

Outline of the 23 Medium-Term Management Plan (FY2022 to FY2024)

May 13, 2021

TAIHEIYO CEMENT CORPORATION



**Based on our future vision and direction
targeting the mid-2020s**

**We will strive to become a corporate group that provides
a sense of safety and security to societies in the Pacific Rim
by demonstrating the Group's overall capabilities.**

Mission of the Taiheiyo Cement Group

**Our mission is to contribute to social infrastructure development by
providing solutions that are environmentally efficient, enhance our
competitive position and bring value to our stakeholders.**

(1) Benefits and Challenges of the 20 Medium-Term Management Plan

Second Step Toward Realizing Our Future Vision and Direction Targeting the Mid-2020s



	17 Medium Term Management Plan (FY2016–FY2018)	20 Medium Term Management Plan (FY2019–FY2021)	Review
Profitability	<ul style="list-style-type: none"> ■ Operating income on sales 7.5% ■ ROA (ordinary income) 6.3% ■ Growth investments 100 billion yen <ul style="list-style-type: none"> - Acquisition of the Oro Grande plant (U.S.) and construction of its new mill - Construction of the Ofunato Power Plant (biomass power plant) - DC Co., Ltd. made a wholly owned subsidiary 	<ul style="list-style-type: none"> ■ Operating income on sales 7.4% ■ ROA (ordinary income) 6.3% ■ Growth investments 100 billion yen <ul style="list-style-type: none"> - Investment in PT Solusi Bangun Indonesia Tbk (SBI) - Kiln replacement in the Philippines - Construction of new waste heat recovery power generation system (Saitama) 	<p>Benefits</p> <ul style="list-style-type: none"> - Growth investments proceeding according to plan - Achieved a total return ratio of 30% - Financial structure improvements achieved ahead of plan <p>Challenges</p> <ul style="list-style-type: none"> - Strengthen the earnings capacity of domestic cement businesses
Returns to shareholders	<ul style="list-style-type: none"> ■ Increased dividends and repurchased Taiheiyo Cement Corporation shares <ul style="list-style-type: none"> - Payout ratio 18% (3-year average) - Total return ratio 26% (3-year average) - Repurchase of Taiheiyo Cement Corporation shares 10 billion yen 	<ul style="list-style-type: none"> ■ Steady dividend payments and repurchased Taiheiyo Cement Corporation shares <ul style="list-style-type: none"> - Payout ratio 19% (3-year average) - Total return ratio 30% (3-year average) - Repurchase of Taiheiyo Cement Corporation shares 15 billion yen 	
Financial structure	<ul style="list-style-type: none"> ■ Net DER 0.6 times <ul style="list-style-type: none"> • Net interest-bearing debt 234.8 billion yen (End of FY2018) 	<ul style="list-style-type: none"> ■ Net DER 0.4 times <ul style="list-style-type: none"> • Net interest-bearing debt 175 billion yen (End of FY2021) 	

(2) Management Targets and Guidelines

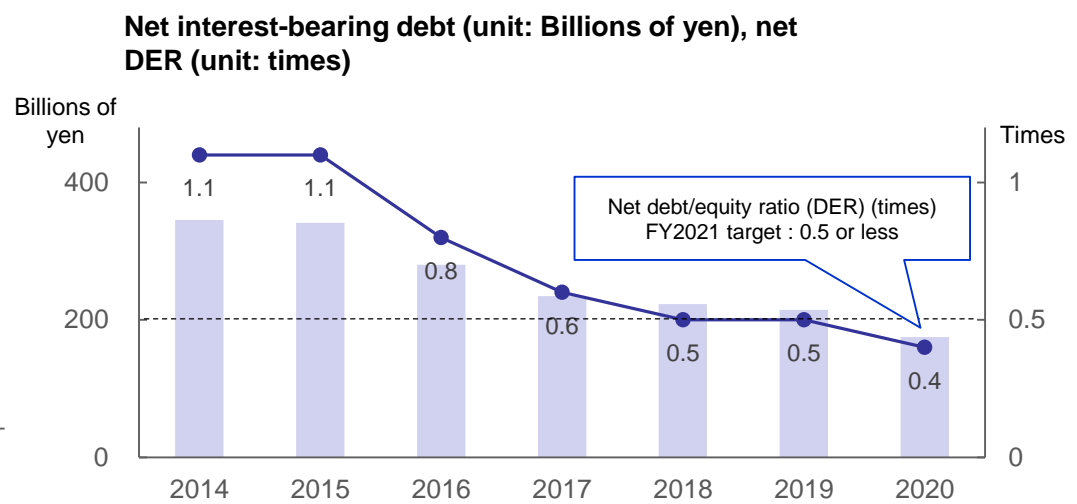
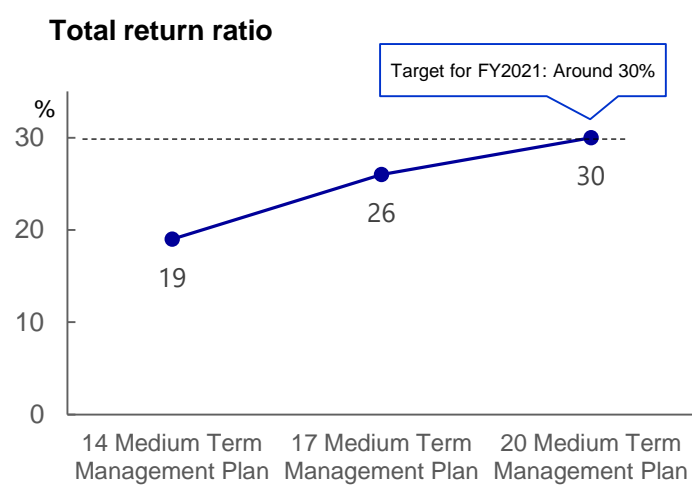
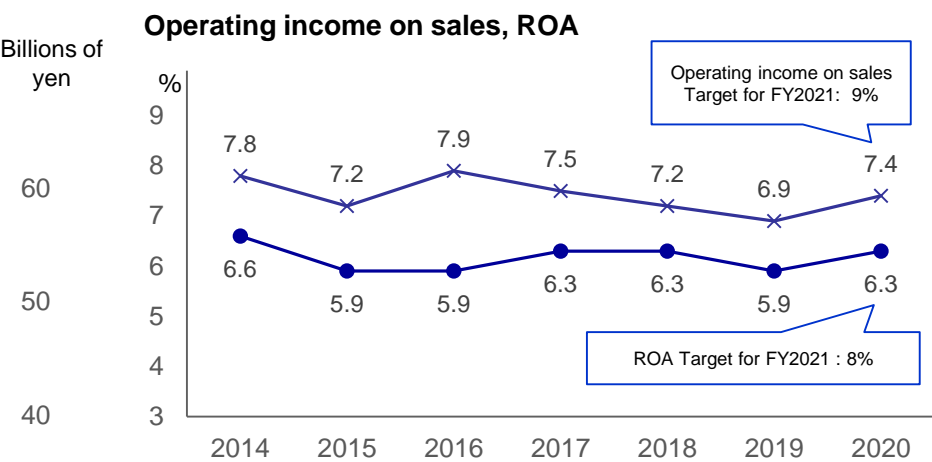
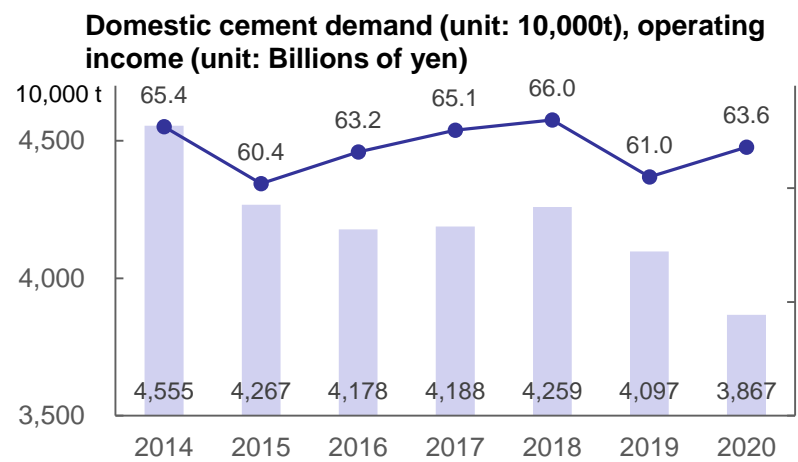
		FY2021 Target	FY2021 Results
Management Targets	Operating income on sales	9% or more	7.4%
	ROA (ordinary income)	8% or more	6.3%

(Billions of yen, unless otherwise stated)

Guidelines	Net sales	950.0 or more	863.9
	Operating income	85.0 or more	63.6
	EBITDA*1	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

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

II. Review of the 20 Medium-Term Management Plan



Although domestic demand for cement is decreasing, operating income stayed in the 60 billions of yen range
Our profitability indicators (operating income on sales, ROA) showed that the Group underperformed
Returns to shareholders (total return ratio) and our financial structure (net DER) executed according to plan

III. Outline of the 23 Medium Term Management Plan

1. Recognizing the Group's Business Environment



Business environment		Our strengths	Risks and challenges for us
Creating a sense of safety and security in society	Deterioration of social infrastructure Redevelopment of urban areas	<ul style="list-style-type: none"> - Possession of abundant mineral resources from quarries - Provision of diverse products and services - Nationwide logistics network 	<ul style="list-style-type: none"> - Deterioration of plant facilities - Time-related deterioration of waste treatment facilities - Long-term sourcing of materials - Enhancement of the product supply system
Environmental issues	An increase in waste material such as plastic waste and ash from municipal incineration ash	<ul style="list-style-type: none"> - Waste treatment technologies - Plants throughout Japan 	
Climate change issues Extreme weather Global warming	Intensifying natural disasters Maintenance and functional enhancement of infrastructure to prevent damage from natural disasters Acceleration of steps towards a decarbonized society Adoption of carbon taxes	<ul style="list-style-type: none"> - Disposal of disaster-related waste in collaboration with local governments - Proactive installation of energy-saving facilities - Utilization of alternative thermal energy derived from waste matter 	
Social issues Declining birth rate and an aging population Lengthening coronavirus crisis	Reduced demand for construction in Japan Labor shortage	<ul style="list-style-type: none"> - Business expansion in the Pacific Rim region - Utilization of human resources in the Pacific Rim region - Labor reductions via computerization and automation 	<ul style="list-style-type: none"> - Decreased cost competitiveness - Development of revolutionary technologies for CO₂ capture and utilization - Intensifying competition in Japan - Scaling down of domestic business in Japan - Scaling down of business due to labor shortages

Contributing to the national resilience

Contributing to a recycling-based society

Contributing to the achievement of a decarbonized society

Maximizing the Group's corporate value will contribute to the establishment of safe and stable social infrastructure

The challenge is to create a business foundation with long-term stability
(New priority issues focusing on 10 years from now)

1. Sustained growth investment
2. Initiatives aimed at achieving carbon neutrality
3. Strengthening our plant facilities, mines and quarries
4. Restructuring our businesses in Japan

III. Outline of the 23 Medium Term Management Plan
2. Fundamental Policies



“Aiming to become an outstanding leading company”

What do we mean by aiming to be “outstanding”?
We will construct a business model unique to us, where all businesses in our Group function together comprehensively and integrally

<Fundamental Policies of the 23 Medium Term Management Plan>

Strive for sustainable growth.
As part of the social infrastructure industry,
contribute to the establishment of a safe and stable society.
Strengthen our earnings base for businesses and steadily carry out growth investments.

FY2024 Management Targets

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

III. Outline of the 23 Medium Term Management Plan

4. Guidelines

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

(Billions of yen, unless otherwise stated)

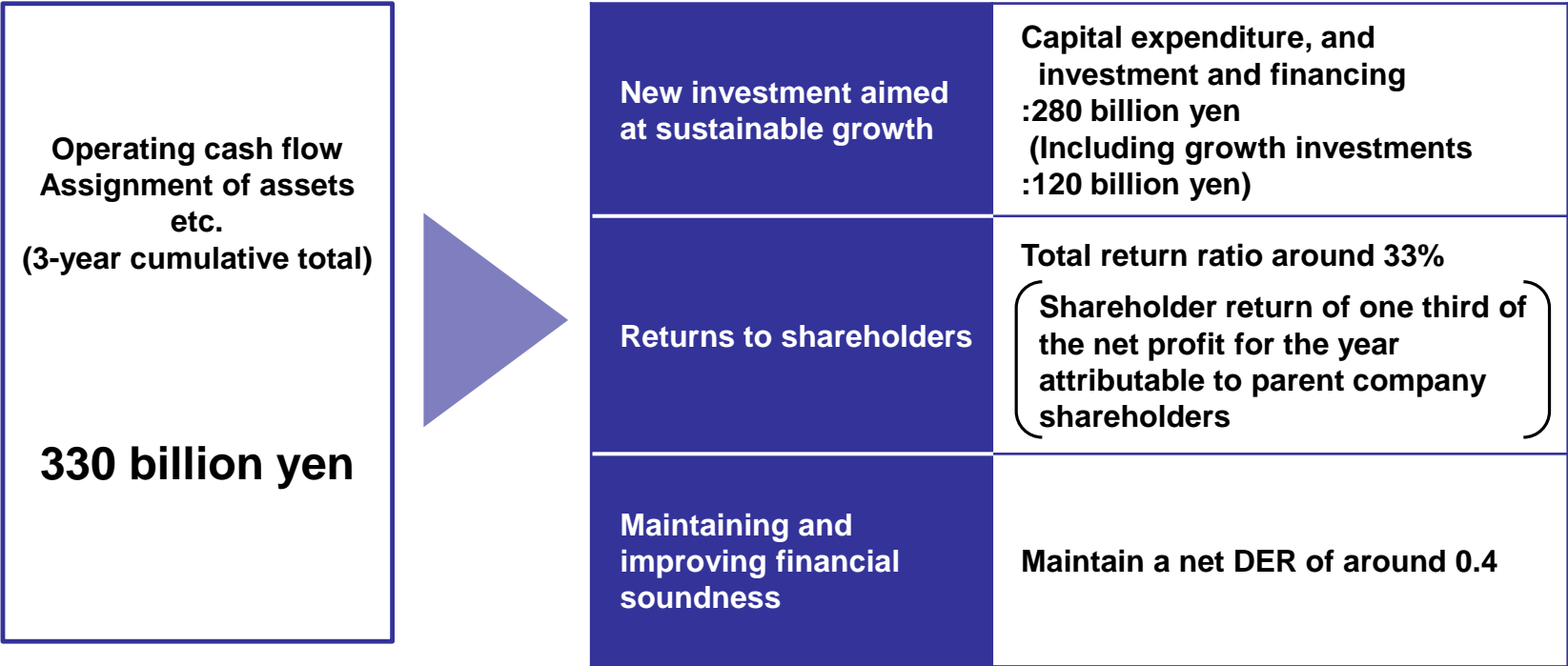
	FY2021 Results		FY2024 Target
Net sales* ¹	863.9		750.0 or more
Operating income	63.6		85.0 or more
EBITDA* ²	116.3		145.0 or more
Net debt/equity ratio (DER) (times)	0.4		Around 0.4
Net interest-bearing debt /EBITDA ratio	1.5		1.5 or less

Assumption: Domestic cement demand is 39 – 40 million tons/per year

* **1** Since we have adopted the Accounting Standard for Revenue Recognition (ASBJ Standard No. 29) etc. from FY2022, the net sales in the FY2024 plan 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)

Cash Flow Allocation in the 23 Medium Term Management Plan



(1) Capital expenditure, and investment and financing

New investments

for the Group's sustainable growth : 280 billion yen

Including Growth investments : 120 billion yen

Strengthening of our business foundation : 160 billion yen

* Total of the three-year period of the 23 Medium Term Management Plan

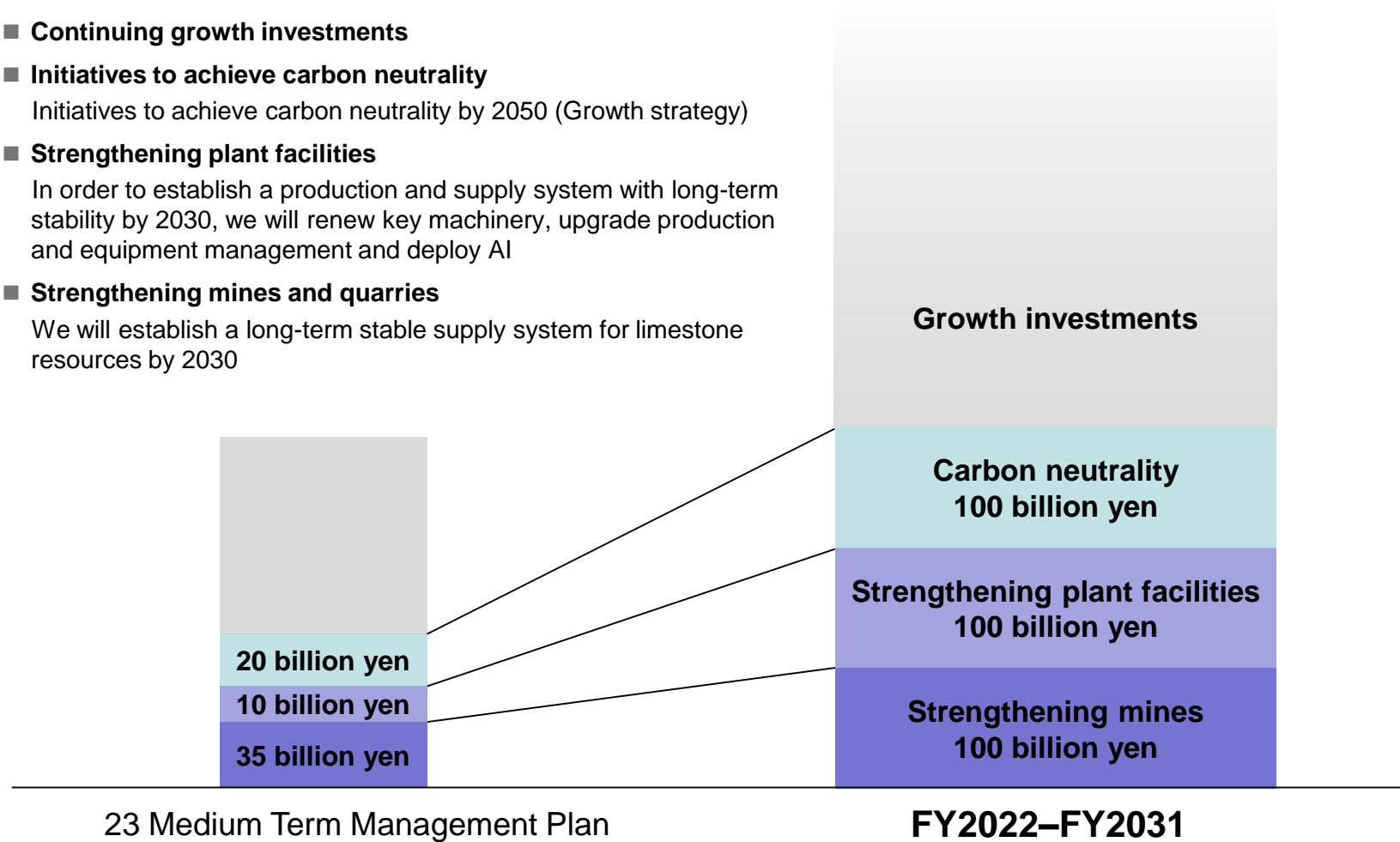
- Executing medium- to long-term investments that strengthen the business foundation to support the Group's sustainable growth.

III. Outline of the 23 Medium Term Management Plan
5. Investment Strategy and Shareholder Returns



Medium to long-term investment that strengthen the business foundation to support our sustainable growth (Priority strategy)

- Continuing growth investments
- Initiatives to achieve carbon neutrality
Initiatives to achieve carbon neutrality by 2050 (Growth strategy)
- Strengthening plant facilities
In order to establish a production and supply system with long-term stability by 2030, we will renew key machinery, upgrade production and equipment management and deploy AI
- Strengthening mines and quarries
We will establish a long-term stable supply system for limestone resources by 2030



(2) Returns to shareholders

Achieving a total return ratio of 33%* (3-year average)

* Shareholder return of one third of the net profit for the year attributable to parent company shareholders

- Maintain steady and continuing dividend payments as our basic policy and enhancing shareholder returns.
- We will also carry out agile acquisition of treasury shares as appropriate to improve capital efficiency.

(3) Maintain and improve financial soundness

Maintain a net DER (debt equity ratio) at around 0.4 (as a guideline)

- Aiming to balance growth investment and financial structure

**The Taiheiyo Cement Carbon Neutral Strategy 2050:
Achieving for Carbon Neutrality in the Cement Supply Chain**

“As a significant contributor to man-made CO₂ emissions we believe that developing carbon neutral technology is the highest priority material challenge for the future of the cement industry. We therefore position carbon neutrality as a Group growth strategy”



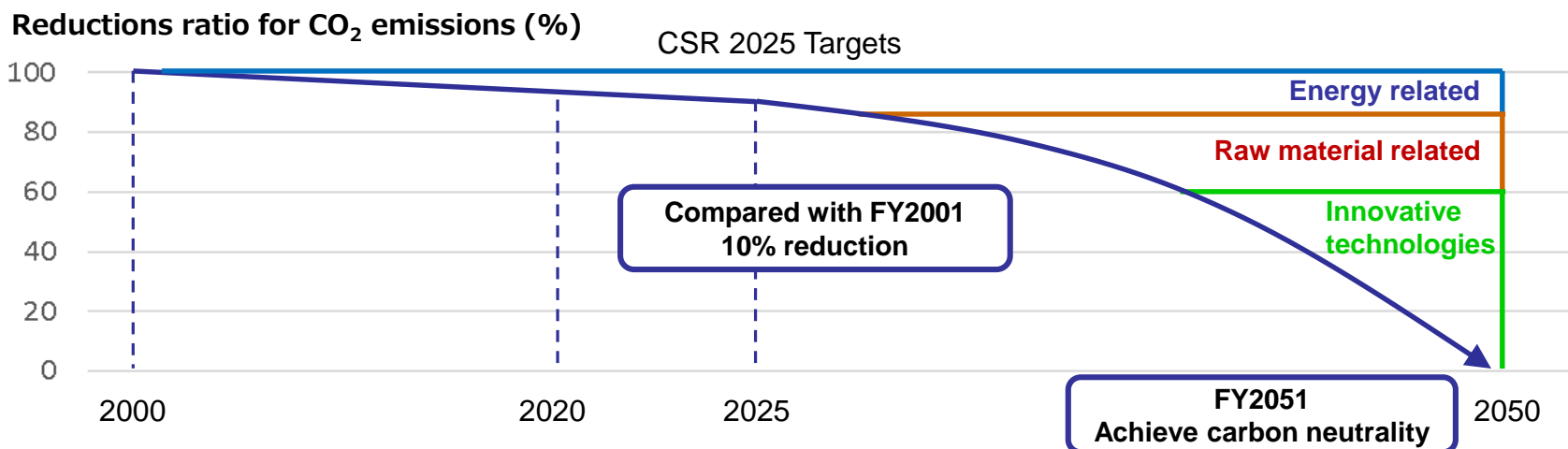
We have launched the Carbon Neutral Technology Development Project Team and will go all-out to achieve carbon neutrality throughout our supply chain by 2050.

III. Outline of the 23 Medium Term Management Plan

6. Initiatives targeting Carbon Neutrality

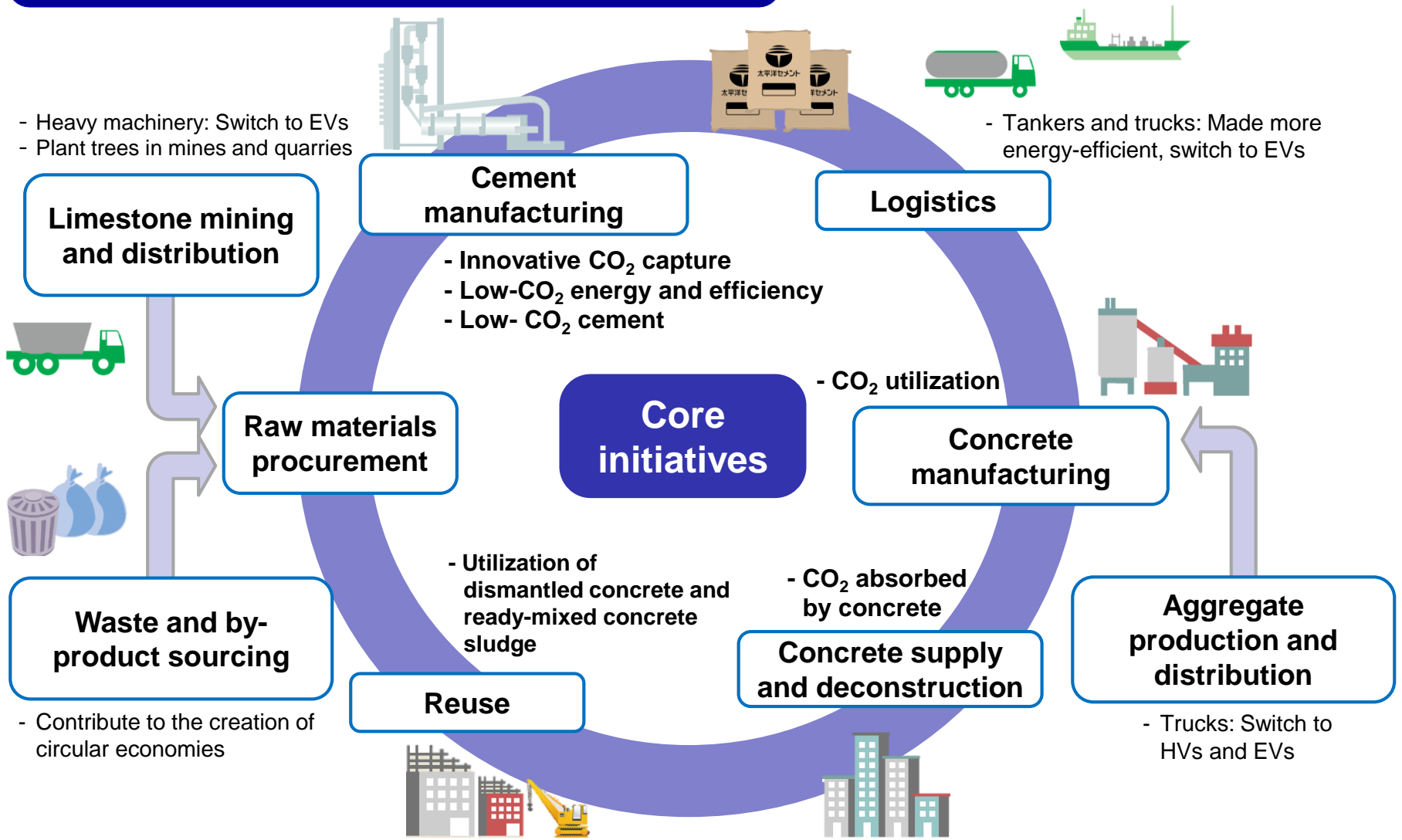
With the project team playing a core role we aim to establish and Implement feasible technologies at the earliest possible opportunities and to meet the social and financial challenges toward achieving carbon neutrality

Target	Main strategies	Main initiatives in the 23 Medium Term Management Plan	Investment sum
Energy-derived	<ul style="list-style-type: none"> - Energy-efficiency - Low-carbon energy 	<ul style="list-style-type: none"> - Waste heat recovery power generation system - Installation of high-efficiency clinker coolers - More waste plastic processing 	20 billion yen
Raw material -derived	<ul style="list-style-type: none"> - Low-CO₂ cement 	<ul style="list-style-type: none"> - Increase of cement admixtures - Low-CO₂ clinker 	
Innovative technologies	<ul style="list-style-type: none"> - CO₂ capture and utilization 	<ul style="list-style-type: none"> - Development of innovative CO₂ capture technologies - Utilization of dismantled concrete and ready-mixed concrete sludge - Utilization of cement cured with CO₂ 	



III. Outline of the 23 Medium Term Management Plan
6. Initiatives targeting Carbon Neutrality

Supply chain initiatives and challenges



III. Outline of the 23 Medium Term Management Plan

7. Business Strategies:

Net Sales and Operating Income by Segment



The following assumptions have been applied for the period covered by the 23 Medium-Term Management Plan.

Estimated domestic cement demand : Between 39 million and 40 million tons per year

Estimated exchange rate : 105 yen/US\$

(Unit: Billions of yen)

		Net Sales*1		Operating income	
		FY2021 Results	FY2024 Target	FY2021 Results	FY2024 Target
Cement Business	Japan	406.2	267.0	16.2	23.5
	Overseas	214.8	218.0	25.1	28.4
	Sub-total	621.0	485.0	41.3	51.9
Mineral Resources Business		75.7	82.0	6.0	9.5
Environmental Business		78.0	82.0	6.4	8.5
Construction Materials Business		73.0	75.0	3.5	6.6
Other Business		91.4	93.0	6.1	8.5
Intergroup Elimination		▲75.3	▲ 67.0	0	0
Sub-total		863.9	750.0	63.6	85.0

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

III. Outline of the 23 Medium Term Management Plan

7. Business Strategies: Cement Business (Japan)



◆ Utilize flexible thinking and bold action to reconstruct our cement business in Japan

- **Mobilize comprehensive Group strengths (manufacturing, sales and logistics capabilities) Contribute to national projects etc.**
 - Large-scale redevelopment projects in the Tokyo metropolitan area, Linear (maglev) Chuo Shinkansen etc.
- **Formulate local-based sales strategies**
 - In collaboration with the mineral resources and environmental businesses, formulate sales systems that leverage regional characteristics
- **Seek efficient transportation**
 - Optimize our logistics system by AI for the assignment of vessels and automated dispatch of vehicles
- **Maintain a stable supply system by strengthening plant facilities**
 - renew large machinery and upgrade equipment management systems
- **Seek to improve labor productivity by making full use of AI and the IoT**
 - Implement support for operation and equipment management tasks
- **Develop and expand technologies to reduce impact on the environment and reduce CO₂ emissions**
 - Install waste heat recovery power generation facilities, high-efficiency clinker coolers and other initiatives aimed at carbon neutrality (Discuss adoption of EV trucks and hydrogen-powered vessels)



7. Business Strategies: Cement Business (Overseas)

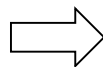
- ◆ Build a new business portfolio in the Asian region
- ◆ Maximize the earnings of existing businesses
- ◆ Expand our trading business in the global market

■ Expand our business in Southeast Asia and construct the optimum logistics network

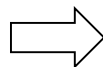
■ Promote our mineral resources, environmental and construction materials businesses

■ Implement thorough cost cuts

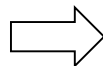
■ Implement initiatives aimed at CO₂ reductions



- Establish synergies for comprehensive and conglomerate business in countries such as Indonesia and the Philippines that mobilizes the comprehensive strengths of the Group
- Reconstruct our logistics network covering the entire Pacific Rim area, including our new sites in Indonesia



Implement investment to stabilize operations and cut costs



Implement investment and strategies that suit each regional market, for example expanded use of natural gas, improvements to energy efficiency, or a bigger ratio of blended cement sales



CalPortland Mojave Cement Plant
(California, US)



Taiheiyo Cement Philippines
(Cebu, Philippines)



Solusi Bangun Indonesia Tuban Plant
(Indonesia)

7. Business Strategies: Mineral Resources Business

- ◆ Establish foundations to ensure a long-term stable supply of our extremely abundant mineral resources (100 years)
- ◆ Expand the earnings of our existing businesses that demonstrate the Group's overall capabilities
- ◆ Nurture new businesses that will make sustainable development possible

- **Expand our business in Southeast Asia and construct the optimum supply and logistics network**

- Develop the next areas for our limestone quarries

- **Expand the earnings of existing businesses**

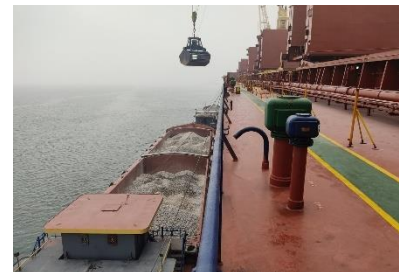
- Strengthen and promote limestone aggregate production and distribution facilities
- Reconstruct our production and sales system targeting steel and paper manufacturing
- Open up new markets for our product for immobilizing heavy metal contaminants in soil (Denite®)

- **Nurture businesses that will become future “pillars”**

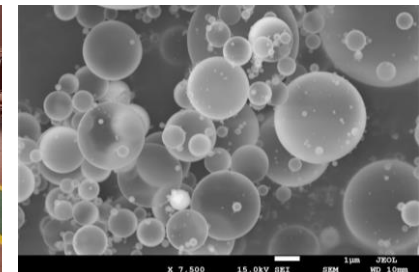
- Commercialize our functional hollow particles (CellSpheres®)
- Implement growth investment in the Southeast Asia region



Ofunato Quarry Horoshi Area
Summit development and newly-constructed crushing chamber



Moving forward with business
in Vietnam



CellSpheres®

7. Business Strategies: Environmental Business

- ◆ **Maintain an accurate grasp of changes in our external environment**
- ◆ **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**

■ **Maximize our waste treatment business and develop new businesses**

- Increase and expand waste plastic processing, secure coal ash substitute by developing and implementing waste processing technologies, expand sales of biomass fuel, and explore strengthening alliances with other companies and M&As

■ **Establish a new model for recycling resources with the cement industry at its core**

- Recycle waste plastic that is difficult to process (low-temperature embrittlement technologies), recover precious metals and heavy metals from waste

■ **Implement large-scale projects and create new business models**

- Expand our discarded lithium battery recycling business, expand our waste gypsum board processing business, and expand overseas our business to recycle wastes and by-products into cement



Facility using low-temperature embrittlement to recycle waste plastic that is difficult to process (Kawasaki Plant of DC CO., Ltd.)



Facility for torrefied recycling of lithium batteries (Tsuruga Cement Co., Ltd.)

7. Business Strategies:
Construction Materials Business

- ◆ **Boost the earnings capacity of our existing business by improving our market competitiveness**
- ◆ **Open up new business areas that can create synergies, and resolutely expand business**
 - **Improve business profits via product differentiation and greater competitiveness**
 - **Launch new products and businesses leveraging existing technologies and customer networks**
 - **Accelerate the construction of a Group structure aimed at business expansion into the Southeast Asian market**
 - **Strengthen initiatives to reduce the impact on the environment of the entire Construction Materials Business**



Soil stabilization project near a railway line
using the LDis method



Heat-shielding paving blocks

◆ **Boost the earnings capacity of each Group company and construct a business model aimed at sustainable growth**

- **Maximize Group synergies utilizing management resources possessed by individual companies**
- **Boost the earnings capacity of our business as a wholesale supplier of electricity (biomass-based electricity)**
- **Construct a new business model leveraging our business sites in the Tokyo metropolitan area (trade of construction soil)**



Biomass power generation

Power Supply



Floating crane

**Transportation and
Warehousing**

Real Estate

Engineering

Data Processing

Chemical Products

Sports

◆ Develop outstanding R&D capabilities to contribute to society and sustainable growth

- Develop technologies targeting **Carbon Neutrality**
- **Refine fundamental technologies** in response to changes in the external environment and **expand overseas**
- **Develop recycling technologies** that help to create circular economies
- Development of **innovative materials and future-oriented technologies** and intellectual asset strategies

Carbon Neutrality

- Maximize use of fossil fuel substitutes/ Low- CO₂ cement
- Innovative cement manufacturing processes

Refine fundamental technologies and expand overseas

- **Cement** Quality and processes/Cost reductions
- **Soil stabilizer/ Immobilizer**
Enhance functionality/Expand applications
- **Concrete** Enhance functionality/Expand applications

Develop recycling technologies

- Evolve combustion and dechlorination technologies
- Coal ash and slag substitutes, alkali reduction
- Materials Recovery Complex

Innovative materials

- Functional materials
- Recycling-based Calcium carbonate concrete

Future-oriented technologies

- Utilize AI and the IoT to boost productivity and labor savings
Integrated system to control kilns and predictive quality

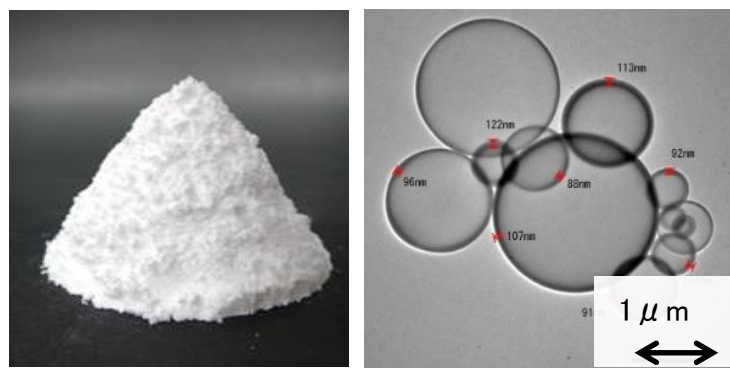
◆ Promote innovative technological development that contributes to society and sustainable growth

■ Innovative cement manufacturing processes aimed at carbon neutrality

- Carbon Circulation Technology for Cement Production (NEDO project)
- Innovative CO₂ capture technologies

■ Functional materials R&D and commercialization

- Hollow particles Functional hollow particles characterized by mean particle diameter of 5μm or less
Currently commercializing applications for thin film and micro components that are required to be adiabatic
They also possess excellent dielectric characteristics, so we are currently developing materials for the high-speed communication sector, such as 5G and 6G which will expand in the near future
- Electrode materials New materials for the lithium-ion batteries required for the power storage that is essential for carbon neutrality
They do not use cobalt, a material at risk of being depleted, and have the potential to boost battery reliability and extend battery life
We will build a demonstration plant with an annual production capacity of 100 t, and aim for full-scale commercialization



Functional hollow particles
CellSpheres®

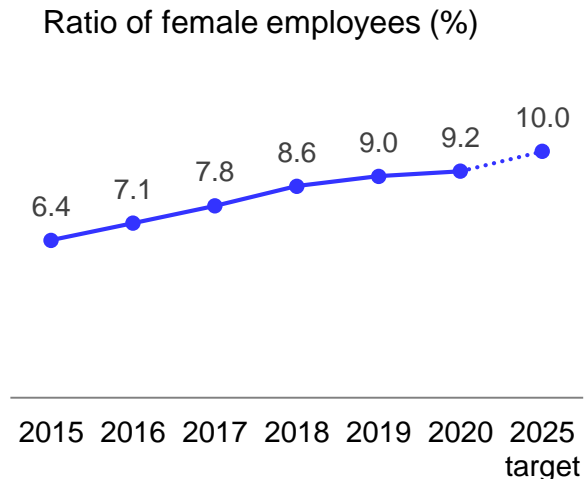
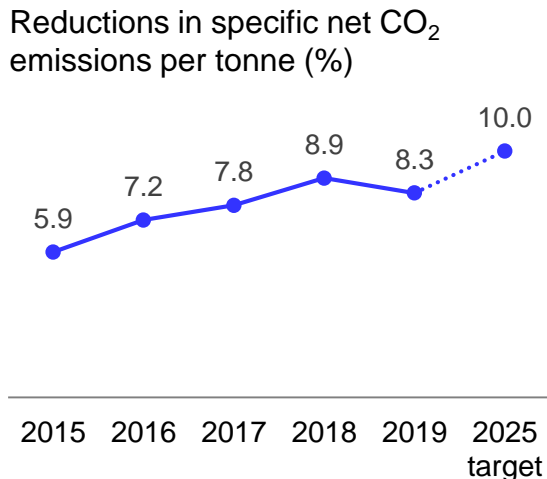
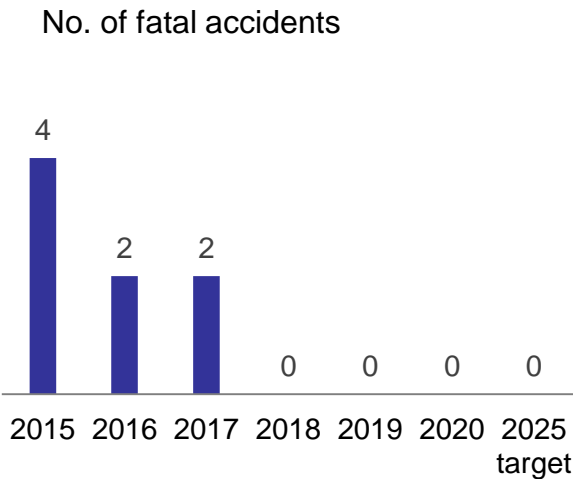


Lithium-ion battery cathode material
Nanolitia®

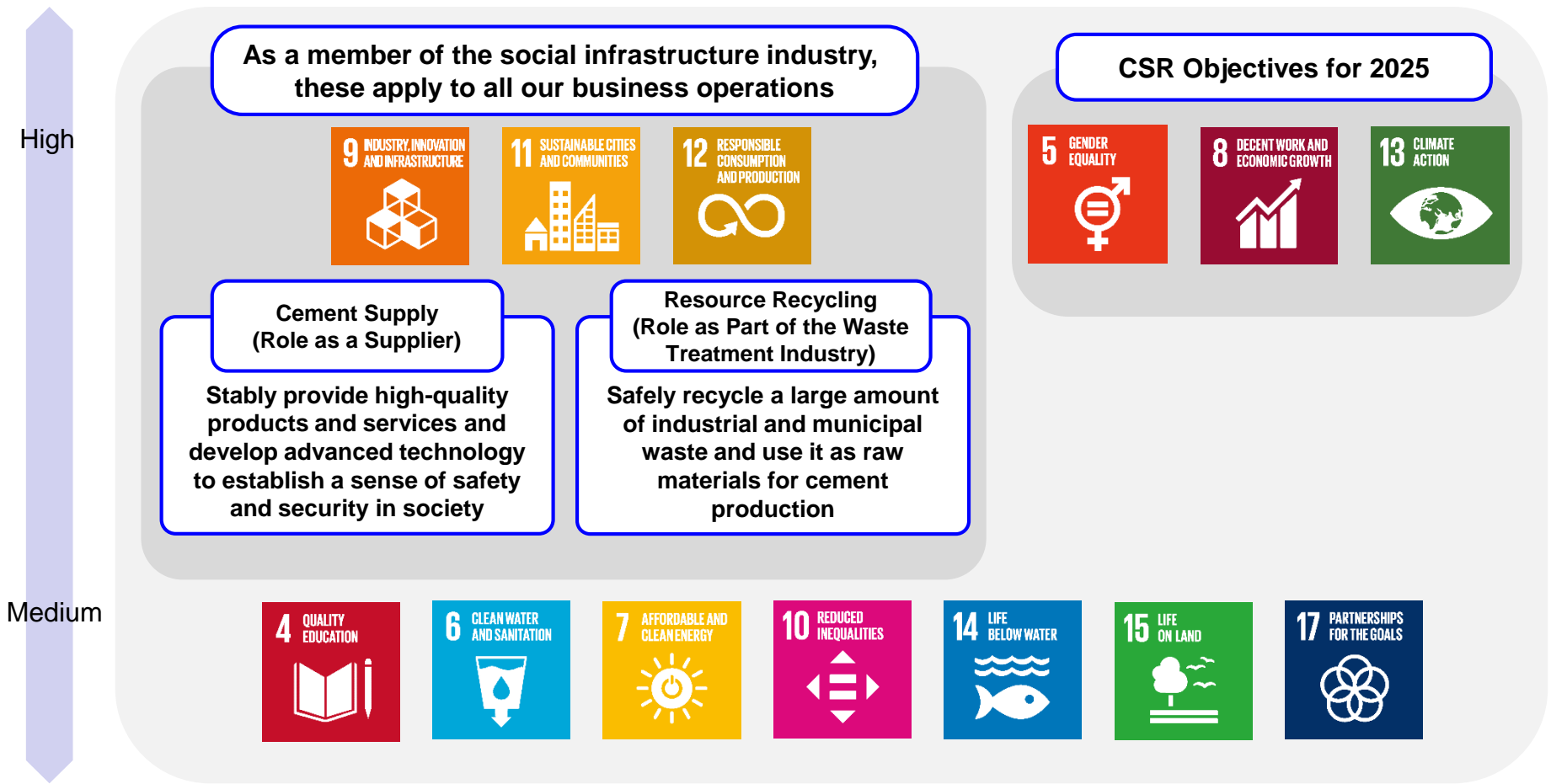
(1) On-going initiatives to enhance and strengthen corporate governance

(2) CSR Objectives for 2025

- **Prevention of accidents**
 - Zero fatalities
- **Reduction of greenhouse gas emissions**
 - Reduce by at least 10% specific net CO₂ emissions per tonne in comparison to FY2001 levels
- **Diversity**
 - Provide opportunities for female employees with regard to their working life
 - Increase the ratio of female to male employees among new hires at least: 30% (those under “G Course” categories)
 - Build an appropriate portfolio of human resources by increasing ratio of female to male employees at least: 10%
 - Increase the ratio of newly appointed female to male managers at least: 10%



Reference: Relationship between SDGs and Our Business Operations



Note: 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.

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