggregates Business

- Limestone is being used in “high-durability concrete” and “high-strength concrete”, and the number of projects specifying limestone aggregates continues to rise.
- As high-quality natural resources are becoming depleted, expectations for limestone aggregates are growing.

### Mineral Products Business

- Domestic demand for steelmaking and paper manufacturing is declining.
- Conversely, exports of high-quality limestone to Taiwan and other Southeast Asian countries are showing a gradual increase.

### Geo - Solutions Business

- The ratio of construction surplus soil being processed for use as cement raw material is decreasing.
- Meanwhile, strong demand continues for neutral solidification materials used in shield tunneling and related construction projects.

- Risks
- Rising labor, material, manufacturing, and transportation costs
  - The labor shortage problem arising from safety regulations limiting the overtime work of truck drivers, the so called “2024 problem” and compliance with work-style reform regulations
  - Shipping and logistics issues: labor shortages and higher costs, as well as reduced fleet size due to aging vessels
- Opportunities
- Overseas business opportunities, including the establishment of local resource operations including the acquisition of mining interests abroad
  - Quarry development and capacity expansion projects
  - New businesses leveraging advanced technological capabilities
  - Provision of services in response to new or revised laws and regulations

## Strengths

- High-quality limestone supplied for steelmaking, chemical, and paper industries
- Stable supply of aggregates and mineral products
- Strong production capacity supported by 13 limestone quarries in Japan
- Extensive logistics network with numerous distribution bases, including in the Tokyo Bay area
- Development of new markets through the creation of added value from mineral resources

## Initiatives and Progress under the 26 Medium-Term Management Plan

Strengthening existing core businesses	
Outline of Strategy	Progress Status
Promoting the sustainability of production facilities and the supply chain to ensure a stable supply of mineral products.	The increase in costs are being passed on through price adjustments, while stabilizing production and logistics ensures a steady supply. At the Tosayama Mine, which has high-quality limestone deposits, capacity expansion work for steelmaking products is underway, and once completed, the site will serve as a shipment base for both domestic and overseas markets.
Enhancing profitability of affiliated companies	
Outline of Strategy	Progress Status
Strengthen mutual complementarity and reciprocal relationships among group companies to maximize synergy effects.	The Mineral Resources Business Department operates affiliated companies across Japan and seeks to leverage each company's strengths to generate profits through enhanced synergies. To this end, it is promoting integration and consolidation of similar businesses to improve capital efficiency and optimize the supply chain through unified efforts of production and sales.
Establishing a framework for long-term stable supply of resources	
Outline of Strategy	Progress Status
Steady implementation of development for the next mining area of limestone quarries	At the Niitsu-Kumi Mine and the Tanoumi Mine, construction work for new mining areas is underway. In addition, at the Niitsu-Kumi Mine, production of fine aggregates is being expanded, and at the Tosayama Mine, facilities are being reinforced to increase production of mineral products – all aimed at building a stable supply framework.
Expansion of new domestic and overseas businesses	
Outline of Strategy	Progress Status
Expansion of the functional materials business and growth of local subsidiaries in Vietnam and other countries.	In Vietnam, the company is expanding its gypsum sales business and focusing on sales of solidifying agents. As for functional materials, efforts are underway to expand operations through the full-scale commercialization of the functional hollow particle “CellSpheres” and high-purity silicon carbide (SiC) for power semiconductor applications.
Topics	

### Full-Scale Operation of the Minamisode Aggregate Yard

In the resources business, we are developing operations tailored to the characteristics of each mine. The Minamisode Aggregate Yard (Chiba Prefecture) was completed in January 2025 and began full-scale operation in April. Going forward, we plan to mix and sell fine Chiba sand with coarser sand from the Niitsu-Kumi Mine (Oita Prefecture) to meet local demand. In addition, a dedicated 7,000-tonne grab bucket vessel is scheduled for construction in January 2027 to strengthen stable supply capacity through regular operations.



Minamisode Aggregate Yard

Business Strategies – Environmental Business



The Environmental Business Development Department contributes to the conservation of natural resources and the extension of landfill life by substituting waste and by-products for natural raw materials and fuels used in cement manufacturing. In recent years, as domestic cement demand has declined, it has become necessary to adjust the intake of raw material-type waste; therefore, the company is also considering effective utilization outside cement plants.

Meanwhile, there remains room for expansion in fuel-type waste, and the company is working with relevant parties to increase its intake. Furthermore, as part of its contribution to carbon neutrality, the company is focusing on expanding exports of FA blended cement, which reduces CO<sub>2</sub> emissions, thereby promoting value creation that balances environmental and economic sustainability.

Market Environment

- While fuel sales and plastic waste processing remained sluggish, coal ash treatment, limestone powder (TANKAR) sales, and biomass fuel sales were steady.
- Following the 2024 Noto Peninsula Earthquake, the company began accepting disaster waste.
  - In FY2025, approximately 40,000 tonnes of wood waste were accepted at Myojo Cement Co., Ltd.
  - In FY2026, an additional 20,000–30,000 tonnes are expected to be accepted.
- Competition for alternative heat energy sources intensified due to decarbonization trends.
  - The company is working to address challenges related to increasing the use of waste plastics and recycled oils.

- Risks
- Decrease in the amount of waste that can be accepted due to reduced cement production volume
  - Shift of waste plastics toward chemical recycling and material recycling
  - Promotion of carbon neutrality leading to a decline in the use of fossil fuels, which in turn reduces the generation of waste oil and recycled oil, while higher fossil fuel prices increase demand for these oils
- Opportunities
- Utilization of difficult-to-process waste plastics and newly developed recyclable materials as alternative heat energy waste
  - Establishment of business schemes that are not dependent on cement production, such as metal recovery from waste and phosphorus recovery from sewage systems

Strengths

- Advanced waste recycling and resource recovery technologies based on a proven track record of accepting and utilizing approximately 6.75 million tonnes of waste and by-products annually as raw materials and fuel
- Competitive advantage derived from safe and reliable waste treatment utilizing the characteristics of the cement manufacturing process

Initiatives and Progress under the 26 Medium-Term Management Plan

Expansion of Competitive Advantage in Existing Businesses	
Outline of Strategy	Progress Status
Further focus on collecting waste that contributes to cost reduction, reinforcement of price reviews for waste treatment, and expansion of acceptance of waste materials as alternatives to thermal energy.	Facing challenges such as rising logistics costs and labor expenses in waste treatment, the company aims to carefully explain and gain users' understanding of the need for higher waste treatment fees as part of its contribution to regional resource recycling.
Maximizing the use of the Ash Center and supporting the expansion of FA blended cement exports.	A new coal ash classification facility has started operation within the Saiki Ash Center. Even low-grade fly ash can now be used as a raw material for FA blended cement for overseas markets through appropriate particle size adjustment.

Creation of New Added Value	
Outline of Strategy	Progress Status
Promotion of initiatives to achieve carbon neutrality.	The company is working to secure coal ash, a raw material source for expanding exports of FA blended cement, while continuing to engage in a large-scale dairy farming project in Namie Town, Fukushima Prefecture.
Launch of new businesses contributing to the circular economy.	Started a waste solar panel recycling business at Nacode Co., Ltd.'s Sodegaura Recycling Center. In addition, the company continues its independent research on phosphorus recovery from sewage, conducted jointly with the Tokyo Metropolitan Government and Metawater Co., Ltd.

Topics

**Eco-Cement Facility**  
The company concluded an "Ecocement Facility Core Equipment Improvement and Operation Project Agreement" with the Tokyo Tama Wide-Area Resource Circulation Association. Under this contract, the company was awarded a renovation work contract for the main equipment of the aging Ecocement facility and as well as a new 25-year operation contract starting in FY2027.

**New FA Blended Cement Production and Shipping Facility**  
The company has decided to establish a new FA blended cement production and shipping facility within the Saiki Ash Center, which will serve as an export base for blended cement. Shipment is scheduled to begin during the period of the 26 Medium-Term Management Plan.



Tokyo Tama Ecocement Facility (Overall View)



Business Strategies – Construction Materials Business



The Building Materials and Construction Business consists of the building materials business, which manufactures and sells premixed products, concrete admixtures, repair materials, and building and civil engineering materials including ALC (autoclaved lightweight aerated concrete), and the construction business, which carries out reinforcement and repair work for concrete structures.

Major group companies include Clion Co., Ltd., whose main business is the manufacture and sale of ALC products; Taiheiyo Materials Corporation and Chichibu Concrete Industry Co., Ltd., whose main business is the manufacture

and sale of premixed products; and Taiheiyo Techno Corporation, whose main business is the reinforcement and repair of concrete structures.

Although the business environment surrounding this segment is showing a declining demand trend due to the chronic labor shortage in the construction industry, we will continue to promote business diversification and efficiency while expanding operations through M&A and other means. In addition, we will work to achieve low carbonization of group company products by utilizing the Company's carbon-neutral technologies.

Market Environment

Risks

- Although domestic demand is declining, the prices of raw materials, fuel, and labor are rising. To strengthen the earnings base, each group company is steadily implementing appropriate pricing measures.
- As demand for the maintenance and repair of aging social infrastructure increases, the companies are considering expanding services in the infrastructure maintenance business in addition to promoting the sales of products and dissemination of construction methods that meet market needs.
- To expand overseas business areas, preparations are underway to introduce high-performance premixed products to the Southeast Asian market.

Opportunities

- Rising manufacturing costs due to soaring raw material and fuel prices
- Shrinking domestic demand
- Labor shortages resulting from the declining birthrate and aging population
- Response to decarbonization initiatives
- Increasing demand for maintenance and repair of aging social infrastructure
- Response to national resilience initiatives
- Products and construction methods that promote labor-saving, manpower reduction, and shorter construction periods
- Materials and solutions addressing carbon neutrality and environmental issues

Strengths

- The group companies offer a diverse range of products, covering everything from new structures to maintenance and repair of existing structures
- Development and market introduction of products that meet growing needs for labor-saving, manpower reduction, and shorter construction periods
- Expansion of business domains through group synergy by integrating the technologies and resources of each group company

Initiatives and Progress under the 26 Medium-Term Management Plan

Further strengthening of the earnings base	
Outline of Strategy	Progress Status
<ul style="list-style-type: none"><li>Steadily reflect various rising costs in selling prices</li><li>Promote DX-related investments (to improve productivity and ensure logistics and construction capacity)</li><li>Promote M&amp;A in the infrastructure maintenance business</li></ul>	Group companies are advancing DX investments to address labor shortages and improve business efficiency, while also working to expand operations through M&A and other initiatives.
Expansion into new business domains including overseas markets	
Outline of Strategy	Progress Status
<ul style="list-style-type: none"><li>Develop markets for high-performance premixed products</li></ul>	Led by Taiheiyo Materials Corporation, group companies have begun full-scale discussions on expanding their business overseas.
Launch of New Products Toward Carbon Neutrality	
Outline of Strategy	Progress Status
<ul style="list-style-type: none"><li>Introduce environmentally friendly products to the market (e.g., grouting materials for offshore wind power generation, low-carbon admixtures)</li><li>Expand the application of CO<sub>2</sub> utilization technologies, such as CARBOFIX Cement and CARBOCATCH, to existing products</li></ul>	Taiheiyo Materials Corporation launched a low-carbon grouting material, "Taiheiyo Pre U-LOX GX." The company also announced its participation in the Zero Carbon Island initiative in Yakushima Town, Kagoshima Prefecture, and is promoting the introduction of the Group's low-carbon products as part of this effort.

Topics

Preparing for increasingly severe natural disasters

Chichibu Concrete Industry Co., Ltd. developed a cavity-filling material called "Chichibu Reco Keep" in response to the Great East Japan Earthquake. This product is also used to fill cavities that form beneath roads due to factors such as leakage from aging sewer pipes and has seen growing demand in recent years. Taiheiyo Materials Corporation developed the "Shin-Wall Seismic Reinforcement Method," which can be applied to structures that were previously difficult to reinforce due to site or construction constraints.

Technologies that enable labor savings, manpower reduction, and shorter construction periods

Clion Corporation's factory-embedded "Anchor Panel" reduces the need for on-site anchor installation work, thereby helping to shorten construction periods. Taiheiyo Materials Corporation's "Taiheiyo N-EX neo" shortens the time required for concrete finishing work. Chichibu Concrete Industry Co., Ltd.'s "Repair Finish" enables painting work on residential foundations to be completed in a single process instead of the conventional three-step procedure.

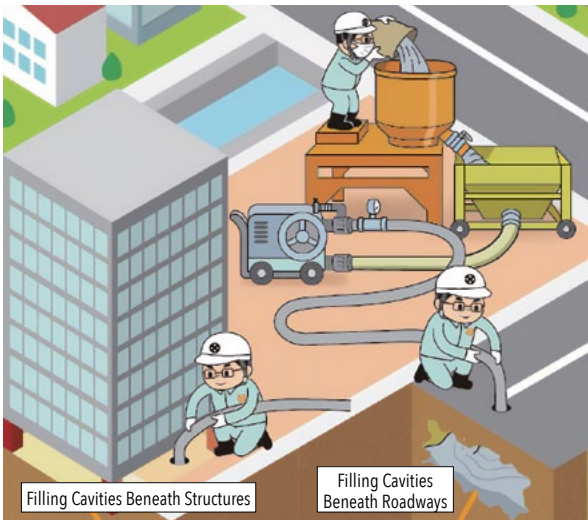


Illustration: Overview of "Chichibu Reco Keep" (Chichibu Concrete Industry Co., Ltd.)