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## 1. Highlights of Consolidated Financial Results

《Summary of Financial Results》

- Operating profit increased due to sales price hikes and cost improvement in domestic cement.
- Sales and profit increased because of sales price hikes at U.S. subsidiaries, etc.
- Company-wide sales and profit increased year on year.
- Interim dividends are 40 yen/share as planned.

(Million yen)

	FY2024 2Q	FY2025 2Q	Change
Net sales	418,555	<b>443,676</b>	+25,121
Operating profit	17,752	<b>36,389</b>	+18,637
Ordinary profit	20,116	<b>35,371</b>	+15,256
Profit attributable to owners of parent	13,617	<b>30,192</b>	+16,575
Interim dividend per share (Yen)	35	<b>40</b>	+5

※ Operating profit impact due to change in depreciation method (declining-balance method → straight-line method):3,032 million yen

(Amounts less than 1 million yen have been rounded to the nearest million yen from the first quarter of the current fiscal year, including figures for previous fiscal years.)

 TAIHEIYO CEMENT

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[Title]

**Taiheiyo Cement posts a YoY increase in sales and profit for Fiscal 2025 2Q and revised its full-year forecasts to reflect domestic demand for cement and cost review**

[Lead]

The following is a transcription of the Taiheiyo Cement Corporation's financial results briefing for the second quarter of the fiscal year ending March 31, 2025, which was released on November 13, 2024.

[Speakers]

Mr. Yoshifumi Taura, President and Representative Director, Taiheiyo Cement Corporation

Mr. Masahiro Ban, Managing Executive Officer, Taiheiyo Cement Corporation

Mr. Fujio Nakamura, Executive Officer, General Manager of Sales Department, Cement Business Division, Taiheiyo Cement Corporation

Mr. Masao Osumi, General Manager of Business Development Department, International Business Division, Taiheiyo Cement Corporation

[Text]

### Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2025

**Yoshifumi Taura:** Thank you very much for taking time out of your busy schedule today to participate in the financial results briefing for the second quarter of the fiscal year ending March 31, 2025. I am Yoshifumi Taura, President and Representative Director.

Let me start by giving you the overview of our business. Currently, we are working vigorously on various issues set under our medium-term management plan, and I would like to touch on some points that you may be interested in or are gaining attention.

The first is about the overview of the domestic business where demand is falling again; the second is the price hikes we are planning to implement from April next year; the third is the U.S. business facing a significant fall in demand in

the second half of this fiscal year; the fourth is the activities in the Southeast Asia, including the Philippines and Indonesia, among others; and the fifth is our approach to the recently announced share buyback plan. I will make a brief comment on each of these topics.

After that, Mr. Ban, Managing Executive Officer, will provide a supplementary explanation of the briefing materials and then we will move on to the Q&A session.

First, the domestic business. The initial forecast was 35 million tons, but this forecast has been downward revised to 33 million tons. As I have explained several times under the medium-term management plan, we are trying to export the decreased portion to deal with this situation.

Cement and fly ash are almost the same in color and powder fineness, and blending them produces cement that is extremely resistant to alkali. Furthermore, cement can maintain its strength over a long period of time and does not generate heat, making it easy to use as so-called mass concrete.

We have built facilities that will enable us to export the decreased portion of the domestic demand. As a result, even if the demand falls slightly below 30 million tons, our production facilities can be operated at full capacity.

During the period of the 26 Medium-Term Management Plan, we can surely export 1.2 million tons of fly ash cement. After the Plan period, we can export nearly 2 million tons in two to three years' time, so there will be no problem at all in terms of facility operating conditions even if the domestic demand declines to some extent.

Let me explain this background. The Seventh Strategic Energy Plan has just been prepared though it has not been made public yet. Coal-fired power accounted for about 30% of Japan's energy supply in FY2022, nuclear power for 5.5%, and renewable energy for 14.1%.

The Sixth Strategic Energy Plan called for coal-fired power generation to account for about 20% and nuclear power generation to account for 20 to 22% by 2030. Although the details of the Seventh Strategic Energy Plan have not yet been decided, we believe that it will be rather difficult to reduce coal-fired power from the current level of about 30 % to less than about 20%.

For coal-fired power generation in Japan today, 100 million tons of what is called "thermal coal" is imported and turned into powdered coal for firing. About 12 million tons of fly ash, which is captured after combustion, is generated annually. Cement companies currently use about 130 kg per ton as a clay substitute.

Therefore, multiplying by 0.1 to 0.13 gives the amount of fly ash processed relative to the amount of cement produced. In other words, as cement production falls, the amount of fly ash that can be processed also falls, which is very inconvenient for power companies.

Until recently, we heard that new power plants were forced to curtail or shut down their operations because they could not process the fly ash. We believe that the disposal of fly ash is critically important for us to fulfill our social responsibility.

We have therefore been exporting fly ash cement to Singapore since 2011, and our current export volume is over 400,000 tons per year. Recently, we worked with a general contractor to construct the entire foundation of a high-rise building using fly ash cement, which went extremely well.

This fly ash cement itself is not "cheap and bad" and is in great demand against the backdrop of environmental issues. Especially in Southeast Asia, such efforts are progressing further. There are many countries that are approaching carbon neutrality faster and more reliably than Japan. As reported in the press today (November 13, 2024), Thailand is going to have a platform for trading CO<sub>2</sub> carbon credit.

Thus, it is our responsibility to address the fly ash disposal issue. We will also aggressively increase our supply to meet the growing needs in Asia. This will be at a very good price, and will allow us to keep the costs very low. Our export capacity will increase as the demand in Japan falls, so we will continue to increase exports to make up for the gap.

We can contribute to carbon neutrality which is beneficial for the sellers, buyers and supporters at the same time. This is the overall policy that we have explained to you as the framework of the medium-term management plan.

Second, about the JPY2,000 price hikes. When I initially announced this policy this spring “to raise the price by at least JPY2,000,” I talked to the sales department at the head office and young sales representatives of each prefecture. They told me, “It is impossible. We have just hiked the price to JPY5,000 recently, and the spot coal price which was once fluctuated in the range of USD400 to USD450, has dropped to US150. Our customers would rather request us to lower the price by cancelling part of JPY5,000 price hikes.”

However, I asked myself “Is that really so?” and properly analyzed the environment surrounding us, under which many prices are going up, and what would happen in the future. In my responsibility, I attend the general meetings of all the branches and ready-mixed concrete companies, and also visit plants, in total about 25 locations every week.

Negotiation is impossible unless the young sales representatives who face and negotiate with customers on the sales front are convinced about the price revision. Customers are not convinced by saying "The head office says so," or "This is not my idea but please allow us to increase the price." As such, we are now explaining various backgrounds and risks to the sales representatives.

There are 7 to 8 points of note. The first is environmental issues. Environmental cost weighs on us on top of variable costs such as raw materials, electricity and fuel. In fact, Emissions Trading System (ETS) will start in 2026. The Ministry of Economy, Trade and Industry (METI) is working hard on this. We have been interviewed by METI about it and it is mostly decided that the ETS will follow the benchmarking method.

We still do not know whether free allowances will be allocated to us as a cement company or need to bear the cost but such a risk may heighten each year.

The coal prices are not stable at the moment. In terms of the global supply-demand balance, for example, China, which was a major exporter 10 years ago, is now a net importer of 500 million tons. India is now an importer of 400 million tons.

While China claims itself to be an environmentally advanced country with EV vehicles, its coal-fired power accounts for more than 60% of its electricity supply. Thus, the use of coal is even more increasing. However, from a global perspective, there are few new coal mines being developed, and it is fair to say that there are almost none left. Banks are reluctant to lend money, and fewer companies are willing to take such risks.

Thus, the global supply-demand balance is not in equilibrium, and it is rapidly breaking down. It is unpredictable when the coal price will surge, and we must be prepared for it.

We also face geopolitical risks. With the pandemic, supply chain risks, and torrential rains in Australia, we do not know when prices will rise. The prices will never recover to the pre-pandemic level of USD150, USD100, or USD80 in the future.

Even on demand issue, we used to talk repeatedly that the demand would pick up as the market bottomed out and would rise next year. However, ever since 2018, it has declined on average by 1.7 million tons every year. Also, from 2022 to 2023, demand has dropped considerably due to the 2024 problem starting ahead of time, and has dropped by 2.7 million tons.

This year, we estimated 35 million tons anticipating a rebound increase but the actual forecast would be 33 million tons. This may drop further to 30 million tons, or even lower. We have to think in advance what to do in such a scenario. Otherwise, all we can do will be to take defensive measures.

There is also a human resource issue. This is not limited to the cement industry and manufacturers and general contractors are having a difficulty in retaining staff. I heard from a major general contractor the other day that parents of a student graduating from architecture department said "Don't go to a company where you have to relocate from Hokkaido to Okinawa and where the construction work takes months. If you have graduated from an architecture department, go to a consulting firm." As such, it is becoming increasingly difficult to secure people.

The cement industry must also work now to improve the perception that people have of it, but as the business conditions will not change, what we can do is to improve how we treat people. A company housing and dormitories must be provided, and the office environment must be improved to make them feel more motivated. Before then salaries and bonuses must be raised. All of these things are essential for the company to survive.

The Group currently has nine plants. We have a total of 500 companies, including the subcontractors who work there, and the transportation companies who deliver raw materials, cement, and other materials to us. When I talk to them, they tell me that the average age of employees is over 60 and they don't last for 10 years.

If such subcontractors were to disappear, the plants would cease to operate and their survival is at stake. Therefore, we must return profit to these subcontractors while securing a certain amount of profit for us, otherwise our survival will be at risk.

Natural resources are also an issue. The limestone we currently ship to the plants in Saitama comes from Mt. Buko. Its ore reserve is for 50 years but 50-year reserve is not enough. A cement company basically aims to last for 100 years. Since the current reserve is for 50 years, we are planning to reduce the supply.

Starting the year after next, the aggregates will be reduced by 25% for all users, and then by 50% in 2033. We will not be able to preserve the reserve otherwise.

However, as we are a company that advocates total solutions, we are now developing Shin-Tsukumi Quarry so as to supply from the Ofunato and Kamiiso Plants. In addition, we are bringing a 400,000-ton yard of aggregate to the Kanto area and shipping it to customers in the southern part of the Kanto region. We are steadily moving forward with such plans.

However, a cost increase is unavoidable because they involve freight and various handling costs. Instead of just saying a fancy thing such as "total solution," we need to understand where we stand and address the situation properly even if it is costly.

Some plants are quite old and costly to maintain. We need to respond immediately in case of a breakdown and also consider about spare parts.

Lastly, there is one point we must keep in proper perspective. The preparation office for establishing the Disaster Management Agency was established on November 1. This was initiated under the direction of Prime Minister Ishiba, but the concept had been in the works for 15 years. A geologist named Dr. Hiroki Kamata, Professor Emeritus at Kyoto University, had a considerable influence on Prime Minister Ishiba's initiative. He has appeared on TV and published various books, so I am sure you are familiar with him.

According to his book, it is a common knowledge among geologists that a major earthquake will occur mainly in 2035, although there is a margin of error of about plus or minus 10 years, rather than "a probability of 70% within 30 years of the Tokyo Inland Earthquake, and 90% within 40 years along the Nankai Trough."

At the time of the Great East Japan Earthquake, cement companies processed 1 million tons of debris at the Ofunato Plant and produced 30 million cubic meters of ready-mixed concrete in 10 years. In addition to seawalls, the company also contributed to urban development in a variety of ways, such as building high ground and new roads to make it easier for people to escape.

In this way, we are so proud of ourselves and think there is no other industry that contributes as much as the cement industry in terms of national resilience. Nevertheless, Japan might fall into a terrible situation in ten years from now.

Therefore, we believe it is important not to simply shut down one or two plants, but to contribute to national resilience by preserving our strength so that we can supply ready-mixed concrete at any time and respond flexibly.

Furthermore, in terms of waste, we process nearly 500 kilograms of waste per ton of cement, so if we stop one plant that processes 1 million tons, we will not be able to process 500,000 tons of waste, which will also cause inconvenience. As I said no other company could contribute so much to industrial waste treatment, we must fully perform our social mission.

When I told this kind of story to sales representatives and the young generation, they said, "I see, I have just thought it was a mere coal problem, but after all, with all the various costs involved, the domestic cement business will go into the red unless we hike price by JPY2,000." They understand and say, "We will do our best from now on."

I also visit some customers to talk with them asking for their support to strive together. Quite a few ready-mixed concrete companies could finally pass-through the cost and there are almost no companies who say they cannot accept the increase. This is the situation in Japan.

Third, about the U.S. business. The demand has been falling in the second half of the year. This is due to a sharp increase in housing demand following the cash benefit in the post-pandemic, provided by the "American Rescue Plan," "American Jobs Plan," and "American Families Plan" during the Biden administration, in addition to the low interest rate then.

And from March 2022, the Fed raised interest rates steadily. The main reason why housing starts did not drop that much is because the screening of mortgage loans became stricter after the financial crisis and not everyone could borrow money, resulting in housing starts falling below 500,000 units on an annualized basis. There is still a shortage of about 3 million units at present.

One of the reasons why there are still so many people looking to buy new homes is demographics. As you know, San Francisco and Los Angeles are becoming very unsafe. And various construction costs are increasingly rising and there is a shortage of construction workers.

In this context, for example, if the cost of housing in Los Angeles is 10, the cost of housing in Nevada and Arizona is only about 7, making it possible to buy a house at a very low cost. Further, as is often noted in the so-called "Generation Z," a great deal of work can now be done by teleworking without necessarily going to the headquarters as a result of work-style reform.

The work style now is living in Arizona or elsewhere and going to work once a week or once a month and no need to commute to Los Angeles. As a result, so many people are moving to places where it is comfortable to live with less housing costs and income taxes. There is such a new demand.

The other factor is still-high interest rates. In the U.S. housing market, for example, if there are 1.5 million new housing units, there are 4 to 5 million existing units in the market. There are actually people living in these existing properties, so when interest rates are high or may rise further, there is no chance for people to "buy a new house and live in a new place."

As a result, the supply of second-hand properties has decreased considerably, and I think there is also a background to this that new properties are becoming necessary. Although this was good until the first half of this year, it has decreased in the second half, and CalPortland Co. (CPC) has been able to make use of its sales capabilities even in a somewhat worsening situation.

Into the second half of the year, both Kamala Harris and Donald Trump have commented on housing in the presidential campaign. Harris proposed to add 3 million housing units for the low-income, while Trump talked about subsidies, and we believe the sales were held back in some part, not knowing how it turns out.

As I mentioned earlier, we can expect a significant potential demand starting next year, and it is important for Trump to at least solve the inflation problem. The inflation during the Biden administration was due to supply chain problems, gasoline prices, housing costs such as imputed rent, and labor costs.

It seems Trump will start increase gasoline production rapidly. This was stated in the email I received yesterday from the President of CPC, who said gasoline would become much cheaper because of this.

Also, inflation will not be curbed because of the protectionism in the housing sector. The Fed said that it might offer subsidies for housing if interest rates remained high. If so, demand will pick up to some degree.

In the U.S., private-sector demand for housing and non-housing is roughly 70% and public investment is 30%. As for public investment, more infrastructure bills are being submitted which were proposed under the Biden administration. In addition, demand for the Olympics will also emerge, so I expect the demand to pick up considerably again from the middle of the next year under the new administration. No doubt we can still expect a strong demand.

Fourth, about Asia. Our Vietnam business is performing well despite the turmoil in the administration. In particular, Nghi Son Cement, our joint venture, has started exporting significant volumes to the U.S. and business is improving.

In the Philippines, the opening ceremony for the new 6,000-tonne kiln in Cebu, whose completion was initially planned in early spring, took place on July 18. The kiln started operation in full-scale around October, about five months behind schedule.

As this project was completely interrupted by the pandemic, we also faced delays in the supply of materials and the issuance of visas for construction workers, which we thought might have a considerable impact on the project on a yearly basis. On the contrary, the project actually completed in July, so the delay was only two to three months. I think it is fair to say that this project started up very smoothly.

Meanwhile, construction investment under the "Build Better More" program of the Marcos administration succeeded by President Duterte is still not going well. Philippines interest rate remains high as affected by the Fed, and private investment is not made.

However, private investment will start sooner or later. Among others, Japan is the second largest ODA donor to the Philippines in the world. According to a general contractor, there are various projects other than roads such as related to streetcars in Manila. Furthermore, there is a plan to build a new bridge on Mactan Island in Cebu.

Thus, investments will increase though there is a time lag. It is also said that the Philippines has the same population as Japan or perhaps will exceed Japan's population this or next year. In this situation, demand is still 32 million tons. This equals to the demand around 1955 in Japan. Japan's demand has been growing ever since, reaching 86 million tons in 1991, and is now declining again. We believe that demand in the Philippines will surely follow the same path and grow.

Until now, we have had to buy expensive clinker from outside the company, but now the kiln has started operation and running properly and we can reduce costs. We expect a cost reduction over the next year.

As for Indonesia, we asked a company we invested in to make sure that the export facilities are properly in place. They started constructing the piers and silos, which are near completion. I will be there for the completion ceremony at the beginning of December, and exports to the U.S. will finally start in the 1Q of next year.

We currently ship from Korea and Vietnam but our future policy is not decided because we withdrew our capital investment from Korea. Cement for the U.S. market must be low alkali cement. However, such resources are limited

in Korea and there is no guarantee that we can keep producing low alkali products. We do not know when we will be notified of discontinued production.

We have been working on a tightrope but following our investment in Indonesia, our supply is stably supported by our three bases. Therefore, we would like to utilize Indonesia further as a supply chain hub in the future.

Above all, Indonesia is a coal-producing country. Even when the price of Australian coal rose to USD 400, the price of Indonesian domestic coal was extremely low. Of course, the export price was driven up by the global market conditions, but the domestic price only went up by USD30 or USD40 at most because of the need to protect industry and cap the electricity price.

Therefore, if coal prices rise again in the future due to some other reason, we can export all from Indonesia instead of from Japan. In this sense, Indonesia has become a very promising export hub. This is the general trend in the world.

Fifth, I would like to talk about share buybacks. I mentioned that the total return ratio during the period of the 26 Medium-Term Management Plan would be 33% or more, but the recent share buyback of JPY15 billion will bring the total return ratio for FY2024 to 43%. Some may ask, "Why at this time of the year?" In fact, we believe that there are still opportunities overseas, and we are still looking for various options.

I cannot disclose the details but believe that the success ratio may be between 30% and 50%. In this context, there are times when it is difficult to proceed the deal due to insider trading restrictions, and we are repurchasing our shares avoiding those times. This is why a share buyback was conducted at an irregular timing.

And if no major investment is made, we will buy back shares as flexibly as possible partly because we should improve PBR. Also, as we have a large number of shares issued, we will continuously and properly reduce these shares. Please kindly understand that this was the reason for the repurchase at an irregular timing.

This is the end of my presentation. We would like to follow up on the rest by answering your questions during Q&A session. Thank you very much.

## 1. Highlights of Consolidated Financial Results

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《Summary of Financial Results》

- Operating profit increased due to sales price hikes and cost improvement in domestic cement.
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(Million yen)

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Interim dividend per share (Yen)	35	<b>40</b>	+5

※ Operating profit impact due to change in depreciation method (declining-balance method → straight-line method):3,032 million yen

(Amounts less than 1 million yen have been rounded to the nearest million yen from the first quarter of the current fiscal year, including figures for previous fiscal years.)

**Masahiro Ban:** My name is Masahiro Ban, Managing Executive Officer. I will explain the financial results for the first six months of FY2025 (ending March 2025) and forecasts using the financial results presentation materials.

First, here are the highlights of the consolidated financial results. Net sales increased by JPY25.1 billion YoY to JPY443.6 billion, operating profit increased by JPY18.6 billion YoY to JPY36.3 billion, ordinary profit increased by JPY15.2 billion YoY to JPY35.3 billion, and profit attributable to owners of the parent increased by JPY16.5 billion YoY to JPY30.1 billion.



## 1. Highlights of Consolidated Financial Highlights

### 1. Highlights of Consolidated Financial Results

#### 《Main Indicators》

	FY2024 2Q	FY2025 2Q	Change
Operating profit to net sales ratio (%)	4.2	<b>8.2</b>	+4.0
Basic earnings per share (Yen)	116.2	<b>261.2</b>	+145.0

	As of Mar. 31, 2024	As of Sep. 30, 2024	Change
Net assets per share (Yen)	4,872.9	<b>5,431.7</b>	+558.8
Capital adequacy ratio (%)	42.1	<b>45.1</b>	+3.0
Net debt/equity ratio (Times)	0.52	<b>0.47</b>	(0.04)

#### 《Environmental Factors》

	FY2024 2Q	FY2025 2Q	Change
Average exchange rate (Yen/US\$)	135.0	<b>152.4</b>	+17.4
Average procurement price of imported coal, etc. for domestic (C&F \$/t)	235	<b>155</b>	(80)

Here are the main Indicators. The operating profit to net sales ratio, one of our key indicators, was 8.2%, and the net debt/equity ratio was 0.47x.

The exchange rate and coal procurement price are listed here as environmental factors. The average exchange rate was JPY152.4 to the U.S. dollar, representing a depreciation of JPY17.4 YoY. The average procurement price of imported coal, etc. for domestic was USD 155 per ton, down USD80 per ton YoY.

## 2. Financial Results for the Fiscal 2025 2Q (1) Consolidated Segment Information

### 2. Financial Results for the Fiscal 2025 2Q

#### (1) Consolidated Segment Information

(Million yen)

		Net sales			Operating profit		
		FY2024 2Q	FY2025 2Q	Change	FY2024 2Q	FY2025 2Q	Change
Cement Business	Domestic	144,208	<b>148,426</b>	+4,217	(6,064)	<b>5,000</b>	+11,064
	Overseas Subsidiaries, etc.	154,167	<b>175,138</b>	+20,971	13,941	<b>21,079</b>	+7,138
Total		298,376	<b>323,564</b>	+25,188	7,876	<b>26,078</b>	+18,202
Mineral Resources Business		42,904	<b>43,920</b>	+1,016	4,089	<b>4,822</b>	+733
Environmental Business		32,506	<b>32,511</b>	+5	3,037	<b>2,987</b>	(50)
Construction Materials Business		34,189	<b>33,576</b>	(613)	1,881	<b>1,230</b>	(651)
Other		40,346	<b>40,584</b>	+237	947	<b>1,731</b>	+784
Total		448,321	<b>474,154</b>	+25,833	17,830	<b>36,849</b>	+19,019
Elimination		(29,767)	<b>(30,478)</b>	(712)	(77)	<b>(460)</b>	(382)
Consolidated Total		418,555	<b>443,676</b>	+25,121	17,752	<b>36,389</b>	+18,637

※ Operating profit impact due to change in depreciation method (declining-balance method → straight-line method)

Domestic Cement: 1,941 million yen, Mineral Resources: 384 million yen, Environment: 104 million yen, Construction Materials: 162 million yen, Other: 480 million yen

Next, I will explain by segment.

## 2. Financial Results for the Fiscal 2025 2Q ① Domestic Cement Business

### 2. Financial Results for the Fiscal 2025 2Q

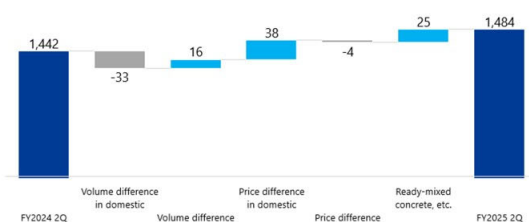
#### ① Domestic Cement Business

	FY2024 2Q	FY2025 2Q	Change
Sales volume (Thousand t)			
Domestic	6,486	<b>6,165</b>	(321)
Export	1,232	<b>1,462</b>	+230
Net sales (Million yen)	144,208	<b>148,426</b>	+4,217
Operating profit (Million yen)	(6,064)	<b>5,000</b>	+11,064

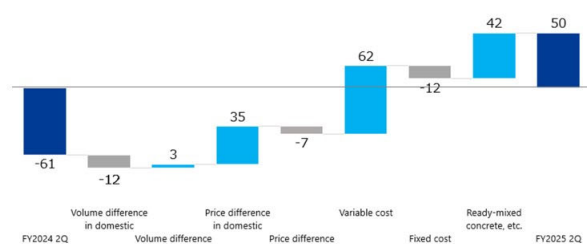
➤ Decrease in sales volume of cement due to decrease in domestic demand.

➤ Operating profit increased due to sales price hikes of cement and soil stabilizers, and cost improvement.

Net Sales (Hundred million yen)



Operating Profit (Hundred million yen)



TAIHEIYO CEMENT

2024/6 TAIHEIYO CEMENT 10

This slide shows the breakdown of the Cement Business segment. Domestic cement sales volume was 6.165 million tons, down 321,000 tons YoY, while export volume was 1.462 million tons, up 230,000 tons YoY.

Net sales increased by JPY4.2 billion YoY to JPY148.4 billion. Operating profit increased by JPY11.0 billion YoY to JPY5.0 billion. Although sales volume decreased due to a decline in domestic demand, operating profit increased due to the penetration of sales price hike.

As of December 2021, prior to the price hike, we launched price hikes of JPY3,000 and JPY2,000 at that time, and regular customers already accepted a hike of JPY5,000 by the end of September.

As for variable costs, the coal prices have dropped by about USD80 C&F on a purchase basis, which contributed to the decreases in fuel and power costs. Fixed cost had a negative impact of JPY1.2 billion. Since the depreciation method was changed this year, the Cement Business segment alone had a positive impact of about JPY1.5 billion, resulting in a substantive increase of JPY2.7 billion in fixed costs. The main item was repair expenses.

## 2. Financial Results for the Fiscal 2025 2Q ② Overseas Subsidiaries, etc.

### 2. Financial Results for the Fiscal 2025 2Q

#### ② Overseas Subsidiaries, etc.

	FY2024 2Q	FY2025 2Q	Change in exchange
Net sales (Million yen)	154,167	<b>175,138</b>	+20,971
			+19,036
Operating profit (Million yen)	13,941	<b>21,079</b>	+7,138
			+2,443

- Sales and profit increased at Overseas Subsidiaries, etc.
- Sales and profit increased in the U.S.A.
- Continue efforts to improve profitability in Southeast Asia.

#### 《U.S.A.》

	FY2024 2Q	FY2025 2Q	Change
Cement (Thousand t)	3,335	<b>3,074</b>	(262)
Ready-mixed concrete (Thousand cy)	2,933	<b>2,924</b>	(9)
Net sales (Hundred million yen)	1,291	<b>1,510</b>	+219
(Million \$)	956	991	+34
Operating profit (Hundred million yen)	159	<b>220</b>	+61
(Million \$)	118	144	+27

- Cement demand was affected by bad weather conditions and the slowdown in the housing sector, etc. as interest rates remain high.
- Despite the decrease in cement sales volume due to the decline in demand, higher prices and cost reductions contributed to higher sales and profit.

Next is the financial results of our overseas subsidiaries, etc. In the first half of the fiscal year, the U.S. business continued to perform well, and net sales of overseas subsidiaries, etc. and other affiliates totaled JPY175.1 billion, an increase of JPY20.9 billion YoY. However, this figure includes a positive foreign exchange impact of JPY19.0 billion. Operating profit was JPY21.0 billion, an increase of JPY7.1 billion YoY with foreign exchange impact of JPY2.4 billion.

The table on the lower section of the slide shows the results in the U.S. business. Cement demand was affected by a slowdown in the housing sector, etc. due to bad weather and interest rates remained high, but sales and profits increased due to price hikes and cost reductions.

The overall operating profit of the Cement Business segment for both the overseas and domestic operations increased by JPY18.2 billion YoY to JPY26.0 billion.

## 2. Financial Results for the First 2025 2Q ③ Mineral Resources, Environmental, Construction Materials and Other Business

### 2. Financial Results for the Fiscal 2025 2Q

③ Mineral Resources, Environmental, Construction Materials and Other Business

(Million yen)

		FY2024 2Q	FY2025 2Q	Change	Main Factors of Changes in Net Sales and Operating Profit(Net Change)
<b>Mineral Resources Business</b>	Net sales	42,904	<b>43,920</b>	+1,016	While sales volume of aggregate and limestone for cement decreased, various cost increases were passed on to sales prices.
	Operating profit	4,089	<b>4,822</b>	+733	
<b>Environmental Business</b>	Net sales	32,506	<b>32,511</b>	+5	Although sales of calcium carbonate and processing of coal ash remained strong, sales of gypsum and fuel were sluggish.
	Operating profit	3,037	<b>2,987</b>	(50)	
<b>Construction Materials Business</b>	Net sales	34,189	<b>33,576</b>	(613)	Sales of construction, civil engineering materials, and Shield tunnels construction related business remained strong, but sales of ground improvement projects and ALC (Autoclaved Lightweight Concrete) remained weak.
	Operating profit	1,881	<b>1,230</b>	(651)	
<b>Other</b>	Net sales	40,346	<b>40,584</b>	+237	
	Operating profit	947	<b>1,731</b>	+784	

This shows the results other than the Cement Business segment. The Mineral Resources Business segment reported higher sales and profit, the Environment Business segment remained flat, the Construction Materials Business segment reported lower sales and profit, and the Other segment reported higher sales and profit. For details of major increases and decreases, please refer to the slide.

## 2. Financial Results for the Fiscal 2025 2Q (2) Consolidated Statements of Income

### 2. Financial Results for the Fiscal 2025 2Q

#### (2) Consolidated Statements of Income

	FY2024 2Q	FY2025 2Q	Change
Net sales	418,555	<b>443,676</b>	+25,121
Operating profit	17,752	<b>36,389</b>	+18,637
Non-operating income and expenses	2,364	<b>(1,017)</b>	(3,381)
Ordinary profit	20,116	<b>35,371</b>	+15,256
Extraordinary income and losses	(425)	<b>4,499</b>	+4,924
Profit before income taxes	19,690	<b>39,871</b>	+20,180
Income taxes	5,957	<b>8,997</b>	+3,041
Profit attributable to non-controlling interests	117	<b>681</b>	+564
Profit attributable to owners of parent	13,617	<b>30,192</b>	+16,575

Here are the consolidated statements of income. Non-operating income and expenses was negative JPY1.0 billion, a worsened by JPY3.3 billion YoY. This was due the recording of share of loss of entities accounted for using equity method and a decrease in foreign exchange gains, which had been high until last year.

Finally, profit attributable to owners of parent for the first six months was JPY30.1 billion, up JPY16.5 billion YoY.

## 2. Financial Results for the Fiscal 2025 2Q (3) Consolidated Balance Sheet

### 2. Financial Results for the Fiscal 2025 2Q

#### (3) Consolidated Balance Sheets

					(Million yen)				
		As of Mar. 31, 2024	As of Sep. 30, 2024	Change			As of Mar. 31, 2024	As of Sep. 30, 2024	Change
Current assets	Cash and deposits	80,102	80,820	+718	Liabilities	Current liabilities	368,104	372,953	+4,849
	Notes and accounts receivable - trade, and contract assets	206,584	200,767	(5,817)		Non-current liabilities	373,763	356,364	(17,399)
	Inventories	123,178	134,675	+11,497		<b>Total liabilities</b>	741,866	729,317	(12,549)
	Other	20,425	23,126	+2,701	Net assets	Share capital	86,174	86,174	—
	<b>Total current assets</b>	430,289	439,388	+9,098		Capital surplus	50,052	50,095	+44
Non-current assets	Total property, plant and equipment	653,910	696,701	+42,791		Retained earnings	379,126	394,653	+15,527
	Total intangible assets	39,084	40,386	+1,303		Treasury shares	(17,942)	(7,122)	+10,820
	Total investments and other assets	214,968	215,825	+857		<b>Total shareholders' equity</b>	497,409	523,800	+26,391
	<b>Total non-current assets</b>	907,962	952,913	+44,951	Accumulated other comprehensive income	65,802	104,069	+38,267	
<b>Total assets</b>	1,338,251	1,392,300	+54,049	Non-controlling interests	33,174	35,115	+1,940		
					<b>Total net assets</b>	596,385	662,983	+66,598	
					<b>Total liabilities and net assets</b>	1,338,251	1,392,300	+54,049	

		As of Dec. 31, 2023	As of Jun. 31, 2024	Change			As of Mar. 31, 2024	As of Sep. 30, 2024	Change
Exchange rate at end of period (Yen/US\$)		141.8	161.1	+19.2	Interest-bearing debt (Million yen)		370,469	376,293	+5,823

Here are the consolidated balance sheets. Please see the total assets on the bottom left of the slide. Total assets as of September 30, 2024 were JPY1,392.3 billion, an increase of JPY54.0 billion from March 31, 2024.

The most significant factor for the increase was the exchange rate. The exchange rate as of June 30, 2024 is JPY161.1 to the US dollar, a depreciation of JPY19.2 from December 31, 2023, which has a positive impact of JPY52.4 billion. Although there are positive and negative effects for each item, I think it is safe to assume that the impact is mostly due to the foreign exchange rate.

Interest-bearing debt, shown at the bottom right of the slide, increased JPY5.8 billion from March 31, 2024, to JPY376.2 billion. Total net assets increased by JPY 66.5 billion due to the recording of foreign currency translation adjustment of JPY37.5 billion from the yen's depreciation as well as the recording of profit for the period.

## 2. Financial Results for the Fiscal 2025 2Q (4) Consolidated Statements of Cash Flows

### 2. Financial Results for the Fiscal 2025 2Q

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#### (4) Consolidated Statements of Cash Flows

(Million yen)

	FY2024 2Q	FY2025 2Q	Change
Cash flows from operating activities*	54,331	<b>41,099</b>	(13,232)
Cash flows from investing activities	(30,230)	<b>(40,499)</b>	(10,269)
<b>Free cash flows</b>	24,101	<b>600</b>	(23,501)
Cash flows from financing activities	(24,895)	<b>(5,575)</b>	+19,320
*Depreciation and amortization included	31,850	<b>29,418</b>	(2,432)



Here are the Consolidated Statements of Cash Flows. Please see the details later.



### 3. Forecast for the Fiscal 2025

## 3. Forecast for the Fiscal 2025

#### 《Precondition》

- The precondition for the FY 2025 revised forecast is as follows

	FY2025 Previous Forecast	FY2025 Revised Forecast	Change
Domestic cement demand (Ten thousand t)	3,500	<b>3,300</b>	(200)
Average procurement price of imported coal, etc. for domestic (C&F \$/t)	165	<b>155</b>	(10)
Average exchange rate (Yen/US\$)	145.0	<b>150.0</b>	+5.0

(Sensitivity: Impact on operating profit)100 million yen positive impact by 1 yen drop in foreign exchange

#### 《Summary for the Fiscal 2025 Revised Forecast》

- Domestic cement demand was revised to 33 million tons.
- We revised forecast of overseas Subsidiaries, etc.
- We revised downward from previous forecast to reflect cost review.



This is the earnings forecast for FY2025. As preconditions, we have downward revised our forecast of domestic cement demand from 35 million tons to 33 million tons. The average procurement price of imported coal, etc. for domestic use (C&F) is assumed to be USD155 per ton, and the average exchange rate is set at JPY150 to the US dollar.

### 3. Forecast for the Fiscal 2025 (1) Consolidated Statements of Income

## 3. Forecast for the Fiscal 2025

### (1) Consolidated Statements of Income

(Hundred million yen)

	FY2025 Previous Forecast	FY2025 Revised Forecast	Change
Net sales	9,600	<b>9,150</b>	(450)
Operating profit	840	<b>780</b>	(60)
Non-operating income and expenses	(5)	<b>(20)</b>	(15)
Ordinary profit	835	<b>760</b>	(75)
Extraordinary income and losses	(5)	<b>(5)</b>	—
Profit before income taxes	830	<b>755</b>	(75)
Income taxes	190	<b>180</b>	(10)
Profit attributable to non-controlling interests	20	<b>15</b>	(5)
Profit attributable to owners of parent	620	<b>560</b>	(60)

This is a revision to the previous financial results forecast for FY2025 announced at the time of reporting the financial results for FY2024 in May 2024. Net sales are down JPY45.0 billion to JPY915.0 billion, and operating profit is down JPY6.0 billion to JPY78.0 billion. Ordinary profit is down JPY7.5 billion to JPY76.0 billion. Profit attributable to owners of parent is expected to decrease by JPY6.0 billion to JPY56.0 billion.

### 3. Forecast for the Fiscal 2025 (2) Consolidated Segment Information

## 3. Forecast for the Fiscal 2025

### (2) Consolidated Segment Information

(Hundred million yen)

		Net sales			Operating profit		
		FY2025 Previous Forecast	FY2025 Revised Forecast	Change	FY2025 Previous Forecast	FY2025 Revised Forecast	Change
Cement Business	Domestic	3,140	<b>3,040</b>	(100)	150	<b>139</b>	(11)
	Overseas Subsidiaries, etc.	3,660	<b>3,460</b>	(200)	425	<b>385</b>	(40)
Total		6,800	<b>6,500</b>	(300)	575	<b>524</b>	(51)
Mineral Resources Business		960	<b>910</b>	(50)	100	<b>95</b>	(5)
Environmental Business		750	<b>690</b>	(60)	61	<b>67</b>	+6
Construction Materials Business		810	<b>750</b>	(60)	50	<b>38</b>	(12)
Other		950	<b>930</b>	(20)	55	<b>61</b>	+6
Total		10,270	<b>9,780</b>	(490)	841	<b>785</b>	(56)
Elimination		(670)	<b>(630)</b>	+40	(1)	<b>(5)</b>	(4)
Consolidated Total		9,600	<b>9,150</b>	(450)	840	<b>780</b>	(60)

Net sales are expected to decrease in all segments, and operating profit is expected to decrease except for the Environmental Business and Other segments.

### 3. Forecast for the Fiscal 2025 ① Domestic Cement Business

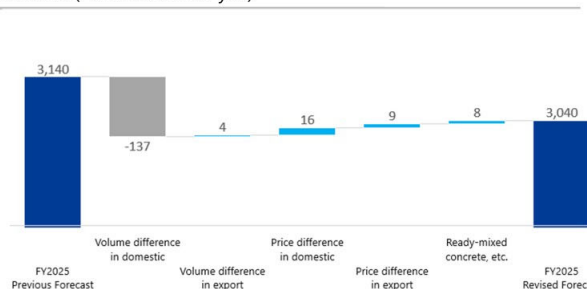
## 3. Forecast for the Fiscal 2025

### ① Domestic Cement Business

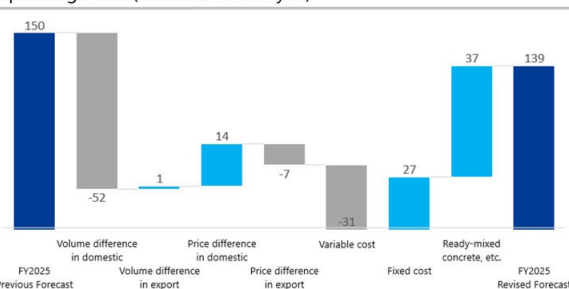
	FY2025 Previous Forecast	FY2025 Revised Forecast	Change
Sales volume (Thousand t)			
Domestic	13,300	<b>12,500</b>	(800)
Export	3,300	<b>3,300</b>	—
Net sales (Hundred million yen)	3,140	<b>3,040</b>	(100)
Operating profit (Hundred million yen)	150	<b>139</b>	(11)

- Decrease in sales volume of cement due to lower domestic demand.
- Although improvements in Ready-mixed concrete, etc., operating profit decrease because of higher variable costs than expected.

Net Sales (Hundred million yen)



Operating Profit (Hundred million yen)



This shows the earnings forecast of the Cement Business segment. Domestic sales volume is forecast to decrease by 800,000 tons to 12.5 million tons. Net sales are forecast at JPY304.0 billion, down JPY10.0 billion, and operating profit at JPY13.9 billion, down JPY1.1 billion.

The main reasons for the decrease in profit were a decrease in sales volume of cement and the higher unit price of fuel due to the weaker yen, and the higher intensity of such fuel. The increase in operating profit from ready-mixed concrete and others is larger than that from net sales. This is due to the difference in composition, as price hikes at the ready-mixed concrete subsidiaries are gradually penetrated, despite the decrease in volume.

### 3. Forecast for the Fiscal 2025 ②Overseas Subsidiaries, etc.<

## 3. Forecast for the Fiscal 2025

### ②Overseas Subsidiaries, etc.

	FY2025	FY2025	Change
	Previous Forecast	Revised Forecast	in exchange
Net sales (Hundred million yen)	3,660	<b>3,460</b>	(200) +129
Operating profit (Hundred million yen)	425	<b>385</b>	(40) +17

➤ We revised previous forecast due to demand slowdown in the U.S.A. and impact of delays in the operation of new Philippine production line, etc..

### 《U.S.A.》

	FY2025	FY2025	Change
	Previous Forecast	Revised Forecast	
Cement (Thousand t)	6,875	<b>6,253</b>	(622)
Ready-mixed concrete (Thousand cy)	6,080	<b>5,448</b>	(632)
Net sales (Hundred million yen)	3,008	<b>2,962</b>	(46)
(Million \$)	2,074	1,960	(114)
Operating profit (Hundred million yen)	418	<b>411</b>	(7)
(Million \$)	288	272	(16)

➤ Cement demand is expected to decrease year on year due to the slowdown mainly in the housing sector as interest rates remain high.

➤ Although efforts of price hikes and reducing costs, we revised previous forecast due to sales volume decrease.

➤ Following the policy interest rate cuts in September and November, demand is expected to recover in the second half of next year

This shows the earnings forecast of our overseas subsidiaries, etc. Due to the demand slowdown in the U.S. and the delay in the operational start of the new plant in the Philippines, etc., we forecast a JPY20.0 billion decrease in net sales to JPY346.0 billion and a JPY4.0 billion decrease in operating profit to JPY38.5 billion.

The table at the lower section of the slide shows the forecast of the U.S. Business. We expect lower sales and profit due to the impact of lower sales volume caused by the decline in cement demand.

This ends my presentation.

### Q&A session: Outlook for the U.S. Business

**Participant:** Let me ask a litter further about the U.S. business in relation to the second Trump administration. I think you earlier mentioned that a strong demand is expected to continue. I think your production capacity will be a bottleneck and pose a risk for the next few years. Can you adequately respond to a strong demand?

If we you have to import raw materials or cement in some cases, tariffs would become a risk under the Trump administration. Please explain whether you can weigh the balance of tariff risks and the future demand growth in the U.S. by comprehensively taking measures such as a price hikes and other measures to achieve a solid growth.

**Respondent 1:** Yes, you have highlighted a very important point. Our production volume is about 6 million short tons. While the demand in the U.S. market is about 110 million tons, the production volume is about 80 million tons or more and the rest is covered by imports. Similarly, CPC imports about 1.5 million tons.

In fact, when we acquired the Redding Plant, we also agreed with the counterparty to also acquire the Tehachapi plant. However, we could not because we had no prospect for the approval of the U.S. Federal Trade Commission. Therefore, it is difficult to increase production in the U.S. now and we are very much looking forward to imports from Indonesia to secure imports as much as possible.

As for tariffs, the first Trump administration imposed a 25% tariff on imports from China. I thought, "Really?" at first and then the tariff was imposed and still in place. On the contrary, this is the reason why imports are not coming in.

Even if the tariffs of 10% to 20% are imposed, the current domestic prices are very high and sufficient to secure profit. We are not concerned at all about the supply because we already have a system in place to ensure a stable supply.

Carbon neutrality is addressed on a state-by-state basis, and the use of blended cement is expanding in California. Even throughout the U.S., "IL" cement, which can be blended with up to 15 % of limestone, is now replacing about half of the regular cement.

In Japan, there is a talk of revising the JIS to "increase the small volume blending component of ordinary Portland cement from 5% to 10%," but not yet implemented. While this talk is ongoing in Japan for the past three years, the U.S. has revised at a blistering pace, and introduced the 15% blending ratio. Therefore, I believe this trend will progress further.

We have a large cement terminal in Stockton, at the north of San Francisco, and started planning to build two more silos there, which will be operational in 2026. However, they will be used for slag, limestone, fly ash, or a blend of the two, rather than for cement.

As the demand for cement increases, so does the demand for its blended materials and we are trying to supply them well. We are now working to establish such a system.

#### **Q&A session: Tariffs on raw materials**

**Participant:** This is a simple question, but will a tariff be imposed on fly ash raw materials?

**Respondent 1:** The tariff on fly ash is not determined at the moment.

#### **Q&A session: Cement market conditions in export destinations due to competitors' expansion**

**Participant:** Let me ask about exports. Competitors are also planning to increase exports because the domestic demand is weak. In Asia, amid weak business confidence in China, we believe that in some cases there is a risk related to the market conditions in the exporting region. Since you are not simply exporting ordinary Portland cement, but rather successfully exporting blended cement, etc., may we understand that the supply and demand for cement will not deteriorate that much, even if other companies export cement, though it differs by the exporting region?

#### **Respondent 1:**

Currently, Japanese electric power companies are having considerable difficulty in disposing fly ash, and disposal costs are soaring. This situation is unique to Japan. Even if the fly ash is taken to a dumping site, the capacity of dumping sites is limited and it is difficult to build new dumping sites. This is where our company can make a significant contribution.

Over the decade or so, we have accumulated a great deal of knowledge and expertise on how to blend fly ash with cement and how to change the quality of cement. In addition, since we have now built a facility in Saiki that modifies the quality of the fly ash itself, we are now able to produce a much higher quality product.

Blended cement available in the Southeast Asia remains to be "cheap and bad." In contrast, I am proud to say that we have produced a very good product. Even the fly ash cement is as strong as ordinary cement available in Asia, so it is very competitive.

China used to sell cement at a discount, but now it has a very high environmental impact or has to import coal. Also, there used to be a kind of 17% value-added tax refund on exports, but not anymore.

Above all, the 12th Five-Year Plan calls for the reduction of excess capacity, and the situation is no longer producing more to export. Thus, there is no supply from China. On the other hand, we have to keep an eye on developments in Vietnam, but we are fully competitive in terms of cost.

**Participant:** Then as long as we can ensure cost competitiveness or quality and a competitor simply exports, don't you have to consider much about the risk such as the export destination overlaps and the market conditions of the destination country deteriorate?

**Respondent 1:** That is correct. The most typical example is Singapore. We have a business relationship for almost 70 years with a conglomerate in Singapore. They are a major conglomerate that made their fortune in cement business, and trust us very much. They say that they want to buy from Japan whenever they can.

It is therefore not a price competition, but if we are in a situation where we can export, they prioritize our products, so I believe we can expand our business with confidence. In fact, we are exporting not only to Singapore, but also to Sri Lanka now, and this month we will start exporting to the Philippines.

As soon as the facilities are completed, we will be able to export 1.2 million tons of fly ash cement alone during the period of the 26 Medium-Term Management Plan. And to be prepared to export nearly 2 million tons after three years from that, we are expanding very steadily.

#### **Q&A session: Impact on domestic business when export volume increases**

**Participant:** I would like to ask about your thoughts on exports from Japan. We are working on the price pass-through domestically, but if export increased, isn't the deterioration in mix and margin seen as a risk?

**Respondent 1:** May I understand that margin means a price hikes in Japan?

**Participant:** I am referring to the overall profitability of the domestic cement business. Is there any concern that the increase in export volume will lead to a deterioration in the mix?

**Respondent 1:** I have been in the export business for 13 years and feel that it is a very "causal business." Year 2009 was a very bad time domestically and our export volume was 5 million tons. In 2013, when the demand was very strong after the earthquake, domestic demand improved quickly while our export volume was less than 3 million tons. In other words, if domestic demand is strong, we lose export business, and when domestic demand is weak, we can export.

In a sense, it is seen as a complement or buffer for the domestic cement business. It is therefore safe to say that export prices and volumes do not affect the domestic market at all.

Conversely, as I mentioned earlier that I explained to those in the sales front, they are concerned about customer attrition due to the price hikes, resulting in a decrease of a few hundred thousand tons or so, the impact on plant operations and reduced market share.

In response to such concerns, I have found that people are reassured when I say, "Let's focus on profitability," or "We have a fixed cost burden, and full capacity production is very important, so let's do it as a global company, which engages in exports."

#### **Q&A session: Outlook for exports to the United States**

**Participant:** You explained in detail about the demand in the U.S., but I think the price pass-through, including ready-mixed concrete, contributed greatly to the performance this fiscal year. How do you see the price trends for the second half of the year and next year?

Also, do you expect the second half performance to continue into the first half of next year? When do you see the market to bottom out?

**Respondent 1:** The U.S. business is performing well. The big impact, especially with the Trump administration, is the America First's policy, promoting protectionism by putting the U.S. first.

For example, if we consider the years 2005 and 2006, when the U.S. demand was 125 million tons, 35 million tons of imports were coming in, but that is not likely to happen now due to tariff issues and others. So, the mechanism is to first properly gain the demand in the U.S. and then supplement with tariffed imports.

Therefore, even if the demand slightly drops, we will just reduce the import volume while keeping the domestic operations at full capacity. As long as there is no significant decline, there will be no downward pressure on prices.

**Respondent 2:** As President Taura mentioned, you can see the price trends in our materials. I think we could secure a high level of profit despite a slight drop in volume because we were able to fully pass on the cost to customers.

Thanks to this, the price hikes of cement and ready-mixed concrete have been fully accepted. In the U.S., it is customary to announce the price hikes around October and raise prices in April, and this year, prices have been almost fully accepted in that manner.

This is partly due to the supply-demand structure in the U.S., and to add one thing, CPC has built very strong relationships with its customers.

Looking ahead to the second half of the year and next year, as President Taura mentioned in his opening remarks, we are currently seeing a slowdown in the current volume. This is partly due to the accumulation of high interest rates, but according to information from the local market, it seems to be largely due to the fact that owners and clients have been holding back investment in anticipation of the presidential election.

Many have signed contracts but are willing to postpone the timing of execution or the timing of borrowing and financing. This is seen in both the residential and commercial properties, and we received a local report that these waiting conditions are affecting the project and weak volume.

As the Trump administration comes in and various policies are cleared up, I expect housing and industrial policies will become clearer. If that happens, we are looking at sales very positively for the next year because of the potential demand and backlog. How long it will take to get going is the main thing at this point.

**Respondent 3:** I would like to discuss about the JPY2,000 price hikes we are currently working on.

In the past, we have talked about raising prices in the spring and asked for implementation three months later or in October, or talked about it in October and asked for a price hikes at the beginning of the year. This time, however, we tried a new method for the first time, asking for the next year's price hikes in May of this year.

We learnt at the previous price hikes that ready-mix and product companies also need a certain period of time to reflect this in their prices. Therefore, we decided to ask for a price hikes a year in advance this time, and we feel that the market has generally been receptive to our request.

During the first half of the year, we went around to our business partners asking them to incorporate the price pass-through of ready-mixed concrete and products into their budgets for the next fiscal year. We believe this effort is progressing well, as ready-mixed concrete cooperatives in various regions around the country have already announced ready-mixed concrete price revisions in the range of JPY1,500 to JPY5,000, including price hikes for cement, aggregates, and admixtures.

We are currently in the process of working with cement trading companies to negotiate diligently on price revisions for the next fiscal year. Some users have actually agreed with us, saying, "We're going to do this together anyway, so we understand.

In speaking with the presidents of major ready-mixed concrete cooperatives, they said that ready-mix concrete companies are also very concerned about the future labor shortages. They are in a situation where people will not work if they do not have holidays and salaries are not raised. They are firmly considering self-help efforts to improve



the standing of the industry as a whole. The chairman of the board of directors has said that he would work with us, and we believe that we are making good progress.

**Q&A session: Export Volume of Fly Ash Cement**

**Participant:** Thank you very much for each of your very interesting talks. I think the strategy of fly ash and blended cement is very attractive. Just to confirm the figures you mentioned, Mr. President, am I correct in understanding that you are planning to export 400,000 tons of fly ash cement in the current fiscal year?

May I understand that you are planning to increase the export volume to 1.2 million tons in the final stage of the medium-term management plan, and that this will be increased by 800,000 tons in the next two years, which will all be added on to the current export volume of 3.3 million tons?

**Respondent 1:** This year's export volume will be about 3.3 million tons, but we may cut the unprofitable portion.

It is difficult to make a definitive judgment at this point, but basically our policy is to give priority to the profitable 1.2 million tons. Overall, we believe that the export volume will be between 4.0 million and 4.5 million tons.

**Participant:** May I understand the Oita Plant can export?

**Respondent 1:** We can export from several plants including the Kamiiso Plant, Oita Plant, and the former Saiki branch plant at Oita Plant scheduled for 2026. Saiki Plant, which currently suspends production, has silos.

Cement and fly ash are brought into those silos and blended there. Saiki Plant used to export about 300,000 tons to China, and we believe we can resume exports if we re-equip the ship and loaders.

We are also considering Tsuruga Cement, Myojo Cement, and Ofunato Plant. We are not sure if Myojo Cement, and Ofunato Plant are feasible.

Therefore, at this point, the plants that can reliably export include the Kamiiso Plant, Tsuruga Cement, Oita Plant, and includes Saiki during the period of the 26 Medium-Term Management Plan. We believe that this will allow us to accommodate at a significant number of plants.

**Participant:** In such a case, do you mean that the facility to modify qualities will be installed sequentially at each export base?

**Respondent 1:** I think that is a very perceptive question. This is also an important know-how, but I told you earlier that 12 million tons of fly ash is emitted in Japan. We have a relationship with thermal power plants, and know what kind of ash is emitted from each unit.

We hope you understand that how we sort out the ash is one of our expertise developed through our long lasting relationships with electric power companies.

## 4. Shareholder Returns

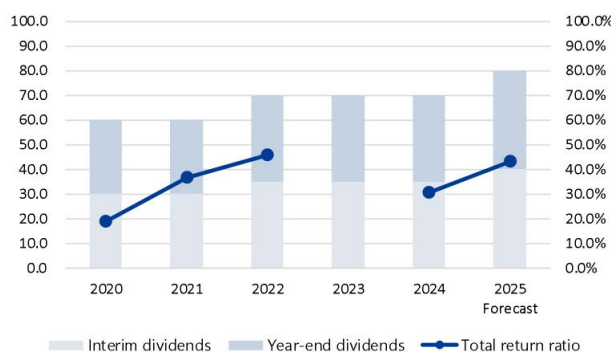
- In fiscal 2025, we plan to increase by 10 yen to 80 yen/share (including interim dividends of 40 yen/share) .
- Acquisition of treasury shares from October 18 (maximum 15.0 billion yen).

《Shareholder Return Policy》

**Total return ratio: 33% or more**

**Maintaining steady dividends**  
:Dividend per share of 80 yen or more

**Agile acquisition of treasury shares**



**Participant:** With regard to shareholder returns, the previous medium-term management plan set a target total return ratio of around 33%, and the current medium-term management plan sets it at 33% or more, which is somewhat confusing. The total return ratio for the current fiscal year is expected to exceed 40% and may we understand you are aiming to keep it at 40% or more for the next fiscal year and beyond?

**Respondent 1:** Our shareholder return policy is basically focused on PBR. For example, there is a big difference between the policies of Apple Inc. and Amazon.com, Inc. among U.S. companies, in terms of whether they have a policy of aggressively investing in growth to become an attractive company or whether they have a policy of strengthening shareholder returns.

I will continue to pursue opportunities overseas, and I believe we can do so. I mentioned earlier that our success ratio is 30% or so, and we are currently exploring the possibility of expanding into the Southeast Asia, Oceania, and eventually into India. Looking to 20 years ahead, we will also target for India and Africa, but our immediate focus is the Southeast Asia and Oceania. We are also looking at the United States if there are still opportunities.

I would like to prioritize growth if there are such opportunities. However, if they are not available on a year-to-year basis, we must not just wait and see but move forward with shareholder returns, share repurchases, etc., Otherwise, we may give the impression of doing nothing.

However, we believe that we are still able to capture growth opportunities and would like to focus on this.

**Participant:** I see. As for the balance of that overall framework, increasing the dividend payment would be very difficult because your company has a relatively low DOE and a large number of shares outstanding. The current medium-term management plan also calls for a dividend per share of JPY80 or more.

Isn't there any room to set a dividend policy focused on DOE under the medium-term management plan, though not defined under the current plan?

**Respondent 1:** We clearly state under the medium-term management plan to achieve in the final year of the plan sales of JPY1 trillion or more and operating profit of JPY100 billion or more. I believe that this is the phase of making a major change in the company's practice of focusing on price measures and market share in Japan, where the company has been vulnerable until now.

If we can achieve a JPY2,000 price hikes next year and become a company with stable profits, we will certainly have to make that happen. This is the first thing that our shareholders expect from us, and they always ask us about this point at the general shareholders' meeting.

To achieve such a goal in the future, we must first make growth investment to ensure profitability. Even if the domestic situation worsens, I believe that we must achieve this after making the company capable of providing a solid return to our shareholders.

**Respondent 4:** Our company pays a solid dividend even if we post losses, and we are a company that claims to pay a stable dividend. We thus believe that implementing DOE makes a lot of sense. However, since the dividend is determined by the retained earnings at that time, we may not be able to invest flexibly including M&A overseas.

We also need to retain financial discipline to ensure our A rating assigned by R&I, which we have finally achieved. We believe it makes sense to implement DOE when we have grown into a company that can generate stable earnings domestically and internationally and can promise stable dividends.

#### **Q&A session: Strengthening profitability in the Southeast Asian Markets**

**Participant:** The President talked about the growth potential in overseas markets, and I think that in the long run, markets such as India and Africa will come into view. You are currently expanding in Southeast Asia, mainly in the Philippines and Vietnam. You also mentioned that you would like to improve profitability there. However, the situation remains difficult despite some improvements are made. Can you secure profitability after acquiring some market share? If so, what is the timeline for this?

**Respondent 1:** As I mentioned earlier about the "raw material supply for 100 years" in my presentation on the cement industry, I believe that some industries must be looked at a perspective of a month or two, while others must be of a few years.

A failure to do so will result in missed investment opportunities. Conversely, because the industry is subject to economic cycles and changing demand, it is important to stay ahead of the curve and keep up-front investment.

In particular, from a long-term perspective, Southeast Asian countries, like Bangladesh for example, will grow at an accelerated pace once the three pillars of infrastructure, such as road development, port development, and the electricity supply, are in place.

As for the Philippines, the previous administration told us to "Build, Build, Build" and current administration are saying "Build Better More." In addition, ODA is provided.

Many companies invest, believing in the future, and we are also following the trend. We expect it will take one or two years seeing our recovery from the COVID pandemic.

Also, various policies have been put in place under the new administration, but we can see from other countries that it still takes a year or two before budgetary measures are taken and implemented.

We are finally ready to make major cost improvements. Cost improvements will be made in the Philippines in the next year or so and expect to achieve considerable profit under the current medium-term management plan.

It is difficult to say what will happen in the next two or three months. However, we are confident that things will improve during the period of the 26 Medium-Term Management Plan.

Also, we have started to build a new cement terminal on the Luzon Island . This will allow us to bring very inexpensive fly ash cement from Japan.

The Philippines is already a country where blended cement is the mainstream. We expect a large improvement in profits by launching our products to the market. For this reason, I hope that you will have very high expectations for us during the period of the medium-term management plan.

**Participant:** Thank you. For example, are you also considering making additional capital investments to secure more supply and increase the market share when you have a good prospect of securing some profitability during the period of the medium-term management plan?

**Respondent 1:** In the Philippines, we have actually had several projects recently.

Our focus is whether stable supply of limestone is secured and the equipment is in place, and no new investments are made. However, if all goes well, we would be willing to consider such opportunities in the future.

Even if domestic demand in the Philippines reaches 50 million tons, we aim to capture a 10% share of the market. We believe we can gain a market presence only by gaining a remarkable share of 10%. We also believe that only when we have a 10 percent share of the market, we will be trusted by customers. We would like to develop businesses other than cement, such as resource and environmental businesses. In doing so, we need to have a certain presence, so I still believe our goal is a 10 percent market share.

#### **Q&A session: Export Risks of Fly Ash Cement**

**Participant:** I have a question on the cement exports from Japan. You mentioned fly ash cement will be exported to the Southeast Asia and other regions to ensure plant utilization rates.

As blended cement such as fly ash cement is mainly used in the Philippines and other countries, there is a concern that fly ash cement will be mainly produced locally and there may not be much need to import it from Japan. How should we view the risk of exports from Japan not growing as much as expected?

**Respondent 1:** In fact, Japan is the only country that has so much fly ash and no place to dump it. Asian countries are already fighting over it and it is priced very high.

In the U.S., especially in Arizona, if the aggregate is silica-based, it causes something called alkali-silica reaction, which can be a problem if the cement has high alkali content. So, under such conditions to secure a supply of fly ash, we source fly ash from Wyoming, Oklahoma, and Utah, though very expensive and comparable to cement. We purchase and blend it.

They are also traded at surprisingly good prices in Asia. Thus, we are more competitive.

However, the Philippines is a country that mostly uses blended cement country, and the demand for blended cement is very high. Since most of the cement available in the country is blended cement, we are advantaged to enter the market. I don't see this situation will become a major problem and force us to revise our plans.

#### **Q&A session: Declining sales volume and profit structure in the U.S. cement business**

**Participant:** Let me ask about the U.S. cement business in the first half and the second quarter. I understand that cement sales volumes for the first quarter were down 3% YoY and for the second quarter down 12% YoY. Could you explain why the demand and shipment volume were weak? Meanwhile, I have the impression that the U.S. cement business was quite profitable in the second quarter. What was the background to this?

**Respondent 2:** As you pointed out, the reality is that shipments actually started to slow down somewhat around June. This is in comparison with the previous year, and we understand shipments started to drop in the second half, around June in general.

The wait-and-see attitude has somewhat postponed the decision, including the project owner and financing, so as to assess the interest rates fluctuation and possible rate cut in September based on the results of the presidential campaign, while the impact of interest rates continued.

As for the profit or loss, we asked our related parties for a price hike starting in April and their acceptance was one of the positive factors for maintaining profit despite the decrease in volume.

**Participant:** How much progress has been made in raising prices for cement and ready-mixed concrete?

**Respondent 2:** In terms of percentages on an annual basis, about 5% increase in cement price is accepted and a little more in ready-mixed concrete.

**Participant:** Do you mean that the price hikes resulted in a large profit despite the low cement sales volume?

**Respondent 2:** Yes, that's right.