Value Creation Story

We will continue to pursue value creation that contributes to the sustainment and ongoing development of a prosperous society, building on the technology and trust cultivated since our founding, as we work to achieve our SOC Vision 2035.

SOC Vision2035

Vision: To be a company with a strong presence

PHILOSOPHY

We aim to be a business group that helps preserve the global environment and contributes to the sustainment and ongoing development of a prosperous society through tireless technological innovation and wide-ranging business activities.

Management Vision

SOC Vision2035

- Presence as a challenger with thorough differentiation and unique style
- An environmental solutions company that meets the needs of the times
- Challenge to coal phase out

Management Targets

	FY2023–25 Medium-term Management Plan Targets	FY2035 targets
Net sales	¥265.0 billion	¥400.0 billion
Operating income	¥21.4 billion	¥40.0 billion or more
ROE	8.0% or higher	10% or higher
ROIC	5.0% or higher	6.5% or higher

Management Strategy

Overview of the FY2023–25 Medium-term Management Plan

Improve profitability of existing businesses and build a foundation for growth

Message from the President

We are formulating a medium-term management plan for fiscal 2026–28, with the second step of "SOC Vision 2035" being "implementation of business portfolio reform."

Achievements and challenges of the current medium-term management plan, and its relevance to the fiscal 2026–28 medium-term management plan

Under our FY2023–25 Medium-term Management Plan ("current medium-term plan"), we are focusing on "improving profitability of existing businesses" and "building foundations for growth" as the strategic pillars that serve as the first step toward achieving our SOC Vision 2035. In the Cement business, sales prices were raised, while in the Advanced Materials business, demand for electrostatic chucks is also recovering.

At this time, we expect to face difficulties in achieving the targets of consolidated net sales of ¥265 billion, operating income of ¥21.4 billion, ROE of 8.0% or more, and ROIC of 5.0% or more in fiscal 2025, the final year of our current medium-term management plan. However, in the Cement business, we will continue to proactively negotiate sales price increases with our customers in order to reap the benefits of price hikes as quickly as possible, and will also work to maximize the results of our carbon neutral investments. We are determined to see these efforts through to completion.

In addition, measures that will form the foundation of the FY2026–28 Medium-term Management Plan ("next medium-term plan") are also underway, including the construction of a new electrostatic chuck manufacturing building to accommodate future sales expansion. Thus, we are steadily laying the foundations for transforming our business portfolio, with which we aim to achieve a 50:50 sales ratio between the Cement business and other businesses by fiscal 2035, and to expand net sales to ¥400 billion and operating income to ¥40 billion or more.

Taking on the challenge of the second step toward realizing SOC Vision 2035

Our next medium-term plan, which constitutes the second step toward realizing our SOC Vision 2035, will feature the slogan "implementation of business portfolio reform," based on the goal of stabilizing income in the Cement business. We believe we are now at the stage where we can embark on portfolio transformation by expanding growth areas and making preparations to commercialize the fruits of our research.

Notably, the Sustainability Department and the Cement/Concrete Research Laboratory have been spearheading our carbon business, which focuses on CO_2 recycling artificial limestone. The seeds of this new business were planted during the current medium-term management plan, and those seeds are now beginning to sprout. Going forward, our individual sales departments and plants will unite to fully implement this company-wide initiative to commercialize the business.

Alongside this, we will concentrate on further expanding our Australian cement business and developing new overseas businesses, as well as explore new businesses in the environmental (recycling of waste and byproducts) and building materials fields. To accomplish this, we are encouraging our young employees to brainstorm new ideas and, since support from superiors is also vital, we are working to create a corporate culture that is conducive to this.

Regarding shareholder returns, under the business outlook we announced in May 2025, we project

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President, Representative Director

Message from the CEO

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Message from the CEO

that—including the share buyback in fiscal 2025—the total payout ratio during the current medium-term management plan will be 57% on average over the three years, which is on track to achieve our target of 50% or more. We will also carefully consider our shareholder return policy for the next medium-term plan, taking into account our income levels and investment plans.

"SOCN2050": Undertaking the challenge of technological innovation toward carbon neutrality by 2050

In 2020, we launched SOCN2050, the vision of our path to carbon neutrality. This sets a target of increasing our fossil fuel substitution rate, primarily for coal, to more than 50% by 2030, and we are steadily implementing a range of initiatives to achieve that goal. That said, more than four years have elapsed since we formulated that vision, and the external environment has changed significantly, with the government announcing new emissions reduction targets (Nationally Determined Contributions, or NDCs) in December 2024, and an emissions trading scheme (GX-ETS) to be launched in fiscal 2026. As such, we are currently reassessing our vision. We will carefully examine and reflect our future carbon neutral investment plans in the formulation of our next medium-term management plan.

The cement industry is known as one that faces particular challenges in terms of reducing emissions, since approximately 60% of CO_2 emissions come from the process of decarbonating limestone, the main raw material. It is for that very reason that I believe tackling this issue head-on is our primary mission as an "environmental solutions company." To reduce these process-related CO_2 emissions, we aim to harness as much CO_2 as possible through carbon capture and utilization (CCU). To that end, we are conducting production tests on artificial limestone made from recycled CO_2, which is the result of research into carbonate generation in a project that has been adopted by the NEDO Green Innovation Fund, and we have initiated research and development into its use in various applications. In April 2025, we constructed a manufacturing and testing facility at our Tochigi Plant (Sano City, Tochigi Prefecture) with an annual production capacity of 270 tons, a tenfold increase from our existing manufacturing and testing facility (Taisho Ward, Osaka City). Through collaboration with other industries, it has now become clear that CO_2 recycling artificial limestone has potential uses in a whole sweep of product areas.

Since the majority of the CO_2 emissions in cement production occur during the process of burning clinker (an intermediate product), reducing the clinker ratio in cement and replacing it with other materials is one effective method of reducing emissions. The revisions to the JIS (Japanese Industrial Standards), which the Japan Cement Association, in particular, has been pushing for, are expected to establish new standards within fiscal year 2025 that will align with the revised limit for minor mixed ingredients—such as limestone in ordinary Portland cement—which will be raised from 5% to 10%. We are working to build a production system that aligns with these new standards. In addition, the individual regional development bureaus of Japan's Ministry of Land, Infrastructure, Transport and Tourism are promoting construction using low-carbon concrete blocks that utilize at least 55% slag and other materials, and we believe that this trend will continue to accelerate. We are conducting feasibility studies on strengthening our mixed cement production system.

We will also pursue a number of approaches to decarbonization, including innovative technologies such as carbon capture and storage (CCS), and aim to achieve an optimal reduction mix through various CCU measures.

Collaboration and integrated management with Group companies

To realize our vision as a Group, it is essential that each Group company grows and fulfills its role. Each company has achieved steady results thus far, and going forward we will continue to work together in tandem to achieve even higher growth targets.

In promoting Group management integration, it is important to balance the establishment of a governance system with respect for the autonomy of each company. Under a shared management philosophy, we will support flexible and speedy management while leveraging each other's strengths.

The evolution of people and organizations will shape the future

The most vital asset in realizing our vision is our human resources. We continue to invest in employee growth and to raise salary levels. Over and above that, grounded in our firm belief that the growth of each individual employee is directly linked to the growth of the company, we are promoting organizational change through the reform of personnel systems, the strengthening of training mechanisms, the recruitment of external talent, and the expansion of autonomous human resources, under the keywords "change and challenge," "teamwork," and "professionalism."

Having taken into account the issues that emerged from the employee engagement survey conducted in 2024, we are currently revising our personnel system to enable our employees to feel secure and to fully utilize their abilities. We will also modify our personnel evaluation system to one that actively supports and commends employees who take the initiative in thinking and acting autonomously.

Strengthening governance: The framework that supports change

Robust governance is essential for ongoing transformation. Our Nomination and Remuneration Committee held numerous discussions over the course of 2024, and has redefined and clarified the requisite skills in the skills matrix of directors in order for the Board of Directors to more productively achieve our SOC Vision 2035, our medium-term management plan, and SOCN2050. Each director will reaffirm their mission, which will form the basis for future succession planning. In this context, we have revised our directors' remuneration system to ensure that performance and contributions to medium- to long-term growth are reflected in their remuneration, thereby creating a system that commits directors more thoroughly to the growth of the Group.

In the evaluation of the effectiveness of the Board of Directors conducted for all directors and Audit & Supervisory Board members from March to May 2025, the need to strengthen collaboration with experts well versed in the High-Performance Products business was identified as a notable issue. We believe that obtaining advice and opinions from external experts will help us respond to rapid changes in the market environment and to prevail over the competition, and we will therefore work to enhance this process. There is also demand for an increase in the number of outside directors and female executives, and we will continue to give careful consideration to these issues for the future.

To our stakeholders: Building the future that lies beyond reform

Fiscal 2025 is the final year of our current medium-term management plan, and marks an important milestone as we transition to the next medium-term plan. First of all, we will concentrate on increasing income toward meeting the targets set out in the current medium-term plan, thus building momentum for our next medium-term plan. Furthermore, to steadily implement "business portfolio reform" in the next medium-term management plan, we will formulate goals and action plans that all Group employees can share as their own.

It is often said that "your results are proportional to the ideals you have set for yourself." I believe that the stronger your passion, the more likely you are to achieve your goals. Despite ongoing changes in the business environment, such as shrinking domestic cement demand, accelerating decarbonization, and advanced information technology, we will continue to make course corrections and move forward as a Group toward our ultimate goal of SOC Vision 2035.

We look forward to your continued support and contribution to our Group's future. Thank you.