

# Promotion of Sustainability Management - Carbon Neutral Strategy

Further Promotion  
of Global Strategies

Revitalization of  
Domestic Business

Promotion of Sustainability  
Management and Contribution  
to Carbon Neutrality



**Background to the Establishment of the GX Department**  
In light of the Japanese government's Green Transformation (GX) policy, the Company newly established the GX Department in April 2025 with the aim of formulating and promoting strategies to achieve carbon neutrality and further accelerating related technological development. Anticipating the full implementation of Japan's domestic emissions trading system (GX-ETS) in FY2027, the department

is engaged in developing strategies that will contribute to the growth of the cement industry and in advocating with the government. It is also advancing the development of fundamental technologies for innovative CO<sub>2</sub> capture and CCUS, while promoting the dissemination of the Company Group's technologies and products as part of disaster-mitigation efforts.

Progress under the 26 Medium-Term Management Plan

Based on the Carbon Neutral Strategy 2050, we are actively pursuing both the maximum utilization of existing technologies and the development of innovative technologies. At the same time, we are engaging with the government and industry bodies by making policy and regulatory proposals, while also working to raise awareness and promote action across society as a whole.

Vision	Carbon Neutral Strategy 2050	<ul style="list-style-type: none"><li>Under the technological development roadmap, we are steadily promoting R&amp;D aimed at achieving carbon neutrality, and the progress of these initiatives has been smooth.</li></ul>
Predictability of Investment Recovery	Response to the Emissions Trading System (GX-ETS)	<ul style="list-style-type: none"><li>We are promoting external engagement for rule-making and strengthening our internal framework in preparation for the full-scale implementation starting in FY2027.</li></ul>
	Monetization of Environmental Value (CO <sub>2</sub> Reduction)	
Standardization	International Standardization	<ul style="list-style-type: none"><li>CO<sub>2</sub> Accounting, Measurement, and Reporting: Formulation of the GCCA CO<sub>2</sub> Protocol Version 4.0.</li></ul>
Development and Deployment of Innovative Technologies	Carbon-Neutral Model Plant Initiative	<ul style="list-style-type: none"><li>Established the C2SP Kiln Project Team as the division responsible for the design and construction of demonstration-scale facilities. The project is progressing smoothly.</li></ul>
	Development of CO <sub>2</sub> Recovery-type Cement Manufacturing Process	
	Advanced CCS Project	<ul style="list-style-type: none"><li>Demonstration testing of the C2SP kiln prototype is currently underway, and the set targets have been achieved.</li><li>Developing methanation technology that converts recovered CO<sub>2</sub> into synthetic methane.</li></ul>
Response to Extreme Disasters Associated with Climate Change	Dissemination and Deployment of Countermeasure Technologies and Products	<ul style="list-style-type: none"><li>Participating in the Advanced CCS Project led by JOGMEC (Japan Organization for Metals and Energy Security). Currently conducting basic design work for CCS (CO<sub>2</sub> separation, capture, and storage) systems for cement flue gas.</li><li>Produced a PR brochure summarizing the Group's technologies and products useful for extreme disaster countermeasures, and are promoting proposal activities.</li></ul>

Social Environment

- Significant investment and stronger collaboration in transformation policies will be required for the technological innovation and social implementation to achieve a carbon-neutral society. We are enhancing engagement to make maximum use of government subsidy programs and accelerating the process from research and development to social implementation.
- To maximize the value of green products, we are working in collaboration with the Japan Cement Association and other organizations to promote the dissemination and market value enhancement of environmental labels and environmentally friendly products.
- The GX-ETS, to be fully implemented from FY2027, is a market mechanism that fairly evaluates efforts to reduce emissions. Through collaboration and dialogue with industry associations and the government, we are fulfilling our role as a leading company in the GX-ETS framework.

- Risks
  - Decline in domestic demand
  - Population decline and labor shortage
  - Addressing decarbonization
- Opportunities
  - Introduction of new technologies (such as the C2SP kiln)
  - Enhancing competitiveness through the development, standardization, and dissemination of products that meet the growing demand for green products
  - Strategic response to GX-ETS through collaboration and dialogue with industry associations and the government

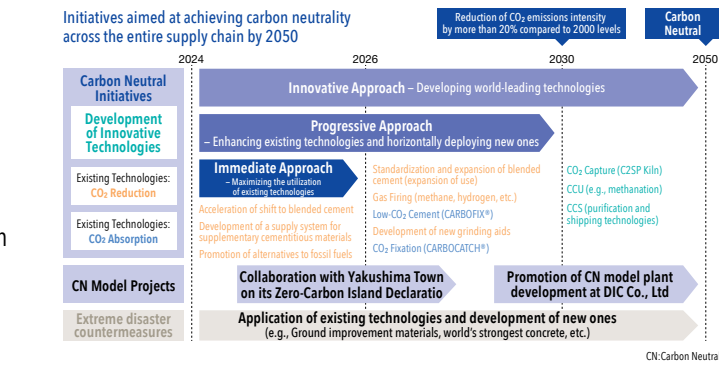
Strengths

- Proprietary CO<sub>2</sub> separation and recovery technology (C2SP kiln) aimed at setting the global standard in cement manufacturing
- Advanced technological capabilities and proven track record in blended cement both in Japan and overseas
- Strong adaptability for technological deployment in the carbon-neutral field through global business development

Governance

The Vice President and Representative Director oversees all activities related to carbon neutrality. In addition, the company has established the Carbon Neutral Strategy Committee as a cross-functional organization to promote decarbonization strategies in tandem with management strategy. Under this committee, the company formulated the Carbon Neutral Strategy 2050, which outlines the goal of achieving carbon neutrality by 2050, along with medium-term targets for 2030 and a technology development roadmap.

In April 2025, anticipating the full-scale introduction of GX-ETS in 2026, the company established the GX Department to formulate related strategies and further accelerate the development of innovative decarbonization technologies, as well as the C2SP Kiln Project Team to ensure the smooth implementation of C2SP kiln modification work at DC Co., Ltd.



Topics

**Initiatives to Promote Technologies and Products for Extreme Disaster Response**

In preparation for the increasing severity of natural disasters associated with climate change, we have produced a PR brochure that introduces the Group's products and technologies, organized by phase—"Prevention and Mitigation", "Restoration" and "Early Reconstruction." This brochure is being utilized for external technical presentations and proposal activities to local governments and contractors, thereby promoting the wider adoption of our Group's products.





[Special Feature] C2SP Kiln

Development of a CO<sub>2</sub> capturing cement production process

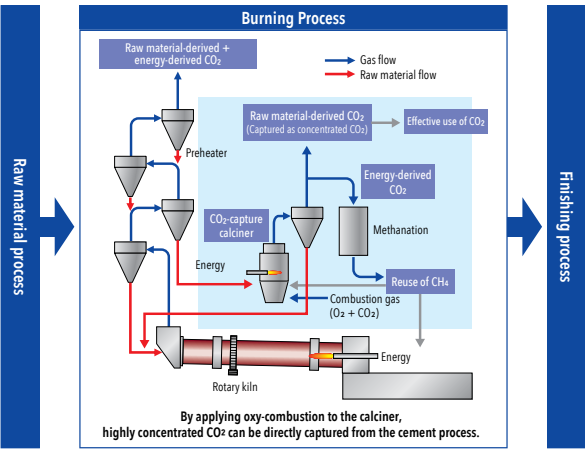
Toward establishing innovative technologies to capture the CO<sub>2</sub> generated in the cement manufacturing process and effectively utilize the captured CO<sub>2</sub>, we are promoting the development of a CO<sub>2</sub> capturing cement production process (FY2022-FY2031) as part of the NEDO (New Energy and Industrial Technology Development Organization) Green Innovation (GI) Fund project.

Development details of the GI Fund Project

In the cement production process, the raw materials are heated before entering the kiln in a device called a preheater, and then fired at a high temperature in the rotary kiln. Most of the raw material-derived CO<sub>2</sub> is generated in a combustion device called a calciner in this preheater. Focusing on this point, we are developing the "C2SP kiln," which can directly capture CO<sub>2</sub> with compact equipment by increasing the CO<sub>2</sub> concentration in the calciner exhaust gas by using a mixture of oxygen and CO<sub>2</sub> instead of the usual air as the combustion gas for the calciner.

In addition, as one of the methods for effectively utilizing the captured CO<sub>2</sub>, we are also promoting the development of technology for producing synthetic methane (methanation) suitable for use in the cement manufacturing process.

● C2SP kiln flow



Progress of Research and Development

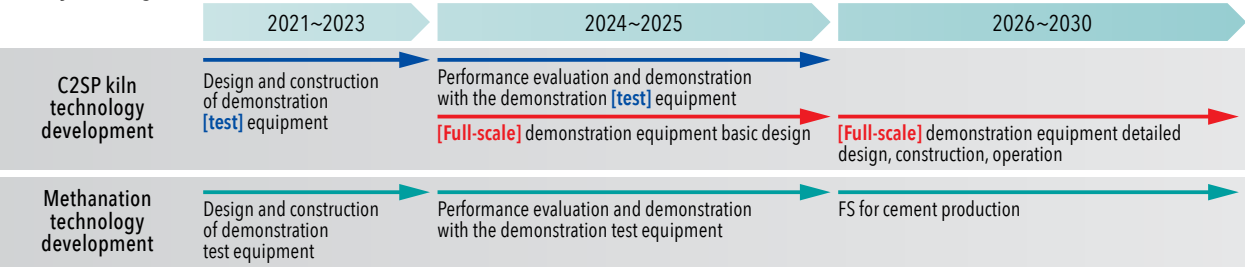
In March 2024, a demonstration test facility was completed in Sanyo Onoda City, Yamaguchi Prefecture, and since then we have been continuously conducting demonstration tests while making improvements to the equipment.

In the development of the C2SP kiln, we have set targets such as the decarbonation rate of raw materials and the CO<sub>2</sub> concentration in the exhaust gas, and this technological development is progressing smoothly, having already achieved results that clear these targets. We are currently acquiring the technical data necessary for the equipment design in

preparation for the introduction of full-scale demonstration equipment, which is the next stage.

In the development of methanation technology, the C2SP kiln exhaust gas contains small amounts of impurities that may lead to the degradation of the methanation catalyst, thus requiring pretreatment equipment to remove them. In demonstration tests to date, we have cleared target performance metrics such as the initial methane conversion rate, along with the removal of impurity components by the pretreatment equipment.

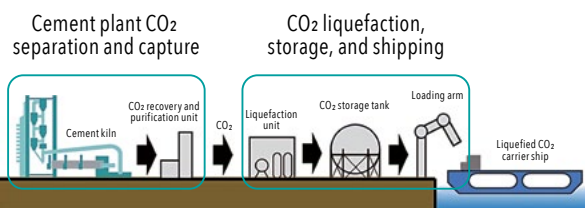
● Project Progress and Schedule



Study for CCS of captured CO<sub>2</sub>

We are studying technology for storing CO<sub>2</sub> captured by the C2SP kiln underground (CCS) through JOGMEC (Japan Organization for Metals and Energy Security) / Advanced CCS Projects.

The basic design of these facilities is underway, with the assumption that the purification facility for separated and captured CO<sub>2</sub> will be installed at DC Co., Ltd., and the liquefaction, storage, and shipping facility will be installed at Toyo Wharf & Warehouse Co., Ltd.

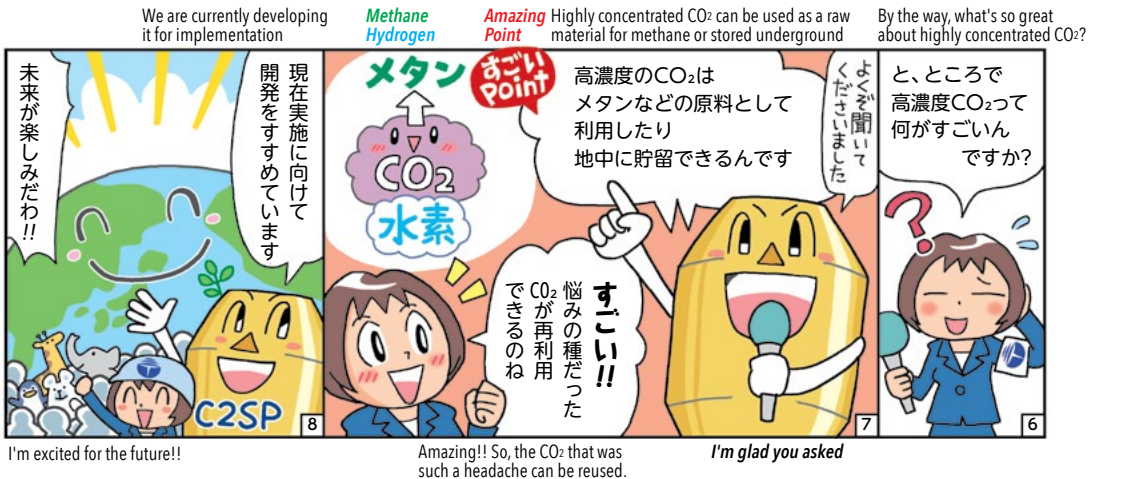
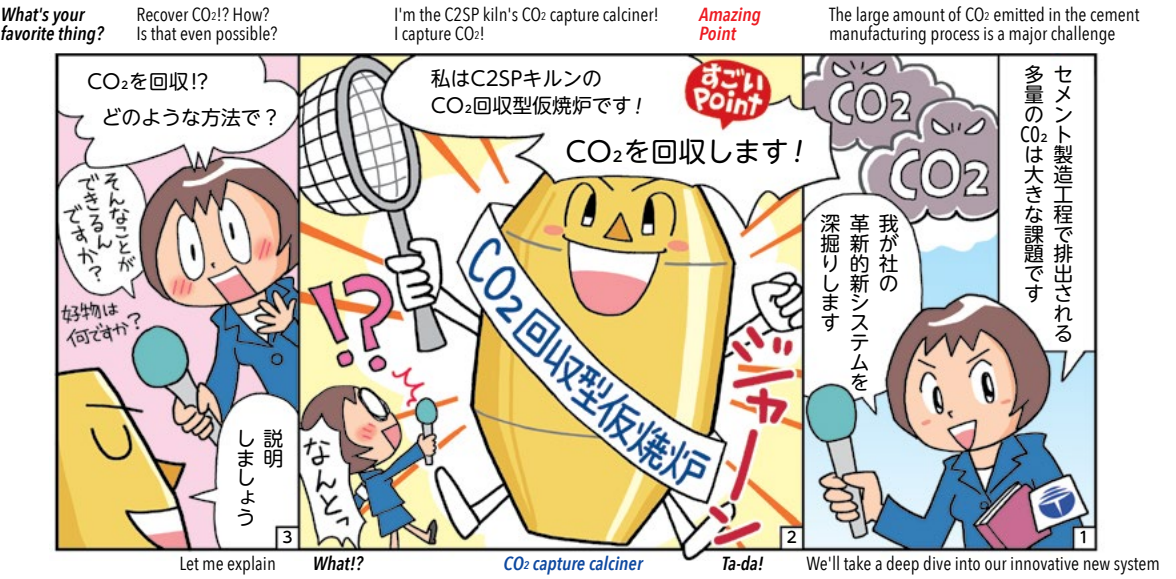


Please read right to left.

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Promotion of Sustainability Management and Contribution to Carbon Neutrality

The C2SP kiln, our savior of carbon neutrality, is amazing

"World first technology"





# Promotion of Sustainability Management – DX Strategy



In April 2025, the Company established the DX Department to advance digital transformation (DX), one of the key strategies under the 26 Medium-Term Management Plan. In August of the same year, the Company announced the full acquisition of Pacific Systems Corporation, a group company engaged in system development. Through this integration, the Company aims to maximize synergies between the two organizations and promote DX across the entire Group. Through the development of an AI-based ship allocation planning support system, the Company has achieved greater

operational efficiency and faster information sharing, while also improving planning accuracy and reducing operating costs. Going forward, the Company will continue to integrate advanced technologies with accumulated data to further promote the efficiency and automation of its plants and offices. At the same time, it will foster a culture of transformation throughout the Group and enable all employees to effectively utilize the latest technologies, thereby achieving sustainable growth.

Social Environment

Risks

Opportunities

- The Company is focusing on institutional design and human resource development to enhance the organization's overall digital capability.
- With the establishment of the DX Department in April 2025 and the development of an education framework, a foundation has been built to empower all employees to become agents of transformation.
- Efforts are underway to embed DX not merely as a departmental initiative but as an integral part of the corporate culture.

- Decline in operational efficiency: Continued reliance on manual and paper-based processes hinders productivity and strains human resources.
- Loss of competitiveness: Inability to promptly respond to market and customer needs may result in falling behind competitors.
- Difficulty in securing talent: Challenges in attracting and retaining younger talent who seek digital work environments could impact organizational sustainability.
- Disruption in knowledge transfer: Loss of expertise from veteran employees makes it difficult to pass on skills and know-how to younger generations.

- Serves as a catalyst for structural transformation in the cement industry, enabling the Company to enhance both its competitiveness and social value.
- Accelerates sustainable growth and the development of a highly resilient organization through data-driven decision-making, swift responses to customer needs, and the realization of diverse workstyles.

Strengths

- The Company's strength lies in its ability to balance operational optimization and customer value creation, underpinned by enhanced digital literacy across the organization.
- Through the use of AI and digital tools, it has improved supply chain efficiency, deepened customer relationships, and supported employee retention and engagement, thereby strengthening its overall transformation capability.

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

Production Process Innovation (Smart Factory)

Outline of Strategy	Progress Status
To enhance production processes, the Company is promoting the development of smart factories aimed at labor savings and improved productivity in plant operations.	The Kumagaya Plant has been designated as a model facility, where initiatives include autonomous drone on-site patrols and AI-based equipment management systems. At the Kamiiso Plant, an AI-assisted operation system for production lines has been introduced, and with progress toward automating all three kilns, expansion to the Oita Plant is now under consideration.

Operational Efficiency Reform (Smart Office)

Outline of Strategy	Progress Status
Promote productivity improvement and efficient allocation of human capital by streamlining business processes and centralizing management functions through digital technology.	Generative AI is being utilized for preparing materials and meeting minutes and, through pilot implementation, the Company is verifying its practical applications across various operations. In addition, through "Sales DX", efforts are underway to improve operational efficiency and customer responsiveness using digital tools. The Company is also promoting work efficiency through the use of digital technologies such as RPA and generative AI, while expanding remote work to remove location constraints and promote borderless workstyles.

DX Human Resource Development

Outline of Strategy	Progress Status
Aiming to enhance operational efficiency and productivity in preparation for a declining workforce. The Company plans to develop 450 DX professionals during the 26 Medium-Term Management Plan period, focusing on individuals skilled in generative AI, automation tools, and data analytics.	In FY2025, 170 advanced digital professionals were trained.

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

Expanding the scope of target employees according to their level

Core personnel for digital planning: 150

Role Resolving challenges within the business site and contributing to the business through the use of digital technology

Advanced personnel in digital utilization: 300

Role Using automated workflow tools, data analysis tools, etc.

Company-wide information literacy training (for all employees)

Role Enhancing knowledge of DX, the latest IT technologies, information security, etc.

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TAIHEIYO CEMENT REPORT 2025.....51

# Promotion of Sustainability Management – Human Capital Strategy



Our basic policy for human capital strategy is to regard our people as “capital” – the driving force behind our growth and the source of our competitiveness – and to create an environment in which each individual can demonstrate their full potential by respecting one another’s individuality and values.

Under the 26 Medium-Term Management Plan, we have identified three key focus areas for developing human resources aligned with our Group’s management strategy: “development of global human resources”, “promotion of

workplace diversity”, and “development of management human resources.” We are steadily advancing various initiatives to achieve these goals.

By advancing smart office initiatives aimed at improving administrative efficiency in anticipation of a labor-constrained society, we are creating new ways of working and enhancing employee engagement. At the same time, through initiatives that help employees balance work and personal life and fully demonstrate their abilities, we strive to maximize the value of our human capital.

## Social Environment

- In response to current labor conditions, we have begun to review the restructuring of the personnel system, including reconsidering the transfer system and personnel management systems based on work location.
- As the development of global human resources is an urgent priority for our growth strategy, we are actively expanding our overseas trainee programs and related initiatives.
- To enhance recruitment and retention, we have raised salaries, including for new employees.

Risks

- Outflow of human resources
- Imbalance in employee age distribution (shortage of mid-career personnel)

Opportunities

- Development of global human resources
- Promotion of diversity and inclusion
- Cultivation of management personnel
- Enhancement of employee well-being (flexible work styles and health-oriented management)

## Strengths

- Enhanced training system**
  - A variety of OJT/OFF-JT programs, e-learning opportunities, and training courses provide an environment that supports continuous skill development for employees.
- Employee engagement score**
  - In the employee survey conducted in May 2025, items such as “satisfaction with company policies and business strategies”, “work-life balance” and “pay satisfaction” were identified as key strengths.
- Support systems for flexible work styles**
  - Systems such as flextime, telecommuting, and maternity/childcare leave follow-up interviews are well established, creating a comfortable and supportive work environment.

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

### Development of global human resources

Outline of Strategy	Progress Status
In addition to expanding the overseas trainee program, the company is implementing overseas language study and internship programs while promoting exchanges with overseas group companies.	Since last fiscal year, the company has resumed in-person overseas internship training in Malaysia. Under the overseas trainee program, employees were dispatched to the Philippines, Thailand, and Vietnam, while the overseas language study program supported language learning through study in the United States and Canada.

### Promotion of workplace diversity

Outline of Strategy	Progress Status
Support the career development of female employees while promoting hiring of experienced persons through diverse hiring practices such as the recruitment of foreign nationals, referral hiring, and alumni hiring. In addition, focus on expanding the employment of persons with disabilities and senior personnel.	The ratio of female employees reached the target of 10%, and the ratio of female managers achieved the FY2027 goal of 3% ahead of schedule. Three foreign employees were newly hired. The employment rate of persons with disabilities stood at 2.6%, exceeding the statutory requirement; however, as the statutory rate will rise to 2.7% in July 2026, continuous recruitment efforts will be made.

### Development of management human resources

Outline of Strategy	Progress Status
Enhance executive training programs and next-generation leader development training (for women), while promoting reskilling initiatives.	Implemented executive training programs such as the Management Academy and Financial Leadership Program. For next-generation leadership development training, external training sessions were held to provide opportunities for participants to interact with female role models.

## Topics

**Certified as a “Health and Productivity Management Excellent Corporation 2025 (Large Enterprise Category)”**

The company has been certified for the third consecutive year as a Health and Productivity Management Excellent Corporation 2025 (Large Enterprise Category) by Japan’s Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi. This recognition demonstrates the outcome of the company’s commitment to the annual health management action plan that is part of the company’s human capital management. In FY2025, the company organized a walking event in collaboration with its Health Insurance Society. Going forward, it will continue to work closely with related organizations to promote and maintain the health of employees and their families, and to create a workplace environment where all employees can fully demonstrate their capabilities.

2025  
健康経営優良法人  
KENKO Investment for Health  
大規模法人部門

### Tobitate! (Leap for Tomorrow) Study Abroad Initiative – New Japan Representative Program

In recognition of its support for the Tobitate! Study Abroad Initiative – New Japan Representative Program, a public-private overseas study support scheme, the company was awarded the Medal with Dark Blue Ribbon on March 6, 2025. This program, jointly operated by Japan’s Ministry of Education, Culture, Sports, Science and Technology (MEXT) and the Japan Student Services Organization (JASSO), promotes overseas study opportunities for young people in Japan. The company began supporting the initiative in 2015 and continues to do so as of 2025. Moving forward, it will remain committed to fostering global human resources both within and outside the organization.





# Promotion of Sustainability Management - IR Strategy

## [Special Feature: Dialogue] Engagement with Investors



## Building Long-Term Trust and Sincere Dialogue toward Sustainable Growth and Enhanced Corporate Value

### Striving for Fair and Transparent Information Disclosure to Shareholders and Investors



face. Through in-depth discussions conducted on-site, we help participants gain a deeper understanding of our management policies and long-term strategies.

**Furikado:**  
I feel that overseas investors have a strong interest in shareholder returns and medium- to long-term value creation.

**Asakura:**  
Approximately 40% of our shareholders are overseas investors, which makes global engagement essential. Since last fiscal year, we have been particularly focused on direct dialogue with our major foreign shareholders. During the COVID-19 pandemic we utilized online meetings, but I was reminded of how vital it is to communicate face to

Due to changes in the global situation, investors' interests have recently tended to shift from ESG to financial returns and portfolio strategies; however, such focus naturally changes with the times and circumstances. For Taiheiyo Cement, it is crucial to communicate effectively under any circumstances, adapting our messaging to reflect these evolving trends.

### Approaching Individual Investors

**Asakura:**  
Our business has long centered on B2B operations, so public recognition among general consumers has been limited. Going forward, however, building relationships with a broader range of stakeholders, including individual investors, will be an important focus. We are currently implementing a public relations strategy aimed at enhancing awareness and strengthening our brand identity.

**Furikado:**  
There is room to explore initiatives that make us more approachable to individual investors, such as plant tours or new shareholder benefit programs. It is also important to make

better use of our 140-year history and achievements to convey the Group's value to a wider audience. For example, I would like individual investors to know that the cement industry also plays a role in waste treatment, and that during large-scale disasters such as the Great East Japan Earthquake, it accepts and processes disaster-related waste.

### Direction of Dialogue on the Carbon Neutral Strategy

**Asakura:**  
Although we are seeing some backlash against ESG investing, our Group continues to position the carbon neutral (CN) strategy as a core growth strategy. Our direction remains unchanged—we are steadily advancing initiatives that look toward the future, ensuring that we can clearly explain our strategies and progress to investors at any time. We are also leveraging government subsidies and collaborating with national and local authorities to promote our projects.

**Furikado:**  
Although recent trends surrounding ESG have been shifting, we remain committed to our Future vision targeting 2050 to "Become a leader in the global cement industry" and we look forward to developing carbon-neutral technologies that meet global standards. It is important to continue communicating carefully about such long-term perspectives and the importance of creating social value.

### Building Trust and Enhancing Corporate Value through Dialogue with Shareholders and Investors

**Asakura:**  
Our long-term shareholders recognize the growth potential of our Group and tend to show strong interest not only in our business performance but also in the management's philosophy and vision. We strive to ensure sincere communication by having the IR Department report the opinions of shareholders and investors directly to the Board of Directors, without filtering, for open discussion. We believe that accepting candid feedback and reflecting it in management decisions is the foundation of mutual trust.

**Furikado:**  
I feel that discussions on IR at the Board of Directors meetings are becoming more substantial with each passing year. Last year, I visited our Group company in the United States, which helped deepen my understanding of our overseas business and its management challenges. The businesses of

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our Group, such as quarry development, are characterized by their extremely long-term nature. As an independent director, my wish is to build partnerships with shareholders and investors who understand these characteristics and share our goal of enhancing corporate value from a long-term perspective.

**Asakura:**  
Engaging in sincere, ongoing dialogue with shareholders and investors who support the Group over the medium to long term is key to achieving sustainable growth and enhancing corporate value. We will continue to communicate our initiatives to improve profitability in domestic operations and our growth strategies for overseas businesses in an easy-to-understand manner, while also enhancing the information disclosure on our U.S. operations, which attract particularly strong interest.

**Furikado:**  
As a Board of Directors, we will continue to firmly oversee the initiatives of the management team while supporting management that remains open and responsive to a diverse range of stakeholders. In addition to sincere engagement activities, we intend for independent directors to also participate in dialogue with shareholders and investors going forward, contributing to the Company's sustainable growth and enhancement of corporate value from diverse perspectives.

