

## Taiheiyo Cement Announces “23 Medium-Term Management Plan”

Taiheiyo Cement Corporation has announced that it has formulated its 23 Medium-Term Management Plan covering the three years from FY2022 to FY2024, to take the next, or the third, step toward realizing our future vision and direction targeting the mid-2020s. The plan is outlined below.

### I. Future Vision and Direction

The Taiheiyo Cement Group will keep in mind its mission of striving “to become a corporate group that provides a sense of safety and security to communities in the Pacific Rim by demonstrating the Group’s overall capabilities” based on our future vision and direction targeting the mid-2020s. We have established and are actively engaged in three steps for achieving this goal.

### II. Review of the 20 Medium-Term Management Plan

The Group regards the 20 Medium-Term Management Plan, covering the three-years from FY2019 to FY2021, as the second step toward realizing our future vision and direction, and has engaged in various initiatives to establish a solid business foundation.

The COVID-19 crisis in Japan has placed the Group in a difficult business environment, where factors such as economic stagnation, reduced demand for construction, and project delays have led to the lowest domestic demand for cement in 54 years. On the other hand, our overseas cement business saw increased profits. As a result, our management targets for operating income on sales and ROA were not met. Growth investments to achieve sustainable growth were made in accordance with the plan, the effects of which are expected to be realized in or after FY2022.

With regard to shareholder returns, we continued steady dividend payments of 60 yen per share (in FY2019 an additional commemorative dividend meant that the dividend payment per share was 80 yen). In addition, we repurchased 15 billion yen of Taiheiyo Cement Corporation shares in the three-year period between FY2019 and FY2021 to achieve the total return ratio of around 30% for the period of the 20 Medium Term Management Plan.

Furthermore, with regard to the further strengthening of our financial structure, we pushed ahead with the reduction of interest-bearing debt at a level that exceeded the plan and, as a result, had achieved the net DER set as a guideline for achieving management targets and surpassed it by the end of FY2020, one year earlier than planned. The net DER at the end of FY2021 was 0.37 times.

We believe that we have fulfilled our plan with regard to growth investments, further reinforcement of our financial structure, and shareholder returns. However, issues still remain with regard to reinforcing the earnings base of our domestic business. We acknowledge this as a key management challenge that the Group must continue to tackle.

### 20 Medium-Term Management Plan: Management Targets

	FY2021 Target	FY2021 Results
Operating income on sales:	9% or more	7.4%
ROA (ordinary income)	8% or more	6.3%

### 20 Medium-Term Management Plan: Guidelines

(Billions of yen, unless otherwise stated)

	FY2021 Target	FY2021 Results
Net sales	950.0 or more	863.9
Operating income	85.0 or more	63.6
EBITDA*	140.0 or more	116.3
Net debt / equity ratio (DER) (times)	0.5 or less	0.37
Net interest-bearing debt /EBITDA ratio (times)	1.5 or less	1.5

\*EBITDA = Operating income + Depreciation (including goodwill amortization)

## III. Outline of the 23 Medium-Term Management Plan

### 1. Business Environment and Our View of the Future

With regard to the business environment in Japan, the Group expects a steady demand for cement to continue for a while as, in addition to redevelopment projects in urban areas and projects to prevent or mitigate damage from natural disasters, construction work related to the Linear (maglev) Chuo Shinkansen is expected to start in earnest. Nevertheless, with no clear idea of when the COVID-19 pandemic will come to an end, there are concerns that economic stagnation may lead to a downturn in the demand for cement. Furthermore, the intensifying labor shortage and aging workforce in the construction and logistics industries is a situation that we need to continue to bear in mind.

Under these circumstances, we believe that by continuing to provide essential products and technical services for the development of social infrastructure, and for projects to prevent or mitigate damage from natural disasters, the Group will be able to contribute to society in various ways related to the creation of safe and stable social infrastructure. Going forward, we will engage in initiatives aimed at sustainable growth and the establishment of a business foundation with long-term stability so that we can continue to help solve social issues.

### 2. Fundamental Policies

Under the 23 Medium-Term Management Plan, and based on the fundamental policies listed below, we will aim to construct a business model unique to us, where all businesses in our Group function together comprehensively and integrally. In other words, to become an outstanding leading company.

- (1) Strive for sustainable growth.
- (2) As part of the social infrastructure industry, contribute to the establishment of a safe and stable society.
- (3) Strengthen our earnings base for businesses and steadily implement growth investment.

### 3. Management Targets

The following management targets have been set in the 23 Medium-Term Management Plan.

Targets for FY2024

Operating income on sales ..... 11% or more  
 ROE..... 10% or more

#### 4. Guidelines

We have adopted the following financial indicators as guidelines for achieving our management targets.

(Billions of yen, unless otherwise stated)

	FY2021 Results	FY2024 Target
Net Sales (*1)	863.9	750.0 or more
Operating income	63.6	85.0 or more
EBITDA (*2)	116.3	145.0 or more
Net debt / equity ratio (DER) (times)	0.37	Around 0.4
Net interest-bearing debt / EBITDA ratio (times)	1.5	1.5 or less

(\*1) Since we have adopted the Accounting Standard for Revenue Recognition (ASBJ Standard No. 29) etc. from FY2022, the net sales in the FY2024 Target show the amount after adoption of the new standard. (The adoption of the new standard has a negative impact of -210 billion yen.)

(\*2) EBITDA = Operating income + depreciation (including goodwill amortization).

#### 5. Investment Strategy and Shareholder Returns

We will generate a cash flow of 330 billion yen over the three-year period of the 23 Medium-Term Management Plan by means of our business cash flow, assignment of assets and so on, and, in principle, implement capital expenditure, investment and financing, and shareholder returns within the scope of that cash flow.

##### (1) Capital expenditure, and investment and financing

We plan to implement a total of 280 billion yen of capital expenditure, and investment and financing over the course of three years, of which 120 billion yen will be allocated to growth investments. We will also implement medium to long-term investment aimed at strengthening the business foundation that supports our sustainable growth. Over the next 10 years we will implement the following key strategies: (1) continue growth investment, (2) engage in initiatives to achieve carbon neutrality by 2050, and (3) make investments that support the enhancement of plant facilities, mines and quarries by FY2031.

##### (2) Returns to shareholders

We consider shareholder returns to be a key management challenge and will improve returns to shareholders. With a three-year average total return ratio of 33% (shareholder return of one third of the net profit for the year attributable to parent company shareholders) as our benchmark, we will flexibly repurchase shares with the aim of improving capital efficiency while maintaining stable and continuous dividends.

##### (3) Maintaining and improving financial soundness

Under the 23 Medium-Term Management Plan, we will make our growth investment compatible with our financial structure and maintain a net DER of around 0.4 times.

#### 6. Initiatives Targeting Carbon Neutrality

As a significant contributor to man-made CO<sub>2</sub> emissions we believe that developing carbon neutral technology for net zero CO<sub>2</sub> is the highest priority material challenge for the future of the cement industry. We consider initiatives aimed at achieving that (carbon neutrality throughout the supply chain by 2050) to be a Group growth strategy.

The Taiheiyo Cement Group has formulated a long-term vision to achieve carbon neutrality throughout our supply chain by 2050. In order to realize that long-term vision, in addition to applying and developing existing technologies, it is essential that we develop innovative technologies and raise them to a level where they are both practical and viable. We have set up the Carbon-Neutral Technology Development Project Team as a lateral in-house organization responsible for promoting the development of such innovative technologies. With the project team playing a core role, we aim to establish and implement feasible technologies at the earliest possible opportunities and to meet the social and financial challenges toward achieving carbon neutrality.

## 7. Business Strategies

### (1) Cement Business (Japan)

Given a market environment where we cannot expect a significant increase in the domestic demand for cement, we aim to utilize flexible thinking and bold action to reconstruct our cement business in Japan. We will enhance our plant facilities, create a sales system that collaborates with our mineral resources and environmental businesses, and utilize AI and automation to optimize our logistics system. This will enable us to make full use of the combined strengths of the Group and fulfill our responsibility to ensure a steady supply of cement to national and other projects.

In addition, while seeking to optimize our product distribution system via AI and the IoT, we will also push forward aggressively with initiatives aimed at achieving carbon neutrality by means of new production technology development and action in our supply chains.

### (2) Cement Business (Overseas)

We will build a new business portfolio in the Asian region.

We will expand our operations in Southeast Asia, reconstruct our logistics network covering the entire Pacific Rim area, including our new business sites in Indonesia, and expand our trading business. In addition to expanding our cement business, we will expand our core businesses (mineral resources, environmental, and construction materials) and establish synergies for comprehensive and conglomerate business.

### (3) Mineral Resources Business

In addition to establishing foundations to ensure a long-term stable supply of our abundant mineral resources such as limestone, harnessing the combined strengths of the Group, and boosting the earnings of our existing core business, we will commit to nurturing new businesses that will make sustainable development possible.

### (4) Environmental Business

We will maintain an accurate grasp of changes in our external business and social environment and, based on the keywords of “response to climate change,” “digital,” “material,” and “energy,” we will develop new businesses that are in tune with the times. We will establish a new model for recycling resources and engage in initiatives that will contribute to the creation of a carbon-neutral society.

### (5) Construction Materials Business

We will boost the earnings capacity of our existing business by improving our market competitiveness. We will also proactively open up new business areas that can create synergies within the Group.

### (6) Other Businesses (Individual Companies)

We will boost the earnings capacity of each Group company while constructing new business models that are expected to generate synergies within the Group.

## 8. Strategy for Research and Development

We consider the development of technologies aimed at achieving carbon neutrality to be our most important R&D theme since it will contribute to both society and to the Group’s sustainable growth. We will also tackle the core themes of refining our fundamental technologies, evolving our recycling technologies, and developing innovative materials and future-oriented technologies.

### (1) Development of Technologies Targeting Carbon Neutrality

In addition to making maximum use of fossil energy substitutes and working on the development of low CO<sub>2</sub> cement, we will engage in the development of innovative cement production processes aimed at the attainment of carbon neutrality by 2050.

(2) Refinement of fundamental Technologies in Response to Changes in the External Environment, and Overseas Expansion

In addition to refining the various fundamental technologies required by our business departments, we will facilitate business expansion overseas by developing products, designing materials and promoting technologies that meet local needs.

(3) Development of Recycling Technologies that Contribute to the Building of Circular Economies

In order to make maximum use of recycled resources, we will tackle challenges such as evolving combustion technologies and dechlorination technologies, developing technologies for utilizing coal ash and slag substitutes, and developing technologies that can simultaneously recover precious metals and heavy metals.

(4) Innovative Materials

We will move forward with development aimed at the commercialization of functional materials such as electrode materials and hollow particles, which can be deployed in the expanding markets for EV and storage batteries that are targeting carbon neutrality and, as new materials, make high-speed 5G and 6G communications possible. We will also engage in an industry-academic joint initiative to develop recycling-based calcium carbonate concrete as an innovative material aimed at carbon neutrality.

(5) Development and Deployment of Future-oriented Technologies

We will develop and deploy systems that utilize AI and the IoT to boost productivity and reduce labor needs.

9. Strengthen Management Foundations

We will boost our corporate value via on-going initiatives to improve and strengthen our corporate governance. We will remain on the path set by the 20 Medium-Term Management Plan and steadily realize the three quantitative targets set in our CSR Objectives for 2025 (prevention of accidents, reduction of greenhouse gas emissions, and workplace diversity).

End

Plans and other forward-looking statements in this document are based on information available to the Company as of the date of the release of this document and on certain assumptions the Company deems reasonable, and therefore are subject to risks and uncertainties. As such, we do not offer any promise or guarantee that planned results and measures included in this document will be realized in the future. Actual results may differ significantly due to a variety of factors.