

# DX Strategy

2026–2028

Digital Transformation for  
Sustainable Growth



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## 1 Introduction

1-1 Message from the President

1-2 Background of DX Strategy Development

## 2 Management Vision and DX Direction

## 3 Current Challenges

## 4 DX Strategy Map

## 5 Key Initiatives

## 6 Advancement Framework and Governance

## 7 Human Resources Strategy

7-1 Definition of DX Talent

7-2 DX Talent Development

## 8 Roadmap

## 9 KPIs

## Toward the Future Together—DX Born from Tradition and Innovation

The Company needs to undergo a major transformation over the next decade. Digital transformation (DX) is an essential initiative as we evolve into an environmental solutions company that contributes to addressing environmental challenges.

Over our 120-year history, we have cultivated our strengths—trust and cooperation with local communities as well as patience and perseverance. These values serve as a vital force driving transformation even in this era of rapid technological innovation.



**Hirotsume Morohashi**

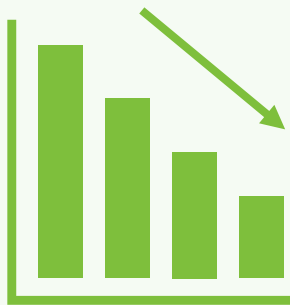
President, Representative Director

Digital technologies, including AI, are set to radically transform the way we work and the very foundations of business. DX is an opportunity for us to rethink how we work and create new value, and a means for us to grow. At the heart of this transformation lie the curiosity and small challenges of each one of you. Start with a single improvement in your daily work. Try using AI. Such small steps I believe will lead to major transformation. Each one of your actions serve as driving forces that shape the future—just like small ripples growing into a massive swell and eventually drawing everything around into it.

Taking on challenges toward the SOC Vision 2035 will undoubtedly shape the Company' future. Together with all of you, I, myself, will create new fields of work and value, armed with DX. Let's shape the future together.

# 1-2 Background of DX Strategy Development

- The business environment has recently been changing at an unprecedented pace. The very foundations of business operations are being significantly challenged by factors such as heightened geopolitical risks, market uncertainty, worsening labor shortages, and the need to address decarbonization.
- Choosing not to pursue DX is not simply maintaining the status quo; it is the same as accepting the risk of failing to respond to change. In addition to conventional investment decisions based on cost-effectiveness, it is important to recognize that some investments, if not made, could have a significant impact on our future growth and even our survival.



## Risks to stable supply due to labor shortage

- Recruitment difficulty due to shrinking workforce
- Retirement of experienced employees
- Labor shortage in the logistics industry



## Advances in digital technology

- Technological innovations—AI, IoT, cloud computing
- Faster decision-making through data-driven processes



## DX initiatives by industry peers

- Decline in relative competitiveness due to progress of industry peers' DX initiatives



To adapt flexibly to these changes in business environment, we need a fundamental, far-reaching transformation that goes beyond the mere adoption of digital technologies and extends to our corporate culture and organizational structure.

# 2 Management Vision and DX Direction

- Under the slogan, **“Embracing the Challenge of Change Together through SOC DX,”** we will work toward achieving SOC Vision 2035 by focusing on the following:

## DX direction

### 1. Respond to carbon neutrality and risks to stable supply

#### Responding to carbon neutrality

- Visualize environmental impacts and cost structures for enabling prompt and flexible business decision-making.

#### Integrating dispersed data and leveraging data across the supply chain

- Strengthen supply-demand balancing and risk response capabilities through information sharing throughout the supply chain.
- Renovate the system under unified data platforms and development rules while avoiding suboptimization.

### 2. Shift to “thinking” jobs through digital technologies

#### Driving zero-based business reform and deciding what to eliminate”

- Eliminate non-value-added tasks through reviewing business processes.
- Shift from being task-oriented to thought-oriented.

### 3. Transformation involving all employees

#### Fostering a culture where everyone can take on challenges

- Create an environment for everyone, across generations, can take on challenges.
- Improve company-wide DX literacy through the launch of a Digital Academy.

## Our vision for 2035

### Aim: Becoming a company that matters

- 1 Presence as a challenger with thorough **differentiation and unique style**
- 2 **An environmental solutions company\*** that meets the needs of the times
- 3 Challenge toward **decarbonization**



\* What is an environmental solutions company from SOC's perspective?  
 A company that provides solutions (products and solutions) to environmental issues toward the realization of a recycling-based society and a decarbonized society

# 3 Current Challenges

- Current challenges are as follows.

Problems	Overview	Examples
Lack of full understanding of the current condition of the systems	Unable to correctly grasp the Company's overall operations and systems, making it difficult to envision the ideal state	Information has not been systematically or comprehensively organized regarding company-wide business processes and system usage, failing to achieve sufficient visibility to consider an optimal overall system architecture.
Inefficient administrative work	Unable to effectively utilize data throughout the supply chain	Accelerating information sharing and analysis is difficult throughout the supply chain due to decentralized data management across departments and affiliated companies, making it hard to fully respond to fluctuations in demand and other market conditions.
	Unable to cope with labor shortages due to remaining inefficient administrative work	<p>Data are fragmented across departments; thus, it takes time to aggregate and process information, making it difficult to quickly analyze and explore company-wide improvements.</p> <p>Business streamlining driven by advanced technologies has not sufficiently progressed.</p>
Slow progress in on-site DX	Unable to move forward with transforming operations due to limited digital thinking and a risk-averse mindset	A lack of digital/DX-related training opportunities has prevented adequate improvement in literacy, which in turn has made it difficult to generate ideas about solutions for on-site issues through digital means, thereby hindering business reform.
		There is a strong preference for stability. Conventional methods are likely to be prioritized over new initiatives, making it difficult to drive reform.

# 4 DX Strategy Map

- To accomplish our “SOC Vision 2035,” we have established the following measures as four pillars of our DX strategy.

**Aim under SOC Vision 2035: Company with a strong presence**

**DX Approach: Transform management to achieve sustainable growth and create social value by data-driven digital technologies**

## 1. Review Group-wide systems

**Achieve overall optimization that balances cost-cutting and convenience**

- ✓ Assess and inventory current systems to design the ideal state
- ✓ Visualizing the supply chain to achieve stable supply and decarbonization

## 2. Improve and streamline operations

**Review work processes from scratch by leveraging the latest technologies**

- ✓ Transform operations using AI and data
- ✓ Realize smart factories
- ✓ Streamline back-office operations

## 3. Develop DX talent

**Develop talent capable of driving “Change & Challenge”**

- ✓ Define DX talent and skills
- ✓ Launch a Digital Academy
- ✓ Value the process of learning from failures

## 4. Enhance information security measures

**Ensure information security to help promote DX**

- ✓ Strengthen information security management
- ✓ Raise security standards through certification acquisition

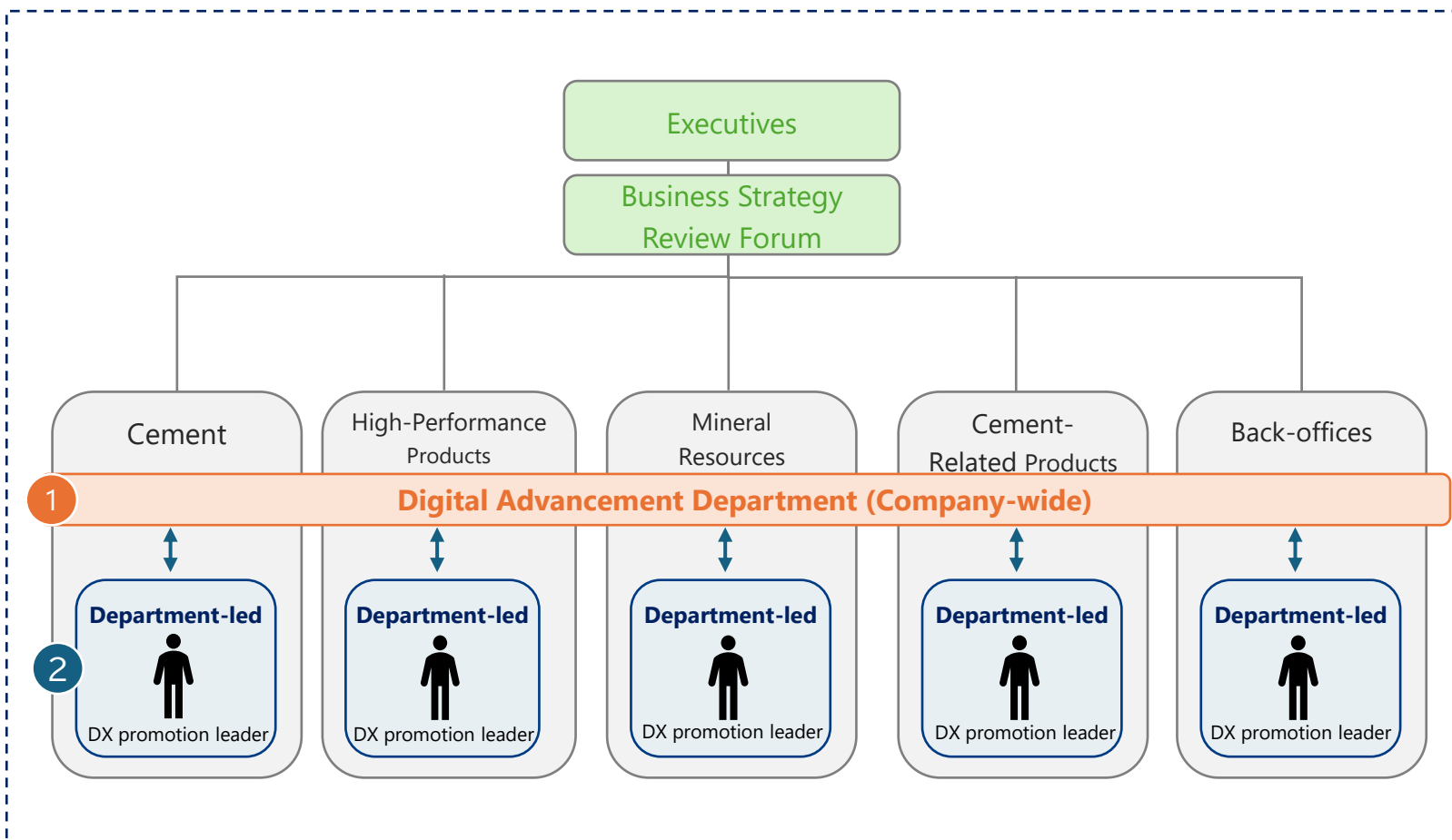
# 5 Key Initiatives

- Establish key initiatives for promoting DX and create a necessary environment to achieve them.

		Overview	Examples of measures
<b>Company-wide</b>	<b>Carbon neutrality initiatives</b>	<ul style="list-style-type: none"> <li>• Visualize environmental impacts and cost structures to enable prompt and flexible decision-making. Use such visualized data in carbon neutrality initiatives and ESG management, as a source of competitiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Streamline tracking of CO<sub>2</sub> emissions</li> </ul>
	<b>Revamp of core system data platforms</b>	<ul style="list-style-type: none"> <li>• Revamp core system data platforms and optimize overall architecture to develop efficient systems aligned with our management strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Assess the current status of Group-wide systems</li> <li>Plan the upgrade of the HR system</li> </ul>
	<b>Enhancement of back-office operations</b>	<ul style="list-style-type: none"> <li>• Review back-office operations to improve efficiency and quality for company-wide optimization through AI utilization and business process standardization.</li> </ul>	<ul style="list-style-type: none"> <li>Streamline operations using AI</li> <li>Promote digitalization to better manage inventory</li> </ul>
	<b>DX talent development</b>	<ul style="list-style-type: none"> <li>• Systematically support career and capability development to drive our growth and embed digital skills and mindset necessary for promoting DX.</li> </ul>	<ul style="list-style-type: none"> <li>Launch a Digital Academy</li> <li>Provide literacy training on generative AI, etc.</li> </ul>
	<b>Security measures</b>	<ul style="list-style-type: none"> <li>• Strengthen information security management.</li> <li>• Address supply chain vulnerabilities to help prevent business disruption and serious data leakage.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen information security policies</li> <li>Acquire METI's Supply Chain Security (SCS) evaluation certification</li> </ul>
<b>Cement Business</b>	<b>Production and logistics optimization</b>	<ul style="list-style-type: none"> <li>• Optimize supply-demand balance and streamline operations by visualizing and centrally managing the entire business through DX-based production and logistics operations.</li> </ul>	<ul style="list-style-type: none"> <li>Support AI-based production planning</li> <li>Develop a logistics info. sharing system</li> </ul>
	<b>Labor-saving at manufacturing sites</b>	<ul style="list-style-type: none"> <li>• Build a sustainable production system through labor-saving by reviewing manufacturing operations, including night shifts, in light of future social trends.</li> </ul>	<ul style="list-style-type: none"> <li>Migrate to online DCS and roll it out</li> <li>Utilize AI in inventory, maintenance, and inspection management</li> </ul>
<b>High-Performance Products Business</b>	<b>Manufacturing process streamlining and R&amp;D acceleration</b>	<ul style="list-style-type: none"> <li>• Improve productivity and stabilize quality by collecting and analyzing equipment and quality data and leveraging AI and automation technologies. Use generative AI and other technologies to pass on technical expertise and shorten lead time from prototyping to mass production.</li> </ul>	<ul style="list-style-type: none"> <li>Grasp real-time process quality and efficiency</li> <li>Accelerate design parameter exploration using generative AI</li> </ul>
<b>Mineral, Cement-Related Products, Other</b>	<b>Streamlining of existing operations and knowledge transfer</b>	<ul style="list-style-type: none"> <li>• Thoroughly review existing operations, including labor-saving for routine tasks and moving away from Excel, to build a leaner business management structure.</li> </ul>	<ul style="list-style-type: none"> <li>Streamline routine tasks (e.g., digitization)</li> <li>Automate order confirmation and inventory check</li> </ul>

# 6 Advancement Framework and Governance

- The Digital Advancement Department, established in April 2025, is responsible for **(1) company-wide** policies, infrastructure, and governance. Each site takes a **(2) department-led** approach where departmental DX promotion leaders drive the implementation of site-driven DX initiatives.
- The Digital Advancement Department provides support, including advice and infrastructure management, for each business segment to drive on-site, hands-on DX initiatives.



## Business Strategy Review Forum

- Submit important DX-related matters to the Business Strategy Review Forum, where executives oversee their progress.
- Track KPI progress at least once a year at the Business Strategy Review Forum and adjust them flexibly in response to environmental changes.

## (1) Digital Advancement Department (Company-wide)

- Plan and implement common initiatives, mainly in back-office operations, based on company-wide strategy.
- Collaborate with departmental DX promotion leaders to support on-site DX initiatives. (e.g., Group-wide systems/rules and standardization)

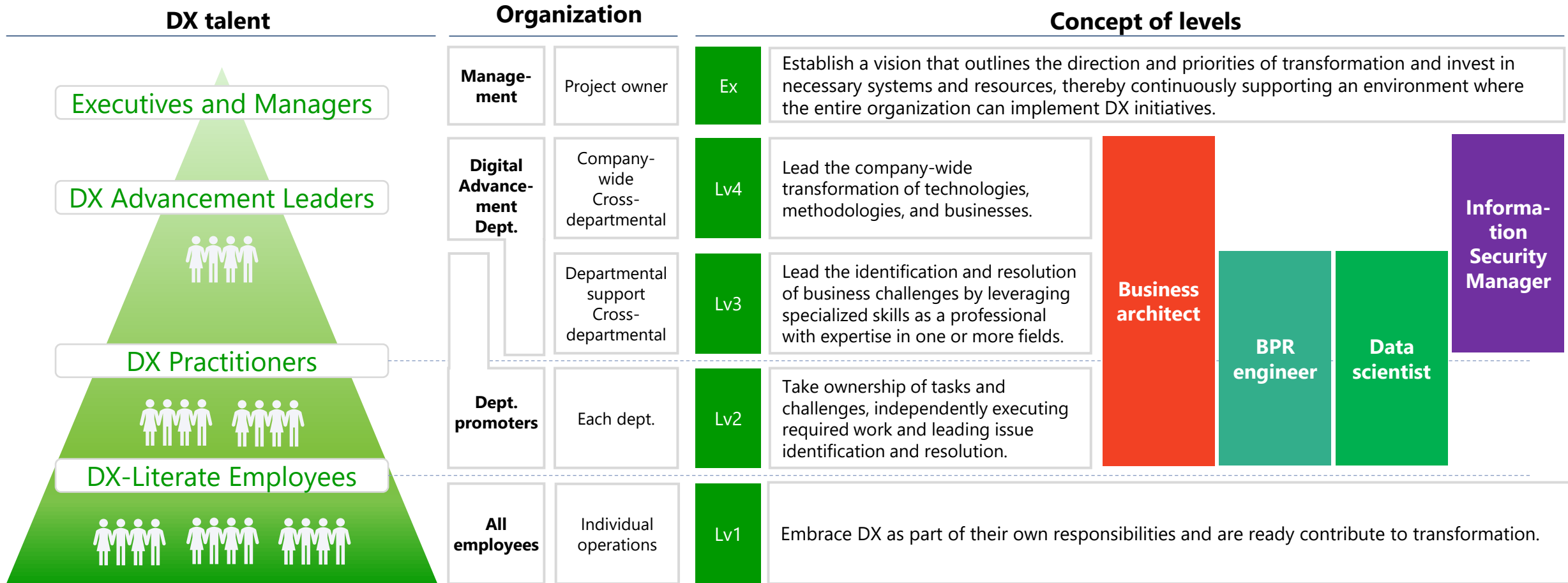
↕ Collaboration

## (2) Each site (Department-owned)

- Execute frontline-driven DX initiatives led by DX promotion leaders.
- Promote DX in collaboration with the Digital Advancement Department. (e.g., digitalization at manufacturing sites)

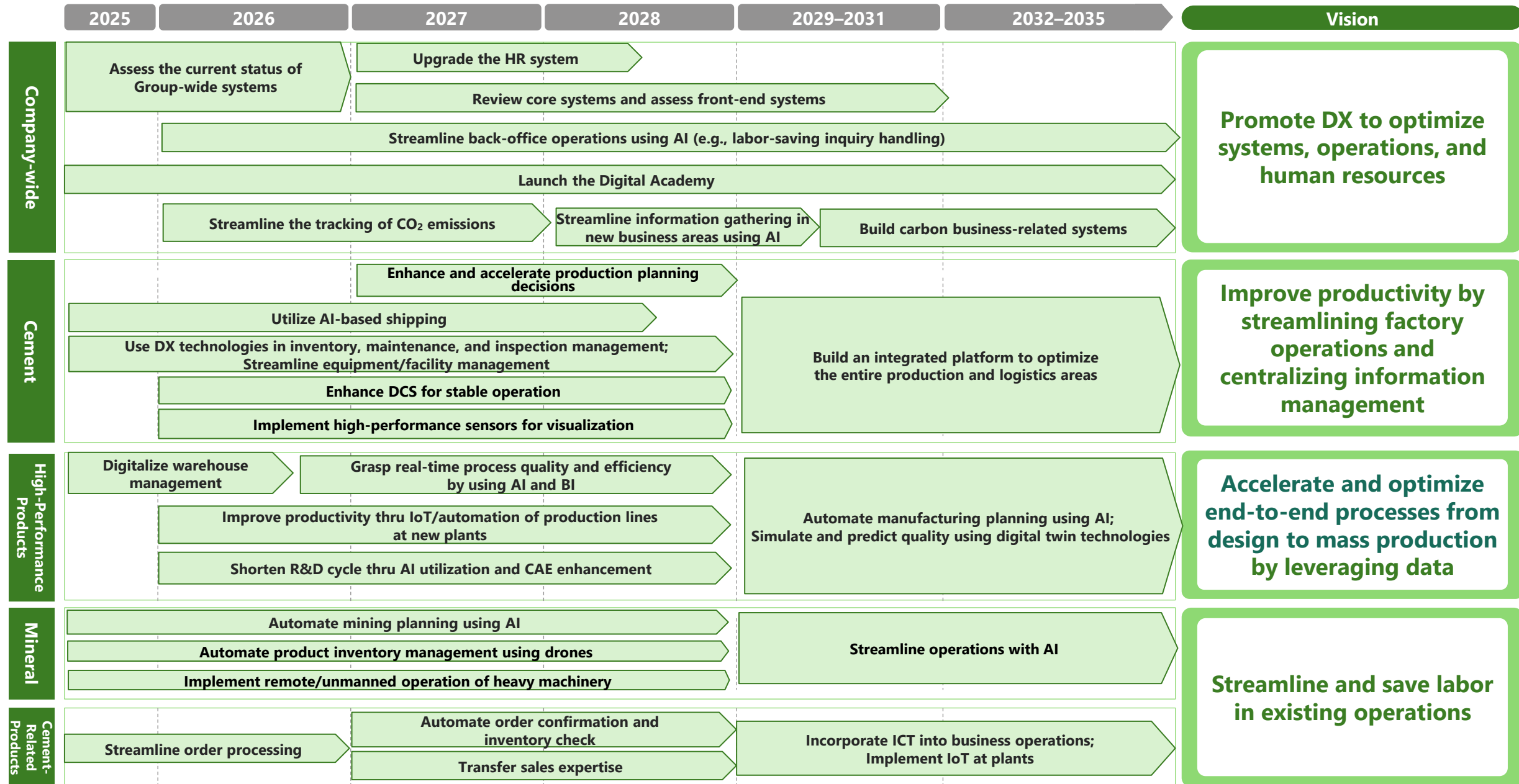
# 7-1 Definition of DX Talent

- Develop DX talent across three tiers: DX Advancement Leaders, DX Practitioners, and DX-literate Employees, together with Executives and Managers, who support the environment that enables the entire organization to execute DX.
- Launch a new **Digital Academy** to provide structured training that complies with the METI's Digital Skills Standards.





# 8 Roadmap



- Set targets for fiscal 2028 as shown below; review their achievement and validity at least once a year and revise them in response to environmental changes.
- Aim to become a **Company with a strong presence** by enhancing business competitiveness and corporate value through a more stable supply system, rapid decision-making, and better environmental adaptability via DX.
- Expect new DX investments to total ¥1 billion over three years.

## 1. Review Group-wide systems

System assessment completion rate  
**100%**

Inventory management system  
for cement plants  
**Implementation completed**

CO<sub>2</sub> emissions tracking  
**Time halved**

HR systems  
**Integration completed**

## 2. Improve and streamline operations

Digitization of invoices and other  
documents sent by postal mail  
**24,000 items per year**

Number of improvement proposals  
via DX and AI utilization  
**80 cases per year**

“Regular users” who use generative AI  
10 times or more a day  
**50%**

## 3. Develop DX talent

Number of Digital Academy courses to offer  
**30 courses**

Number of Information Technology Engineer  
Examination passers  
**160 persons**

Number of DX talents trained by level  
**Lv1: 610 persons**  
**Lv2: 74 persons**  
**Lv3: 15 persons**

## 4. Enhance information security measures

Regulation development completion rate  
**100%**

Acquisition of METI's Supply Chain Security (SCS) evaluation certification  
**★4 (STANDARD)**

## 1. Positioning of DX strategy

- Define the DX strategy as **business transformation** that supports future growth and business continuity, not merely as the implementation of digital technologies.
- Frame inaction itself as a critical management risk amid labor shortages, technical expertise transfer, decarbonization, and changes in competitive environment.

## 2. Vision of DX

- Leverage data and digital technologies to transform our operations and corporate culture.
- Enhance our supply stability, environmental adaptability, and business competitiveness, aiming to become a **Company with a strong presence** as envisioned in the SOC Vision 2035.

## 3. Advancement framework and decision-making

- Adopt a **two-tier framework** that balances company-wide oversight by the Digital Advancement Department with site-driven implementation within each department.
- Make management decisions on DX investments based on the perspective of unavoidable investments, combined with a conventional ROI perspective.

## 4. Continuous evolution

- Regularly assess the progress of DX implementation based on the roadmap and KPIs and continue to make improvements.
- Check the KPIs at least once a year to assess their achievement and validity and revise them flexibly in response to environmental changes.



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## **Cautionary Statement Regarding Forward-Looking Statements**

- This document contains forward-looking statements that reflect Sumitomo Osaka Cement Co., Ltd.'s current views and judgements with respect to current plans, strategies and beliefs. They are based upon currently available information, and do not constitute promises, commitments or guarantees.
- The forward-looking statements involve both real and potential risks and uncertainties that can cause actual events and results to differ materially from those anticipated in these statements.



**Sumitomo Osaka Cement**