

(Translation)

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Securities Code 5233

June 1, 2017

## To Those Stockholders with Voting Rights

Shuji Fukuda  
President and Representative Director  
Taiheiyo Cement Corporation  
2-3-5, Daiba, Minato-ku, Tokyo

## NOTICE OF THE 19<sup>th</sup> ORDINARY GENERAL MEETING OF STOCKHOLDERS

You are cordially invited to the 19<sup>th</sup> Ordinary General Meeting of Stockholders of Taiheiyo Cement Corporation (the “Company”). The meeting will be held as stated below.

If you are unable to attend the meeting, you can exercise your voting rights by paper ballot or via the electromagnetic method such as the Internet. Please review the attached Reference Documents for the General Meeting of Stockholders, and either return the Voting Rights Exercise Form with your selections towards proposals, or vote via the voting rights exercise site (<http://www.web54.net>) specified by the Company.

- 1. Date and Time:** Thursday, June 29, 2017 at 10:00 a.m.
- 2. Place:** Head office of the Company  
2-3-5, Daiba, Minato-ku, Tokyo
- 3. Agenda of the Meeting:**  
**Matters to be reported:**
  1. Business Report, Consolidated Financial Statements for the 19<sup>th</sup> Fiscal Term (from April 1, 2016 to March 31, 2017) and results of audits by the Accounting Auditor and the Board of Auditors of the Consolidated Financial Statements
  2. Non-Consolidated Financial Statements for the 19<sup>th</sup> Fiscal Term (from April 1, 2016 to March 31, 2017)  
**Proposals to be resolved:**
  - Proposal No. 1:** Appropriation of Surplus
  - Proposal No. 2:** Reverse Stock Split
  - Proposal No. 3:** Election of Thirteen Directors
  - Proposal No. 4:** Election of One Corporate Auditor
  - Proposal No. 5:** Election of One Substitute Corporate Auditor

## 4. Voting Guide

### If you are attending the Meeting:

Please hand in the enclosed Voting Rights Exercise Form at the front desk when you arrive at the venue.

If another stockholder is attending the Meeting on your behalf, he/she must submit a letter of proxy and your Voting Rights Exercise Form as well as his/her Voting Rights Exercise Form at the front desk upon arrival at the venue. (Please be advised that a proxy is limited to one person and must be another stockholder with the Company’s voting rights pursuant to the provisions of the Articles of Incorporation.)

### If you are NOT attending the Meeting:

Please review the attached Reference Documents for the General Meeting of Stockholders, and exercise your voting right by either of the following two methods.

(Translation)

(i) Exercise of voting rights by postal mail (paper ballot)

- Please indicate your vote for or against the Proposals on the Voting Rights Exercise Form and send it back, making sure that it will arrive by 5:00 p.m. on Wednesday, June 28, 2017 (Japan Standard Time).
- If you make no indication on the Voting Rights Exercise Form whether you are voting for or against the Proposals, you shall be deemed to have voted FOR the Proposals.

(ii) Exercise of voting rights via the Internet, etc.

- Please exercise your voting right via the voting rights exercise site (<http://www.web54.net>) specified by the Company before 5:00 p.m. on Wednesday, June 28, 2017 (Japan Standard Time).
- If you exercise your voting right via the Internet, etc. more than once, your final vote shall prevail.

If you vote both by postal mail and via the Internet, etc., the one received later shall prevail. If we receive both on the same day, your vote cast via the Internet, etc. shall prevail.
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Notes:

- Of the documents required to be included in this notice of convocation, “Consolidated Statements of Changes in Net Assets” and “Notes to the Consolidated Financial Statements” of the Consolidated Financial Statements, and “Non-consolidated Statements of Changes in Net Assets” and “Notes to the Non-consolidated Financial Statements” of the Non-consolidated Financial Statements are, pursuant to the provisions of laws and regulations and the Articles of Incorporation of the Company, posted on the Company’s website (<http://www.taiheiyo-cement.co.jp>), and are therefore not contained in the Appendix attached to this notice of convocation.  
The Consolidated Financial Statements and the Non-consolidated Financial Statements audited by Corporate Auditors and the Accounting Auditor include “Consolidated Statements of Changes in Net Assets,” “Notes to the Consolidated Financial Statements,” “Non-consolidated Statements of Changes in Net Assets” and “Notes to the Non-consolidated Financial Statements” which are posted on the Company’s website, in addition to each document included in the Appendix of this notice of convocation.
- Subsequent amendments to the Reference Documents for the General Meeting of Stockholders, the Business Report, the Non-Consolidated and Consolidated Financial Statements (if any) will be listed on the Company’s website (<http://www.taiheiyo-cement.co.jp>).

(Translation)

## Reference Documents for the General Meeting of Stockholders

### Proposals and references

#### Proposal No. 1: Appropriation of Surplus

With respect to the year-end dividend for the term under review, the Company would like to pay out as follows, in consideration of the business environment and our performance for the term under review, while maintaining our basic policy of stable dividend payouts.

Matters concerning the year-end dividend

(1) Type of Dividend

Cash

(2) Matters concerning the distribution of dividends to stockholders and its total amount

3.00 yen per share of common stock of the Company, for a total amount of 3,722,702,358 yen.

Accordingly, the annual dividend for the term under review, together with the interim dividend already paid, shall be 6 yen per share.

(3) Effective Date of Dividends from surplus

June 30, 2017

(Translation)

**Proposal No. 2: Reverse Stock Split**

(1) Reasons for the proposal

Stock exchanges nationwide aim to consolidate the number of shares constituting one trading unit of shares of common stock of domestically listed companies, to 100 shares in accordance with the Action Plan for Consolidating Trading Units.

In keeping with this objective, the Company has decided to change the number of its shares constituting one unit of stock as the trading unit of its common stock from 1,000 shares to 100 shares on October 1, 2017. At the same time, the Company has decided to execute a one for 10 reverse stock split for its common stock to maintain the level of investment unit (i.e., not less than ¥50,000 but less than ¥500,000) that is deemed desirable by domestic stock exchanges, even after revising the number of shares constituting one unit of stock.

(2) Details of the reverse stock split

(i) Class of stock for the reverse stock split and ratio of reverse stock split

The Company will conduct a reverse stock split for its common stock at a ratio of one for 10.

If fractions of less than one share are produced as a result of the reverse stock split, the Company shall collectively dispose of them and distribute the proceeds resulting from the disposal to all the shareholders whose shares have produced fractions, in proportion to the ratio of such fractions in accordance with Article 235 of the Companies Act.

(ii) Effective date of the reverse stock split

October 1, 2017

(iii) Total number of shares authorized to be issued as of the effective date

197,730,800 shares

The Company will decrease the total number of shares authorized to be issued of the Company to one-tenth the current number in line with the reverse stock split ratio.

(Reference)

The Company's Articles of Incorporation shall be amended as of October 1, 2017, as described below, subject to the approval and adoption of this proposal as proposed.

(The underlined portion indicates the proposed amendment.)

Current Articles of Incorporation	Proposed Amendments
Article 6 (Total Number of Shares Authorized to be Issued) The total number of shares authorized to be issued by the Company shall be <u>1,977,308,000</u> shares.	Article 6 (Total Number of Shares Authorized to be Issued) The total number of shares authorized to be issued by the Company shall be <u>197,730,800</u> shares.
Article 8 (Number of Shares Constituting One Unit of Stock) The number of shares constituting one unit of stock of the Company shall be <u>one thousand (1,000)</u> shares.	Article 8 (Number of Shares Constituting One Unit of Stock) The number of shares constituting one unit of stock of the Company shall be <u>one hundred (100)</u> shares.

(Translation)

**Proposal No. 3: Election of Thirteen Directors**

The term of office of all thirteen Directors will expire at the close of this General Meeting of Stockholders. Accordingly, we propose the election of thirteen Directors including two Outside Directors.

The candidates for Director are as follows.

No.	Name	Current position at the Company
1	Reappointment Shuji Fukuda	President and Representative Director
2	Reappointment Yuuichi Kitabayashi	Vice President and Representative Director
3	Reappointment Shigeru Matsushima	Director and Senior Executive Officer
4	Reappointment Masafumi Fushihara	Director, Senior Executive Officer and Senior General Manager, Cement Business Division
5	Reappointment Youichi Funakubo	Director and Managing Executive Officer
6	Reappointment Keiichi Miura	Director and Managing Executive Officer
7	Reappointment Masahiro Karino	Director and Managing Executive Officer
8	Reappointment Kunihiko Ando	Director and Managing Executive Officer
9	Reappointment Ichirou Egami	Director, Managing Executive Officer and Senior General Manager, International Business Division
10	New Candidate Tomoya Sakamoto	Managing Executive Officer
11	New Candidate Katsuhide Fukuhara	Managing Executive Officer
12	Reappointment Yoshiko Koizumi Outside Director Independent Director	Director
13	Reappointment Yuuzou Arima Outside Director Independent Director	Director

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
1	<p style="text-align: center;">Shuji Fukuda</p> <p style="text-align: center;"><u>Reappointment</u></p> <p>(December 20, 1951)            Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 6 years and 10 months at close of this General Meeting of Stockholders</p>	<p>April 1974      Joined Onoda Cement Co., Ltd.</p> <p>June 1999      General Manager, Accounting &amp; Finance Department of Taiheiyo Cement Corporation</p> <p>April 2004      General Manager, Accounting &amp; Finance Department and General Manager, Accounting &amp; Finance Business Operation Center</p> <p>April 2006      General Manager, Hokuriku Branch</p> <p>April 2008      Executive Officer and General Manager, Human Resources Department and General Manager, Personnel Business Operation Center</p> <p>October 2008   Executive Officer and General Manager, Human Resources Department</p> <p>August 2010   Director, Managing Executive Officer and General Manager, Human Resources Department</p> <p>October 2010   Director and Managing Executive Officer</p> <p>April 2012      President and Representative Director (to present)</p> <p><b>Reason for nominating Shuji Fukuda as Director</b>            Since 2012, Mr. Shuji Fukuda has served as the President and Representative Director of the Company, and has a wealth of experience, achievements, and knowledge as a manager. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he leads the Group's management, determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	30,000

Note: No special relationship exists between the Company and Mr. Shuji Fukuda.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
2	<p>Yuuichi Kitabayashi <u>Reappointment</u> (June 2, 1955)</p> <p>Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 4 years at close of this General Meeting of Stockholders</p>	<p>April 1978      Joined Nihon Cement Co., Ltd. May 2009      General Manager, Kamiiso Plant of Taiheiyo Cement Corporation April 2011      Executive Officer and General Manager, Production Department April 2013      Managing Executive Officer June 2013      Director and Managing Executive Officer April 2016      Representative Director and Senior Executive Officer April 2017      Vice President and Representative Director Overseeing Corporate Planning Department (to present)</p> <p><b>Reason for nominating Yuuichi Kitabayashi as Director</b> Since 2016, Mr. Yuuichi Kitabayashi serves as Representative Director of the Company, and has a wealth of experience, achievements, and knowledge as a manager. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he leads the Group's management, determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	44,000

Note: No special relationship exists between the Company and Mr. Yuuichi Kitabayashi.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
3	<p>Shigeru Matsushima  <u>Reappointment</u>            (May 6, 1956)            Attended 15 out of 15            meetings of the Board            of Directors (100%)            and will have served as            Director for 4 years at            close of this General            Meeting of            Stockholders</p>	<p>April 1979      Joined Nihon Cement Co., Ltd.            May 2009      General Manager, Hokkaido Branch of                                     Taiheiyo Cement Corporation            April 2011      Executive Officer and General Manager,                                     Hokkaido Branch            April 2012      Executive Officer and Deputy Senior General                                     Manager, Cement Business Division and                                     General Manager, Administration Department                                     of Cement Business Division            April 2013      Managing Executive Officer            June 2013      Director and Managing Executive Officer            April 2017      Director and Senior Executive Officer                                     (to present)</p> <p><b>Reason for nominating Shigeru Matsushima as Director</b>            After taking office as Director of the Company, Mr. Shigeru Matsushima has been making significant contribution to the development of the Group through promoting Group management based on the mid-term business plan as an officer overseeing general affairs, accounting and finance divisions and environmental business. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	33,200

Note: No special relationship exists between the Company and Mr. Shigeru Matsushima.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
4	<p>Masafumi Fushihara  <u>Reappointment</u>            (May 18, 1954)            Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 2 years at close of this General Meeting of Stockholders</p>	<p>April 1978      Joined Onoda Cement Co., Ltd.            April 2007      General Manager, Business Promotion Department of Environmental Business Company of Taiheiyo Cement Corporation            May 2009      General Manager, Sales Department of Environmental Business Company            October 2010    General Manager, Environmental Business Development Department            April 2012      Executive Officer and General Manager, Environmental Business Development Department            April 2015      Managing Executive Officer            June 2015      Director and Managing Executive Officer            April 2016      Director, Managing Executive Officer and Senior General Manager, Cement Business Division            April 2017      Director, Senior Executive Officer and Senior General Manager, Cement Business Division (to present)            (Significant concurrent positions)            Outside Director, P.S. Mitsubishi Construction Co., Ltd.</p> <p><b>Reason for nominating Masafumi Fushihara as Director</b>            After taking office as Director of the Company, Mr. Masafumi Fushihara has been making significant contribution to the development of the Group through promoting Group management based on the mid-term business plan as an officer overseeing cement business. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	19,000

Note: No special relationship exists between the Company and Mr. Masafumi Fushihara.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
5	<p>Youichi Funakubo  <u>Reappointment</u>            (May 30, 1956)            Attended 11 out of 11            meetings of the Board            of Directors (100%)            and will have served as            Director for 1 year at            close of this General            Meeting of            Stockholders</p>	<p>April 1979      Joined Onoda Cement Co., Ltd.            April 2004      General Manager, Secretarial Department of                                     Taiheiyo Cement Corporation            June 2008      Managing Executive Officer of Ssangyong                                     Cement Industrial Co., Ltd.            October 2010    General Manager, Human Resources                                     Department of Taiheiyo Cement Corporation            April 2012      Executive Officer and General Manager,                                     Human Resources Department            April 2016      Managing Executive Officer            June 2016      Director and Managing Executive Officer                                     (to present)</p> <p><b>Reason for nominating Youichi Funakubo as Director</b>            After taking office as Director of the Company, Mr. Youichi Funakubo has been making significant contribution to the development of the Group through promoting Group management based on the mid-term business plan as an officer overseeing the accounting division and real estate business. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	25,000

Notes:

1. Mr. Youichi Funakubo was newly elected at the 18<sup>th</sup> Ordinary General Meeting of Stockholders held on June 29, 2016, and took office as Director on the same day; therefore, his attendance at meetings of the Board of Directors refers to those convened since he took office.
2. No special relationship exists between the Company and Mr. Youichi Funakubo.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
6	<p style="text-align: center;">Keiichi Miura <u>Reappointment</u> (November 13, 1956)</p> <p>Attended 11 out of 11 meetings of the Board of Directors (100%) and will have served as Director for 1 year at close of this General Meeting of Stockholders</p>	<p>April 1980      Joined Onoda Cement Co., Ltd. April 2012      General Manager, Central Research Laboratory of Taiheiyo Cement Corporation April 2013      Executive Officer and General Manager, Central Research Laboratory April 2016      Managing Executive Officer June 2016      Director and Managing Executive Officer (to present)</p> <p><b>Reason for nominating Keiichi Miura as Director</b> After taking office as Director of the Company, Mr. Keiichi Miura has been making significant contribution to the development of the Group through promoting Group management based on the mid-term business plan as an officer overseeing research and development divisions. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	17,000

Notes:

1. Mr. Keiichi Miura was newly elected at the 18<sup>th</sup> Ordinary General Meeting of Stockholders held on June 29, 2016, and took office as Director on the same day; therefore, his attendance at meetings of the Board of Directors refers to those convened since he took office.
2. No special relationship exists between the Company and Mr. Keiichi Miura.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
7	<p>Masahiro Karino <u>Reappointment</u> (March 23, 1957)</p> <p>Attended 11 out of 11 meetings of the Board of Directors (100%) and will have served as Director for 1 year at close of this General Meeting of Stockholders</p>	<p>April 1980      Joined Nihon Cement Co., Ltd. April 2004      General Manager, Legal Department of                          Taiheiyo Cement Corporation April 2013      Executive Officer and General Manager, Legal                          Department April 2016      Managing Executive Officer June 2016      Director and Managing Executive Officer                          (to present)</p> <p><b>Reason for nominating Masahiro Karino as Director</b> After taking office as Director of the Company, Mr. Masahiro Karino has been making significant contribution to the development of the Group through promoting Group management based on the mid-term business plan as an officer overseeing human resources and legal divisions. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	16,000

Notes:

1. Mr. Masahiro Karino was newly elected at the 18<sup>th</sup> Ordinary General Meeting of Stockholders held on June 29, 2016, and took office as Director on the same day; therefore, his attendance at meetings of the Board of Directors refers to those convened since he took office.
2. No special relationship exists between the Company and Mr. Masahiro Karino.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
8	<p>Kunihiro Ando <u>Reappointment</u> (May 4, 1957)</p> <p>Attended 11 out of 11 meetings of the Board of Directors (100%) and will have served as Director for 1 year at close of this General Meeting of Stockholders</p>	<p>April 1980      Joined Onoda Cement Co., Ltd. April 2011      General Manager, Ofunato Plant of Taiheiyo Cement Corporation April 2013      Executive Officer and General Manager, Oita Plant April 2015      Executive Officer and General Manager, Mineral Resources Business Department April 2016      Managing Executive Officer June 2016      Director and Managing Executive Officer (to present)</p> <p><b>Reason for nominating Kunihiro Ando as Director</b> After taking office as Director of the Company, Mr. Kunihiro Ando has been making significant contribution to the development of the Group through promoting Group management based on the mid-term business plan as an officer overseeing mineral resources business and production control divisions. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	35,000

Notes:

1. Mr. Kunihiro Ando was newly elected at the 18<sup>th</sup> Ordinary General Meeting of Stockholders held on June 29, 2016, and took office as Director on the same day; therefore, his attendance at meetings of the Board of Directors refers to those convened since he took office.
2. No special relationship exists between the Company and Mr. Kunihiro Ando.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
9	<p style="text-align: center;"><b>Ichirou Egami</b> <b>Reappointment</b> (April 13, 1957)</p> <p>Attended 10 out of 11 meetings of the Board of Directors (90.9%) and will have served as Director for 1 year at close of this General Meeting of Stockholders</p>	<p>April 1980      Joined Nihon Cement Co., Ltd.</p> <p>June 2008      General Manager, Secretarial Department of Taiheiyo Cement Corporation</p> <p>May 2009      General Manager, Secretarial Department</p> <p>October 2010    Managing Executive Officer of Ssangyong Cement Industrial Co., Ltd.</p> <p>April 2014      Executive Officer of Taiheiyo Cement Corporation</p> <p>                    Senior Executive Officer of Ssangyong Cement Industrial Co., Ltd.</p> <p>April 2016      Managing Executive Officer and Deputy Senior General Manager, International Business Division of Taiheiyo Cement Corporation</p> <p>                    Senior Executive Officer of Ssangyong Cement Industrial Co., Ltd.</p> <p>June 2016      Director, Managing Executive Officer and Deputy Senior General Manager, International Business Division of Taiheiyo Cement Corporation</p> <p>                    Senior Executive Officer of Ssangyong Cement Industrial Co., Ltd.</p> <p>September 2016 Director, Managing Executive Officer and Deputy Senior General Manager, International Business Division of Taiheiyo Cement Corporation</p> <p>April 2017      Director, Managing Executive Officer and Senior General Manager, International Business Division (to present)</p> <p><b>Reason for nominating Ichirou Egami as Director</b> After taking office as Director of the Company, Mr. Ichirou Egami has been making significant contribution to the development of the Group through promoting Group management based on the mid-term business plan as an officer overseeing international business. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	28,000

Notes:

1. Mr. Ichirou Egami was newly elected at the 18<sup>th</sup> Ordinary General Meeting of Stockholders held on June 29, 2016, and took office as Director on the same day; therefore, his attendance at meetings of the Board of Directors refers to those convened since he took office.
2. No special relationship exists between the Company and Mr. Ichirou Egami.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
10	Tomoya Sakamoto <span style="border: 1px solid black; padding: 2px;">New Candidate</span> (October 23, 1955)	April 1980      Joined Onoda Cement Co., Ltd. April 2013      General Manager of Production Department of Taiheiyo Cement Corporation April 2014      Executive Officer and General Manager of Production Department April 2017      Managing Executive Officer (to present)  <b>Reason for nominating Tomoya Sakamoto as Director</b> Mr. Tomoya Sakamoto has been involved in operations of the cement production control division for many years, and has a wealth of experience and insight regarding overall corporate management through his career such as Executive Officer and General Manager of Production Department. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group, and requests that he be a new candidate for Director.	23,000

Note: No special relationship exists between the Company and Mr. Tomoya Sakamoto.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
11	Katsuhide Fukuhara <u>New Candidate</u> (September 25, 1956)	<p>April 1981      Joined Onoda Cement Co., Ltd.</p> <p>April 2013      General Manager of Corporate Planning Department of Taiheiyo Cement Corporation</p> <p>April 2015      Executive Officer and General Manager of Corporate Planning Department</p> <p>April 2017      Managing Executive Officer (to present)</p> <p><b>Reason for nominating Katsuhide Fukuhara as Director</b> Mr. Katsuhide Fukuhara has been involved in operations of the mineral resources business and corporate planning divisions for many years, and has a wealth of experience and insight regarding overall corporate management through his career such as Executive Officer and General Manager of Corporate Planning Department. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group, and requests that he be a new candidate for Director.</p>	23,000

Note: No special relationship exists between the Company and Mr. Katsuhide Fukuhara.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
12	<p data-bbox="252 577 501 1016"> <b>Yoshiko Koizumi</b>  <b>Candidate for Outside Director</b>  <b>Reappointment</b>            (September 25, 1943)            Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 2 years at close of this General Meeting of Stockholders         </p>	<p data-bbox="523 277 1257 945">           April 1972 Registered as a lawyer (Daini Tokyo Bar Association)            January 1980 Partner, Masuda and Ejiri Law Office (predecessor of Nishimura &amp; Asahi)            January 2008 Counsel, Nishimura &amp; Asahi            April 2009 Partner, City-Yuwa Partners            June 2015 Outside Director of Taiheiyo Cement Corporation            Outside Director, Dowa Holdings Co., Ltd.            Partner, City-Yuwa Partners            June 2016 Outside Director of Taiheiyo Cement Corporation            Outside Director, Dowa Holdings Co., Ltd.            Outside Corporate Auditor, Sumitomo Bakelite Co., Ltd.            Partner, City-Yuwa Partners (to present)            (Significant concurrent positions)            Outside Director, Dowa Holdings Co., Ltd.            Outside Corporate Auditor, Sumitomo Bakelite Co., Ltd.            Lawyer, Partner of City-Yuwa Partners  <b>Reason for nominating Yoshiko Koizumi as Outside Director</b>            Although Ms. Yoshiko Koizumi has not engaged in corporate management in the past, as a lawyer, she has a wealth of experience, achievements, and knowledge regarding corporate law, and provides precise recommendations and advice from an objective standpoint independent from the management team that executes business in the Board of Directors. The Company has judged that she makes significant contribution to the monitoring and supervision of overall management, and requests that she continue to be a candidate for Director.         </p>	15,000

Notes:

1. Ms. Yoshiko Koizumi is nominated as an Outside Director.
2. The Company currently has an agreement with Ms. Yoshiko Koizumi, which limits her liability for damages in respect of her responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that she executes her duties in good faith and without gross negligence. If the election of Ms. Yoshiko Koizumi is approved, the Company plans to continue the said agreement with her.
3. Ms. Yoshiko Koizumi satisfies the Independence Criteria for Outside Officers defined by the Company, and the Company has registered Ms. Yoshiko Koizumi as an independent director at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange. Of note, no advisory contract has been concluded between the Company and City-Yuwa Partners, where Yoshiko Koizumi serves as a partner. Additionally, the Independence Criteria for Outside Officers defined by the Company is provided on page 20.
4. No special relationship exists between the Company and Ms. Yoshiko Koizumi.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
13	Yuuzou Arima	April 1971      Joined Toyo Soda Manufacturing Co., Ltd. (currently TOSOH CORPORATION)	2,000
	Candidate for Outside Director	June 2000      Director of TOSOH CORPORATION	
	Reappointment	June 2005      Managing Director of TOSOH CORPORATION	
	(May 16, 1947)	June 2009      Managing Director of TOSOH CORPORATION	
	Attended 11 out of 11 meetings of the Board of Directors (100%) and will have served as Director for 1 year at close of this General Meeting of Stockholders	President and Representative Director of TAIYO VINYL CORPORATION	
		June 2010      President and Representative Director of TAIYO VINYL CORPORATION	
		June 2015      Advisor of TAIYO VINYL CORPORATION	
		June 2016      Outside Director of Taiheiyo Cement Corporation (to present)	
		<p><b>Reason for nominating Yuuzou Arima as Outside Director</b>            Mr. Yuuzou Arima has a wealth of experience, achievements, and insight as a corporate manager and provides precise recommendations and advice from an objective standpoint independent from the management team that executes business in the Board of Directors. The Company has judged that he makes significant contribution to the monitoring and supervision of overall management, and requests that he continue to be a candidate for Director.</p>	

Notes:

1. Mr. Yuuzou Arima is nominated as an Outside Director.
2. The Company currently has an agreement with Mr. Yuuzou Arima, which limits his liability for damages in respect of his responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that he executes his duties in good faith and without gross negligence. If the election of Mr. Yuuzou Arima is approved, the Company plans to continue the said agreement with him.
3. Mr. Yuuzou Arima satisfies the Independence Criteria for Outside Officers defined by the Company, and the Company has registered Mr. Yuuzou Arima as an independent director at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange. Additionally, the Independence Criteria for Outside Officers defined by the Company is provided on page 20.
4. Mr. Yuuzou Arima was newly elected at the 18<sup>th</sup> Ordinary General Meeting of Stockholders held on June 29, 2016, and took office as Director on the same day; therefore, his attendance at meetings of the Board of Directors refers to those convened since he took office.
5. No special relationship exists between the Company and Mr. Yuuzou Arima.

(Translation)

**Proposal No. 4: Election of One Corporate Auditor**

Corporate Auditor Kohji Ishii will resign at the close of this General Meeting of Stockholders.

Accordingly, we propose the election of one Corporate Auditor.

The candidate for Corporate Auditor is as follows.

The Board of Auditors has previously given its approval.

Name (Date of birth)	Career summary, position and significant concurrent positions	Number of shares of the Company held
<p>Toshihide Nishimura  <u>New Candidate</u>            (January 13, 1955)</p>	<p>April 1979      Joined Onoda Cement Co., Ltd.            April 2006      General Manager, Administration Department of                                     Construction Materials Business Company of                                     Taiheiyo Cement Corporation            May 2009      General Manager, Accounting &amp; Finance Department            April 2012      Executive Officer and General Manager, Affiliated                                     Business Department            April 2015      Managing Executive Officer            June 2015      Director and Managing Executive Officer            April 2017      Director (to present)</p> <p>(Significant concurrent positions)            Outside Corporate Auditor, NIPPON CONCRETE INDUSTRIES CO.,            LTD.</p> <p><b>Reason for nominating Toshihide Nishimura as Corporate Auditor</b>            As an officer of the Company, Mr. Toshihide Nishimura has held a            wide variety of responsibilities in operations such as the construction            materials businesses and Group companies management, and also has            a wealth of experience and insight into the accounting division, in            addition to supervising the business execution as a Director. As the            Company aims to continuously increase corporate value of the Group,            the Company has judged that he can appropriately audit the business            execution of Directors and requests that he be a new candidate for            Corporate Auditor.</p>	<p>25,000</p>

Note: No special relationship exists between the Company and Mr. Toshihide Nishimura.

(Translation)

**Proposal No. 5: Election of One Substitute Corporate Auditor**

In order to prepare for cases where a vacancy results in a shortfall in the number of Corporate Auditors prescribed by laws, we propose the election of one Substitute Corporate Auditor, to substitute for an Outside Corporate Auditor.

The candidate for Substitute Corporate Auditor is as follows.

The Board of Auditors has previously given its approval.

Name (Date of birth)	Career summary, position and significant concurrent positions	Number of shares of the Company held
<p>Wakako Mitani (Name on family registration: Wakako Akamatsu)</p> <p>Candidate for Outside Corporate Auditor (January 4, 1974)</p>	<p>April 2000 Registered as a lawyer (DAIICHI TOKYO BAR ASSOCIATION)</p> <p>July 2001 Joined TANABE &amp; PARTNERS</p> <p>April 2012 Partner of TANABE &amp; PARTNERS (to present)</p> <p>(Significant concurrent positions) Lawyer, Partner of TANABE &amp; PARTNERS</p> <p><b>Reason for nominating Wakako Mitani as substitute Outside Corporate Auditor</b></p> <p>Although Ms. Wakako Mitani has not engaged in corporate management in the past, she has a wealth of experience, achievements, and insight in the corporate legal field as a lawyer, and the Company has judged that she can audit the business execution of Directors from an objective, independent, and fair standpoint, and requests that she continue to be a candidate for substitute Outside Corporate Auditor.</p>	<p>0</p>

- Notes: 1. Ms. Wakako Mitani is nominated as a substitute Outside Corporate Auditor.
2. In the event that Ms. Wakako Mitani takes office as an Outside Corporate Auditor, the Company plans to enter into an agreement with her, which would limit her liability for damages in respect of her responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that she executes her duties in good faith and without gross negligence.
3. Ms. Wakako Mitani satisfies the Independence Criteria for Outside Officers defined by the Company, and in the event that she takes office as an Outside Corporate Auditor, the Company plans to register her as an independent corporate auditor at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange. Of note, no advisory contract has been concluded between the Company and TANABE & PARTNERS, where Ms. Wakako Mitani serves as a partner. Additionally, the Independence Criteria for Outside Officers defined by the Company is provided on page 20.
4. No special relationship exists between the Company and Ms. Wakako Mitani.

(Translation)

(Reference)

### Independence Criteria for Outside Officers

Outside officers are considered to be sufficiently independent from the Company if they do not fall under any of the following items:

1. A person who is or was an executive (Note 1) of the Company or any of its subsidiaries;
2. A person who is or has recently been a person falling under any of the (1) through (7) below:
  - (1) A major stockholder (Note 2) of the Company or an executive of a major stockholder of the Company;
  - (2) A party whose major business partner is the Company (Note 3) or an executive thereof;
  - (3) A major business partner of the Company (Note 4) or an executive thereof;
  - (4) A person belonging to an audit corporation that is the accounting auditor of the Company;
  - (5) A party who receives a significant amount of donation or aid (Note 5) from the Company or an executive thereof;
  - (6) An individual who receives a significant amount of money (Note 6) or other property from the Company as a lawyer, certified public accountant, tax accountant, consultant, etc., in addition to the compensation that he/she receives from the Company as an outside officer; or
  - (7) An executive of a legal entity, etc. that is a law firm, auditing firm, tax accounting firm, consulting firm, etc., whose major business partner is the Company (Note 7).
3. A person who is a close relative (Note 8) of any of the persons listed in 1. and 2. above.

Notes:

1. An executive is an executive director, corporate officer, executive officer, or an employee who holds a senior management position.
2. A major stockholder is a stockholder who holds 10% or more of the voting rights of the Company.
3. A party whose major business partner is the Company is a party who has carried out transactions with the Company for an amount exceeding 2% of the annual consolidated total net sales for the latest fiscal year of that party.
4. A major business partner of the Company is a party who has carried out transactions with the Company for an amount exceeding 2% of the annual consolidated total net sales for the latest fiscal year of the Company or a financial institution that has an outstanding balance of loans to the Company that exceeds 2% of the consolidated total assets of the Company as of the end of the latest fiscal year of the Company.
5. If the recipient is an individual, a significant amount of donation or aid means a donation or aid exceeding an average of 10 million yen per year over the last three fiscal years. If the recipient is a legal entity, a significant amount of donation or aid means a donation or aid of an average of 10 million yen per year over the last three fiscal years or 30% of the total annual expenses of said legal entity, whichever the greater.
6. A significant amount of money means an amount of money exceeding an average of 10 million yen per year over the last three fiscal years.
7. A legal entity, etc. whose major business partner is the Company is a legal entity, etc. that has carried out transactions with the Company for an average amount per year over the last three years exceeding 2% of the annual consolidated total net sales of said legal entity, etc.
8. A close relative means a spouse or a relative within the second degree of kinship.

(Translation)

(Appendix)

## **Business Report**

(April 1, 2016 - March 31, 2017)

### **1. Overview of the Company Group**

#### **1) Business Progress and Results**

During FY2017, although Japan's economy maintained a moderate recovery trend due to factors such as support from government-led economic policies and the Bank of Japan's fiscal policies as well as strong corporate earnings and employment environment, areas such as personal consumption and capital investment lacked vigor. As uncertainty in global economic affairs mounts due to factors such as the effects of Brexit and trends in policy management of the new administration in the United States, companies are increasingly cautious in their view of the future.

The U.S. economy continued to undergo moderate growth due in part to reduced levels of the unemployment rate and robust consumer spending. China's economy saw signs of a cessation of economic deceleration, supported by the government's policies. In other Asian economies, there were signs of a recovery due to a rebound in exports.

Against this backdrop, in FY2017, the Group's consolidated sales decreased ¥36,770 million from the previous year to ¥798,588 million. Consolidated operating income was ¥63,235 million, up ¥2,801 million, while consolidated ordinary income was ¥59,802 million, down ¥422 million and profit attributable to owners of parent increased ¥11,192 million to ¥47,597 million.

Review of operation by each segment are as follows.

#### **Cement Business**

**Sales** ¥558,915 million (down 2.7% year-on-year)

**Operating Income** ¥38,898 million (up 12.3% year-on-year)

Domestic cement demand decreased 2.0% year-on-year to 41.77 million tons, due to decreased public construction works and decreased demand in public and private, which were caused by the increasing trend in material and labor costs unit prices. Imported cement decreased 12.6% from the previous year to 0.27 million tons. Total exports increased 8.9% to 11.52 million tons.

Under these circumstances, the Taiheiyo Cement Group's domestic cement sales by volume, including consignment sales, decreased 2.0% from the previous year to 14.37 million tons, whilst exports increased 9.2% to 4.35 million tons.

Shipment volume rose served by our U.S. West Coast cement and ready-mixed concrete businesses, where the market is generally on a recovery trend. Our cement business in China suffered a decrease in demand, while our cement business in Vietnam and the Philippines performed solidly, assisted by domestic active demand.

As a result of the above, consolidated sales decreased ¥15,808 million from the previous year to ¥558,915 million, and consolidated operating income increased ¥4,266 million to ¥38,898 million.

(Translation)

### Mineral Resources Business

**Sales** ¥80,177 million (down 14.2% year-on-year)  
**Operating Income** ¥7,759 million (down 4.3% year-on-year)

In our aggregates business, higher logistics efficiency, etc. contributed to improved profitability despite a decrease in demand other than in the Tohoku, Shikoku and other regions. In our mineral products business, shipments of limestone to overseas customers in the iron and steel industry were solid. Intake in our surplus construction soil recycling business exceeded levels of the previous year. However, due to certain consolidated subsidiaries transitioning to equity-method affiliates, consolidated sales decreased ¥13,356 million from the previous year to ¥80,177 million, and consolidated operating income decreased ¥353 million to ¥7,759 million.

### Environmental Business

**Sales** ¥77,901 million (up 6.0% year-on-year)  
**Operating Income** ¥7,666 million (up 0.1% year-on-year)

Waste processing operations and gypsum sales were strong, and through measures for disaster waste processing operations conducted as a result of the 2016 Kumamoto Earthquakes, consolidated sales increased ¥4,440 million from the previous year to ¥77,901 million, and consolidated operating income increased ¥11 million to ¥7,666 million.

### Construction Materials Business

**Sales** ¥74,027 million (down 8.4% year-on-year)  
**Operating Income** ¥6,061 million (down 1.1% year-on-year)

As performance in construction materials and civil engineering materials remained at low levels, consolidated sales decreased ¥6,826 million from the previous year to ¥74,027 million, and consolidated operating income decreased ¥68 million to ¥6,061 million.

### Other Business

**Sales** ¥75,331 million (down 11.6% year-on-year)  
**Operating Income** ¥3,267 million (down 18.6% year-on-year)

Due to weak order receiving in the engineering businesses, consolidated sales decreased ¥9,890 million from the previous year to ¥75,331 million, and consolidated operating income decreased ¥746 million to ¥3,267 million.

## Sales and Operating Income by Business Segment

(Unit: Millions of yen)

Business Segment	Sales	Year-on-year increase (decrease)	Operating income	Year-on-year increase (decrease)
Cement	558,915	(15,808)	38,898	4,266
Mineral Resources	80,177	(13,356)	7,759	(353)
Environmental	77,901	4,440	7,666	11
Construction Materials	74,027	(6,826)	6,061	(68)
Other	75,331	(9,890)	3,267	(746)
Subtotal	866,351	(41,441)	63,654	3,109
Elimination or unallocated amounts	(67,762)	4,670	(418)	(307)
Total	798,588	(36,770)	63,235	2,801

## 2) Capital Investments

The total amount of capital investments by the Taiheiyo Cement Group in the fiscal year under review increased ¥10,308 million from the previous fiscal year to ¥54,384 million, consisting of ¥34,841 million in the Cement Business, ¥7,563 million in the Mineral Resources Business, ¥1,235 million in the Environmental Business, ¥2,572 million in the Construction Materials Business, ¥7,584 million in the Other Business and ¥587 million in Group wide assets.

(Translation)

### 3) Trends in Assets and Income

Item	16 <sup>th</sup> fiscal year ended March 31, 2014	17 <sup>th</sup> fiscal year ended March 31, 2015	18 <sup>th</sup> fiscal year ended March 31, 2016	19 <sup>th</sup> fiscal year ended March 31, 2017 (Current)
Net sales (millions of yen)	840,288	842,848	835,359	798,588
Ordinary income (millions of yen)	69,590	67,890	60,225	59,802
Profit attributable to owners of parent (millions of yen)	35,223	44,114	36,404	47,597
Net income per share (yen)	28.67	35.91	29.63	38.39
Total assets (millions of yen)	1,015,564	1,040,602	1,014,075	1,015,415
Net assets (millions of yen)	273,312	347,490	357,073	400,034

### 4) Issues to be Addressed

Looking ahead, the Japanese economy is expected to continue recovering moderately, on the back of factors such as the effects of various policies by the government and the Bank of Japan, in addition to improvement in the employment environment. However, uncertainty in the global economy and confusion in international politics is gaining momentum and poses a downside risk to the economy, requiring caution to changes in the corporate environment.

Turning our attention to the Taiheiyo Cement Group's business environment, in our core domestic cement business, as post-disaster construction, disaster prevention and reduction measures, and large-scale development in urban areas advance, in addition to the ramping up of construction related to the Tokyo Olympics and Paralympics, demand is expected to recover. Meanwhile, labor shortages at construction sites is mounting, and attention must be paid to downside risk in demand.

Additionally, in the United States economy, the employment environment and corporate results are strong, and although growth is forecast to accelerate owing to a recovery trend in capital investment and personal consumption, great uncertainty surrounds policy management, and trends must be monitored closely.

Under these circumstances, the Taiheiyo Cement Group is undertaking the 17 Medium-Term Management Plan which covers the three-year period from FY2015 to FY2017. As the final fiscal year of the medium-term management plan, the Company has positioned FY 2017 as a significant year to serve as a bridge to the next plan, and will aggressively work toward the following management issues in order to achieve the final targets.

#### Future Vision and Direction

We believe the Taiheiyo Cement Group's *raison d'être* is to provide products and solutions as a member of the social infrastructure industry in response to various needs and issues both at home and abroad. To fulfill this, we are required to forecast and pre-empt changes in the environment from a long-term perspective, and attain sustained growth while maintaining our stakeholders' confidence in us and meeting their expectations into the future. With the Mission of the Taiheiyo Cement Group in mind, we have thus declared—as our *future vision and direction* targeted at the mid-2020s—to *become an enterprise group that provides a sense of safety and security to societies in the Pacific Rim by demonstrating the Group's overall capabilities*, and will implement various initiatives in order to make this a reality.

#### Management Policy under 17 Medium-Term Management Plan

The 17 Medium-Term Management Plan covers the three-year period from FY2015 to FY2017, and is regarded as the first step towards realizing our *future vision and direction*. The Plan is to *generate and improve our earnings capacity* by making capital-efficiency-oriented growth investments and *build a flexible and strong financial structure* by making improvements in the financial structure, and at the same time, steadily execute the *enhancement of stockholders' returns*.

##### (i) Enhance existing businesses and formulate/implement growth strategies

We will boost our earnings capacity by reviewing existing businesses and strengthening

(Translation)

businesses by such means as exhaustive cost-cutting. We will also forecast and pre-empt changes in the environment from a long-term perspective, and seek to launch new businesses and expand overseas operations by leveraging the Taiheiyo Cement Group's competitive edge.

**<Cement Business (Japan)>**

We will implement various measures to strengthen our earnings base to prepare against the fall in domestic cement demand in the future, with the aim of becoming a dominant, leading company.

**<Cement Business (Overseas)>**

We will attain a certain business scale (cement production capacity) in the Pacific Rim region, and simultaneously enhance the earnings base of existing businesses and promote the trading business by taking advantage of overseas distribution networks, in order to maintain and improve our presence in the region.

**<Mineral Resources Business>**

We will expand existing businesses and develop businesses for the future by making maximum use of resources in our portfolio including limestone resources, in pursuit of sustained growth.

**<Environmental Business>**

We will maximize the earnings capacity of existing businesses and build a new business model in view of global environmental problems and changes in the energy policy situation.

**<Construction Materials Business>**

We will establish and enhance our business foundations serving as the primary source of earnings through the speedy fruition of business growth and expansion strategies.

**<Other Business>**

We will build a new business model that is expected to bring about synergies within the Taiheiyo Cement Group, and at the same time, develop high-value-added companies.

**(ii) Strengthen management foundations: Enhance backbone of management**

For *disaster prevention, suppression of greenhouse gas emission and realization of diversity*, we will make long-term efforts by setting quantitative targets in the form of CSR Objectives for 2025. We will also make enhancements at the individual level as well as the organizational level in the context of human resources development, group management, etc. to bring about a lean, strong business structure.

**(iii) Support for national project**

The Taiheiyo Cement Group will muster all of its resources to provide products and solutions to support national projects, including meeting the reconstruction demand following the Great East Japan Earthquake and demand in the lead up to the Tokyo Olympics and Paralympics.

**(iv) Enhance research & development**

We will steadily extend technological assistance to maximize profits in the fields of existing businesses serving as the source of earnings and promote research & development by treating mineral resources, environmental, overseas and construction materials businesses as new profit-generating growth sectors of the future, with the aim of building the mainstay of next-generation businesses.

We look forward to your continued support and cooperation as our stockholder.

(Translation)

## 5) Material Subsidiaries

Company name	The Company's percentage of equity participation	Principal business
DC Co., Ltd.	100	Manufacturing and sale of cement
Clion Co., Ltd.	97.7	Manufacturing and sale of autoclaved lightweight aerated concrete (ALC)
Myojyo Cement Co., Ltd.	100	Manufacturing and sale of cement
Taiheiyo Materials Corporation	100	Manufacturing and sale of various construction materials such as admixture and non-shrink grout
CalPortland Company	100	Manufacturing and sale of cement, ready-mixed concrete, etc. in the United States
Jiangnan-Onoda Cement Co., Ltd.	88.5	Manufacturing and sale of cement in China
Qinhuangdao Asano Cement Co., Ltd.	71.9	Manufacturing and sale of cement in China
Dalian Onoda Cement Co., Ltd.	84.8	Manufacturing and sale of cement in China
Nghi Son Cement Corporation	65.0	Manufacturing and sale of cement in Vietnam
Taiheiyo Cement Philippines, Inc	100	Manufacturing and sale of cement in the Philippines

(Notes) 1. The Company's percentage of equity participation includes indirect ownership through subsidiaries.

2. The Company's percentage of equity participation in Clion Co., Ltd. is calculated by excluding treasury stock.

## 6) Material Business Transfers and Acquisitions, and Purchase of the Shares of Other Companies, etc.

With an effective date of August 1, 2016, the Company conducted a share exchange with the aim of making DC Co., Ltd. a wholly-owned subsidiary, and made it a wholly-owned subsidiary of the Company as of same date.

## 7) Principal Businesses

Businesses of the Taiheiyo Cement Group are divided into Cement Business Segment, Mineral Resources Business Segment, Environmental Business Segment, Construction Materials Business Segment and Other Business Segment, and mainly consist of the following.

### (i) Cement Business

Ordinary Portland cement and other various types of cement, white cement, construction – material – purpose cement, ecocement, cement-based solidifying agent, ready-mixed concrete, admixture, etc.

### (ii) Mineral Resources Business

Aggregates, limestone, white marble, quicklime, silica powder, lightweight fill material, heavy metal immobilizer, surplus construction soil recycling business, etc.

### (iii) Environmental Business

Waste recycling business (recycling into cement raw materials and fuels), flue gas desulfurization materials, recycled products, chemicals, water-related business, etc.

### (iv) Construction Materials Business

Concrete products, construction materials, civil engineering and construction work, etc.

### (v) Other Business

Real estate business, engineering business, data processing business, finance business, transportation and warehousing business, chemical products business, sports business, etc.

(Translation)

## 8) Principal Business Locations

### (i) The Company's principal business locations and plants

**Head Office:** 2-3-5, Daiba, Minato-ku, Tokyo, Japan

**Central Research Laboratory:** Sakura City, Chiba Prefecture, Japan

### Branches and Plants

Branches		Plants	
Name	Location	Name	Location
Hokkaido Branch	Sapporo City, Hokkaido Prefecture	Kamiiso Plant	Hokuto City, Hokkaido Prefecture
Tohoku Branch	Sendai City, Miyagi Prefecture	Ofunato Plant	Ofunato City, Iwate Prefecture
Tokyo Branch	Minato-ku, Tokyo	Kumagaya Plant	Kumagaya City, Saitama Prefecture
Kanto Branch	Takasaki City, Gunma Prefecture	Saitama Plant	Hidaka City, Saitama Prefecture
Chubu Hokuriku Branch	Nagoya City, Aichi Prefecture	Fujiwara Plant	Inabe City, Mie Prefecture
Kansai Shikoku Branch	Osaka City, Osaka Prefecture	Oita Plant	Tsukumi City, Oita Prefecture
Chugoku Branch	Hiroshima City, Hiroshima Prefecture		
Kyushu Branch	Fukuoka City, Fukuoka Prefecture		

### (ii) Principal business locations of material subsidiaries

Name	Location
DC Co., Ltd.	Kawasaki City, Kanagawa
Clion Co., Ltd.	Koto-ku, Tokyo
Myojyo Cement Co., Ltd.	Itoigawa City, Niigata Prefecture
Taiheiyo Materials Corporation	Koto-ku, Tokyo
CalPortland Company	California, USA
Jiangnan-Onoda Cement Co., Ltd.	Jiangsu, China
Qinhuangdao Asano Cement Co., Ltd.	Hebei, China
Dalian Onoda Cement Co., Ltd.	Liaoning, China
Nghi Son Cement Corporation	Tinh Thanh Hoa, Vietnam
Taiheiyo Cement Philippines, Inc.	Cebu, Philippines

(Note) Taiheiyo Materials Corporation has moved to Kita-ku, Tokyo in May 2017.

## 9) Employees

Business Segment	Number of Employees (persons)
Cement	8,455
Mineral Resources	891
Environmental	149
Construction Materials	1,416
Other	1,834
Group-wide (common)	263
Total	13,008

- (Notes) 1. The number of employees refers to the number of persons on the payroll.  
2. The above includes the following number of employees of the Company. The number of employees stated below does NOT include employees on temporary retirement, seconded employees, etc. (540 persons).

Number of employees (persons)	Increase (decrease) from previous year (persons)	Average age (years old)	Average length of service (years)
1,702	5	41.7	20.0

(Translation)

## 10) Major Lenders and Amount of Borrowings

Lender	Outstanding borrowings (millions of yen)
Mizuho Bank, Ltd.	48,018
Sumitomo Mitsui Banking Corporation	35,248

## 2. Shares of the Company

- 1) Total number of shares authorized to be issued 1,977,308,000 shares
- 2) Total number of shares outstanding 1,271,402,783 shares  
(including 30,501,997 shares of treasury stock)
- 3) Number of stockholders 69,882 persons

### 4) Major stockholders

Stockholder name	Holding (thousand shares)	Stockholding ratio (%)
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	88,846	7.1
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	71,844	5.7
MIZUHO BANK, LTD.	25,155	2.0
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 5)	23,209	1.8
HSBC-FUND SERVICES BANK NEGARA MALAYSIA-EQUITY	21,189	1.7
STATE STREET BANK AND TRUST COMPANY	19,783	1.5
MSCO CUSTOMER SECURITIES	19,533	1.5
STATE STREET BANK WEST CLIENT-TREATY 505234	19,222	1.5
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 7)	17,555	1.4
STATE STREET BANK AND TRUST COMPANY 505225	17,422	1.4

- (Note) 1. The Company holds 30,501,997 shares of treasury stock.  
2. The stockholding ratio is calculated by excluding treasury stock.

(Translation)

### 3. Company Officers

#### 1) Name, etc. of Directors and Corporate Auditors

Position	Name	Significant concurrent positions
President and Representative Director	Shuji Fukuda	
Representative Director	Yuuichi Kitabayashi	
Director	Ken Kikuchi	
Director	Shigeru Matsushima	
Director	Masafumi Fushihara	Outside Director of P.S. Mitsubishi Construction Co., Ltd.
Director	Toshihide Nishimura	Outside Corporate Auditor of NIPPON CONCRETE INDUSTRIES CO., LTD.
Director	Youichi Funakubo	
Director	Keiichi Miura	
Director	Masahiro Karino	
Director	Kunihiro Ando	
Director	Ichirou Egami	
Director	Yoshiko Koizumi	Outside Director of Dowa Holdings Co., Ltd. Outside Corporate Auditor of Sumitomo Bakelite Co., Ltd. Lawyer, Partner of City-Yuwa Partners
Director	Yuuzou Arima	
Corporate Auditor (Standing)	Kohji Ishii	
Corporate Auditor (Standing)	Hidehiko Kasamura	
Corporate Auditor	Takashi Nonaka	Outside Director of Takachiho Koheki Co., Ltd.
Corporate Auditor	Yoshio Narukage	

- (Notes)
1. Directors Yoshiko Koizumi and Yuuzou Arima are Outside Directors.
  2. Corporate Auditors Takashi Nonaka and Yoshio Narukage are Outside Corporate Auditors.
  3. Directors Youichi Funakubo, Keiichi Miura, Masahiro Karino, Kunihiro Ando, Ichirou Egami and Yuuzou Arima and Corporate Auditor Hidehiko Kasamura were newly elected at the 18th Ordinary General Meeting of Stockholders held on June 29, 2016, and took office on the same day.
  4. Directors Keiji Tokuu, Shou Kurasaki, Kenji Ogawa, Takaki Minato, Hidehiko Kasamura and Keiichi Otagaki retired from office at the close of the 18th Ordinary General Meeting of Stockholders held on June 29, 2016.
  5. Corporate Auditor Noriyuki Ishii resigned from office at the close of the 18th Ordinary General Meeting of Stockholders held on June 29, 2016.
  6. Corporate Auditor Hidehiko Kasamura has hands-on experience in the business management division of the Company and has considerable financial and accounting expertise.
  7. Corporate Auditors Takashi Nonaka and Yoshio Narukage have years of experience in financial institutions and have considerable financial and accounting expertise.
  8. The Company receives legal advice as required from lawyers of City-Yuwa Partners other than Director Yoshiko Koizumi, where she holds a significant concurrent position, but the Company has not concluded an advisory agreement with the law firm, and there is no special interest relationship. Additionally, there are no special interest relationships between the Company and any of the significant concurrent positions of the other Outside Executives.
  9. The Company has registered Directors Yoshiko Koizumi and Yuuzou Arima as independent directors

(Translation)

and Corporate Auditors Takashi Nonaka and Yoshio Narukage as independent corporate auditors at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange.

10. The following personnel change took place effective April 1, 2017.

Name	Position in the Company, assignment and significant concurrent positions	
	Before change	After change
Yuuichi Kitabayashi	Representative Director	Vice President and Representative Director Overseeing Corporate Planning Department

11. Retirements regarding significant concurrent positions during the fiscal year under review were as follows.

Name	Position	Significant concurrent positions	Date of retirement
Ken Kikuchi	Director	Director of Ssangyong Cement Industrial Co., Ltd.	August 30, 2016

(Translation)

12. The Company has introduced an executive officer system; executive officers as of April 1, 2017 are as follows.

Position	Name	Assignment
Senior Executive Officer	Shigeru Matsushima*	Overseeing General Affairs Department and Purchasing Department
Senior Executive Officer	Masafumi Fushihara*	Senior General Manager of Cement Business Division
Managing Executive Officer	Youichi Funakubo*	Overseeing Secretarial Department, Accounting & Finance Department and Real Estate Business Department
Managing Executive Officer	Keiichi Miura*	Overseeing Intellectual Property Department and Central Research Laboratory
Managing Executive Officer	Masahiro Karino*	Overseeing Human Resources Department, Legal Department and Internal Auditing Department
Managing Executive Officer	Kunihiro Ando*	Overseeing Mining Department, Mineral Resources Business Department and Environmental Business Development Department
Managing Executive Officer	Ichirou Egami*	Senior General Manager of International Business Division
Managing Executive Officer	Tomoya Sakamoto	Overseeing Production Department and Maintenance & Engineering Department
Managing Executive Officer	Katsuhide Fukuhara	Overseeing Construction Materials Business Department and Business Planning & Administration Department
Executive Officer	Toshiaki Suzuki	General Manager of Tokyo Branch
Executive Officer	Satoshi Asami	President and CEO of Taiheiyo Cement Philippines, Inc.
Executive Officer	Toru Kanai	Chairman and CEO of Taiheiyo Cement (China) Investment Co., Ltd.
Executive Officer	Seiichi Araki	General Manager of Human Resources Department
Executive Officer	Yoshiaki Tominaga	General Manager of Mineral Resources Business Department
Executive Officer	Kazuo Horikawa	General Manager of Kanto Branch
Executive Officer	Yoshiyuki Uenoyama	General Manager of Production Department
Executive Officer	Hideaki Asakura	General Director of Nghi Son Cement Corporation
Executive Officer	Tetsuya Ohashi	General Manager of Business Development Department, International Business Division
Executive Officer	Yukimasa Nakano	General Manager of Kyushu Branch
Executive Officer	Katsuyoshi Fukagawa	CEO of Qinhuangdao Asano Cement Co., Ltd.
Executive Officer	Yoshifumi Taura	General Manager of International Marketing & Trading Department, International Business Division

Persons who concurrently serve as Directors are marked with an asterisk (\*).

(Translation)

## 2) Total Amount of Compensation, etc. to Directors and Corporate Auditors

Classification	Number of persons paid (persons)	Amount paid (millions of yen)
Directors	19	745
Corporate Auditors	5	72
Total	24	817

- (Notes) 1. Directors' and Corporate Auditors' number of persons paid includes six Directors and one Corporate Auditor who retired or resigned at the close of the 18th Ordinary General Meeting of Stockholders held on June 29, 2016.
2. Above compensation, etc. includes compensation, etc. to outside officers totaling ¥51 million. There were five outside officers who received payment.

## 3) Outside Officers

### (1) Main Activities in Fiscal Year under Review

Position	Name	Attendance at meetings of Board of Directors	Attendance at meetings of Board of Auditors	Comment status
Director	Yoshiko Koizumi	15 out of 15 meetings	-	Made comments as appropriate at the meetings of the Board of Directors based on her wealth of experience mainly as a lawyer and insight in corporate management.
Director	Yuuzou Arima	11 out of 11 meetings	-	Made comments as appropriate at the meetings of the Board of Directors based on his wealth of experience mainly as a management executive of a manufacturing company.
Corporate Auditor	Takashi Nonaka	15 out of 15 meetings	13 out of 13 meetings	Made comments as appropriate at the meetings of the Board of Directors and meetings of the Board of Auditors based on his wealth of experience mainly as a management executive of a financial institution.
Corporate Auditor	Yoshio Narukage	15 out of 15 meetings	13 out of 13 meetings	Made comments as appropriate at the meetings of the Board of Directors and meetings of the Board of Auditors based on his wealth of experience mainly as a management executive of a financial institutions, etc.

(Note) During the fiscal year under review, 15 meetings of the Board of Directors were held. Since Director Yuuzou Arima took office as Director, 11 meetings of the Board of Directors have been held.

### (2) Overview of Limited Liability Agreement

The Company has concluded an agreement with each outside officer, which limits his/her liability for damages in respect of his/her responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that he/she executes his/her duties in good faith and without gross negligence.

(Translation)

#### **4. Accounting Auditor**

**1) Name of the Company's Accounting Auditor**  
KPMG AZSA LLC

**2) Accounting Auditor's Compensation, etc. in Fiscal Year under Review**  
¥ 99 million

(Notes) 1. Under the audit agreement between the Company and its Accounting Auditor, the amount of compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not distinguished from each other and are indistinguishable in practice. Therefore, the above amount includes compensation, etc. for audits pursuant to the Financial Instruments and Exchange Act.

2. The Board of Auditors of the Company, in observance of the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, has confirmed the time taken to audit each audit item, trends in audit fees, and the status of execution of duties of the Accounting Auditor, and upon considering the appropriateness of the audit plan and appropriateness of audit fees for the fiscal year under review, agrees to the fees, etc., of the Accounting Auditor under Article 399, Paragraph 1 of the Companies Act.

**3) Description of Non-audit Services to the Company involving Payment of Consideration to Accounting Auditor**

The Company entrusts, to the Accounting Auditor, advisory services relating to the adoption of International Financial Reporting Standards, which are services other than the services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services), and pays consideration for said services.

**4) Policy for Determination of Dismissal or Non-reappointment of Accounting Auditor**

1) If the Accounting Auditor is deemed to correspond to any of the matters set forth in the items of Article 340, Paragraph 1 of the Companies Act, the Board of Auditors will dismiss the Accounting Auditor subject to the consent of all Corporate Auditors, in which case the Corporate Auditor selected by the Board of Auditors will report the dismissal and the reason for the dismissal at the first Ordinary General Meeting of Stockholders held after the dismissal.

2) The Board of Directors will specify the dismissal or non-reappointment of the Accounting Auditor as an agenda of the General Meeting of Stockholders based on the Board of Auditors' resolution in cases where severe problems have arisen in the Company's audit operations and in other such cases.

**5) Total Amount of Money and Other Property Benefits Payable to Accounting Auditor by the Company and its Subsidiaries**

¥ 265 million

(Note) Among significant subsidiaries of the Company, DC Co., Ltd., CalPortland Company, Jiangnan-Onoda Cement Co., Ltd., Qinhuangdao Asano Cement Co., Ltd., Dalian Onoda Cement Co., Ltd., Nghi Son Cement Corporation and Taiheiyo Cement Philippines, Inc. have been audited (limited to audits under the provisions of the Companies Act or the Financial Instruments and Exchange Act (including laws and ordinances of foreign countries corresponding to said Acts)) by a Certified Public Accountant or an audit corporation other than the Company's Accounting Auditor (including those with foreign qualifications equivalent to CPA/auditor qualifications).

(Translation)

## **5. System to Ensure that Directors Comply with Laws and Ordinances and the Articles of Incorporation in Executing Their Duties and Other Systems to Ensure Proper Execution of Operations**

### **(1) Summary of the System to Ensure the Proper Execution of Operations**

The Company has systems to ensure the proper execution of operations (so-called internal control systems) and defines them as shown below.

#### **1) System to ensure that Directors, Executive Officers and employees comply with laws and ordinances and the Articles of Incorporation in executing their duties**

- (i) The Company shall strengthen its system for ensuring that the actions of Directors, Executive Officers and employees comply with laws and ordinances, the Articles of Incorporation and other internal company rules, and conventional wisdom in accordance with the Mission of the Taiheiyo Cement Group, Business Principles, Basic Compliance Policy and Compliance Rules.
- (ii) The CSR Management Committee, an interdepartmental committee under the direct authority of the Board of Directors, pursues policies to promote compliance awareness among Directors, Executive Officers and employees in accordance with the CSR Prospectus.
- (iii) The Internal Auditing Department conducts audits of the business activities of each place of business within the Company to determine whether Executive Officers and employees comply with laws and ordinances, the Articles of Incorporation, etc. in executing their duties, provides advice and recommendations after identifying items in need of improvement, and reports to the President about audit results and then notifies Directors and Corporate Auditors.
- (iv) The Company employs an internal reporting system that uses a compliance hotline to reach representatives both inside and outside the Company (law firm) to enable an accurate response while protecting the informer and ensuring transparency.

#### **2) System to store and manage information related to the execution of duties by Directors**

The Company documents, stores and manages information related to the execution of duties by Directors in accordance with the Board of Directors Rules, Decision Making Rules and Document Management Rules. Directors and Corporate Auditors can review these documents at any time.

#### **3) Rules and other systems related to managing the risk of loss**

- (i) The Company has prepared the Basic Risk Management Policy and Risk Management Rules covering basic matters and specific responses to prevent and minimize the impact of risk items that could significantly affect the business of the Taiheiyo Cement Group. The CSR Management Committee is in charge of pursuing specific measures, and reports to the Board of Directors about the status of these activities.
- (ii) In the event of an emergency, the Company establishes an Emergency Headquarters led by the President to pool information and exercise top-down leadership in tackling the emergency in accordance with the provisions of the Risk Management Rules.

#### **4) System to ensure that Directors execute their duties efficiently**

- (i) The Company delegates to Executive Officers the authority for certain business matters as stipulated in the Decision Making Rules and elsewhere. Executive Officers, based on a Management by Objectives, set clear targets for each responsible organization under their control and execute their duties efficiently.
- (ii) The Board of Directors efficiently allocates business resources from the perspective of optimizing companywide resources and in accordance with the medium-term management plan and annual management policy (President's policy), and reviews the targets of Executive Officers and the progress of policies reported from time to time.

#### **5) System for ensuring proper execution of operations within the company group, comprising the Company and its subsidiaries**

The Company, in accordance with its Group Companies Management Rules, takes the following steps to provide appropriate management and support to its subsidiaries to enable the adequate functioning of their management organizations (general meeting of stockholders, board of directors, corporate auditors, and board of auditors) and the establishment of independent management based on self-responsibility.

- (i) The Company assigns, in principle, Directors, Executive Officers and employees to serve as

(Translation)

directors or corporate auditors at its subsidiaries. These corporate auditors conduct audits of internal control systems.

- (ii) The Internal Auditing Department conducts audits of the business activities according to the size, nature of business, etc. of subsidiaries to determine whether the directors and employees of the subsidiaries comply with laws and ordinances, the Articles of Incorporation, etc. in executing their duties, provides advice and recommendations after identifying items in need of improvement, and reports to the President about audit results and then notifies Directors and Corporate Auditors.
- (iii) The Company seeks to understand the business conditions of each subsidiary through performance reports and other means and endeavors to share information through exchanges of opinions between the Company and directors at subsidiaries (including directors serving concurrently as Directors, Executive Officers or employees at the Company) by periodically holding Group Executive Committee meetings.
- (iv) The Company makes its subsidiaries appoint officers responsible for risk management and compliance as well as risk management and compliance promoters according to their size, nature of business, etc. and strives to prevent and reduce risks in the Taiheiyo Cement Group by collaborating with each company, and adopts a system for reporting to Directors and Corporate Auditors of the Company if a crisis occurs or if an event with the risk of developing into a crisis arises at a company.

**6) System to ensure reliability of financial reporting**

The Company develops a system required to properly conduct financial reporting such as consolidated financial statements.

**7) Matters related to personnel to assist Corporate Auditors and independence of such personnel from Directors**

The Company has established a Corporate Auditor's Office which assists Corporate Auditors in performing their duties, and assigns full-time personnel. The Company shall request and respect the opinion of the Board of Auditors in matters related to the transfer and evaluation of such full-time personnel.

**8) System for reporting to Corporate Auditors by Directors, Executive Officers and employees of the Company as well as directors, corporate auditors and employees of subsidiaries or persons who received a report from them and other systems for reporting to Corporate Auditors**

- (i) The Company employs a system in which Corporate Auditors can attend important meetings related to business matters to receive reports from Directors and other employees about the status of the execution of their duties.
- (ii) The Company adopts a system in which any facts that may inflict serious damage to the Company are reported to Corporate Auditors by Directors, Executive Officers and employees of the Company as well as directors, corporate auditors and employees of subsidiaries or persons who received a report from them.
- (iii) The Company prohibits the unfavorable treatment of anyone who has made a report under the preceding item.

**9) Other systems to ensure effective auditing by Corporate Auditors**

- (i) The Company employs a system in which Corporate Auditors are shown documents related to important decisions and can gain access to a variety of information, including management information, at any time.
- (ii) The Company provides a venue for Corporate Auditors to exchange opinions and information with the Accounting Auditor.
- (iii) When a Corporate Auditor requests the prepayment or payment of expenses required for performing his/her duties, the Company promptly pays such expenses.

**(2) Summary of the Operational Status of the System to Ensure the Proper Execution of Operations**

The Company's Internal Control System is maintained through systems in line with the basic policy above, and is appropriately managed. Key measures are as follows.

**1) Compliance system**

- (i) Based on the CSR Prospectus, a CSR Management Committee has been established composed of

(Translation)

all Directors with the President as the Chairman, and it is held once per quarter. The CSR Management Committee formulates a CSR Action Plan for every fiscal year, understands and confirms its status of progress, and makes evaluations. Additionally, the results are reported to the Board of Directors.

- (ii) Directly under the CSR Management Committee, the Risk Management and Compliance Committee was established as a subordinate body, and upon formulation of the action plan, it understands and confirms the status of implementation. Additionally, the status of these measures are reported to the CSR Management Committee.
- (iii) Officers responsible for risk management and compliance as well as risk management and compliance promoters are selected, these persons engage in promotion of compliance, and the Company also implements training for these responsible persons and leaders.
- (iv) Education regarding compliance is conducted via forms such as training for new employees and training depending on job level, distributing action guideline casebooks, and self-checks utilizing e-learning, all in an effort to thoroughly implement compliance.

## **2) Risk management system**

- (i) Based on the Basic Risk Management Policy, Risk Management Rules are defined, and while promoting measures toward risk management, responses to emergency situations are defined in the Crisis Management Rules.
- (ii) The annual risk countermeasure plan is formulated, and based on a PDCA cycle, measures for risk management are promoted.
- (iii) In preparation for unexpected events such as disasters and accidents, etc., periodic disaster prevention drills and emergency supply distribution exercises are implemented. Additionally, exercises such as initial response simulation training in the event of a large-scale natural disaster are also conducted to aim to increase awareness of response processes.
- (iv) Under the Basic Information Security Policy, an information security management system has been established, and while aiming for thorough protection of information assets and appropriate management and handling, information risk countermeasures are promoted via information security education such as e-learning.

## **3) Ensuring proper execution of operations at the Group**

- (i) Based on the Group Companies Management Rules, a system is maintained where group companies and the Company deliberate on important matters, direction and management is conducted as required, and support is provided to management.
- (ii) While understanding the management conditions of each group company through periodic achievement reporting, etc., a Group Executive Committee meeting is held twice per year to exchange opinions on various themes and share information related to management of the Group.
- (iii) Directors and Corporate Auditors of subsidiaries are seconded from the Company to supervise business execution and implement audits regarding the internal control systems, etc.
- (iv) The Internal Auditing Department, upon formulating an audit implementation plan based on the annual audit policy, implements internal audits toward subsidiaries, and provides advice and recommendations.

## **4) Execution of business by Directors**

- (i) The Board of Directors is composed of 13 persons, including two Outside Directors, and meetings were held 15 times during the fiscal year under review, where deliberation and determination was made regarding important matters defined by laws and regulations and the Articles of Incorporation, in addition to supervision of the execution of business by Directors.
- (ii) For important matters other than those to be deliberated by the Board of Directors, Executive Committee meetings were held 30 times for deliberation.
- (iii) To secure the efficiency of execution of business by Directors, reports on the status of business execution are made at the Board of Directors by dividing up duties among the Directors and Executive Officers.
- (iv) Regarding management execution, a certain level of authority is delegated to Executive Officers. Executive Officers execute business via a Management by Objectives that is in line with the Medium-term Management Plan and the annual management policy (President's policy), and the Board of Directors reviews the status of progress.

(Translation)

**5) Execution of business by Corporate Auditors**

- (i) Aside from Board of Directors meetings, Corporate Auditors attend important meetings such as the Executive Committee to confirm the status of the development and operation of the internal control system.
- (ii) Corporate Auditors receive reports on the internal audits carried out by the Internal Audit Department, while cooperating with the Internal Audit Department to efficiently carry out audits of each business office, subsidiary, etc.
- (iii) Periodic meetings are held with the Accounting Auditor to exchange information.
- (iv) A Corporate Auditor's Office has been established to assist Corporate Auditors in performing their duties, and full-time personnel has been assigned.

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Figures stated in this Business Report are rounded down to the nearest unit of presentation (first decimal place in the case of percentages), except for *net income per share*, which is rounded off to the second decimal place, and *average age* and *average length of service* of employees of the Company, which are rounded off to the first decimal place.

(Translation)

## **Consolidated Financial Statements**

(April 1, 2016 - March 31, 2017)

### **Consolidated Balance Sheets**

(Unit: Millions of yen)

Account	FY2017 (as of March 31, 2017)	(Reference) FY2016 (as of March 31, 2016)
<b>Assets</b>		
<b>Current assets</b>	<b>332,895</b>	<b>308,918</b>
Cash and deposits	60,516	53,539
Notes and accounts receivable-trade	171,946	161,392
Merchandise and finished goods	31,835	31,187
Work in process	1,708	1,485
Raw materials and supplies	42,422	42,624
Deferred tax assets	9,098	6,886
Short-term loans receivable	3,896	3,018
Other	12,595	9,721
Allowance for doubtful accounts	(1,125)	(938)
<b>Noncurrent Assets</b>	<b>682,520</b>	<b>705,156</b>
<b>Property, plant and equipment</b>	<b>497,151</b>	<b>487,611</b>
Buildings and structures	136,454	132,708
Machinery, equipment and vehicles	135,380	147,151
Land	160,571	140,726
Construction in progress	19,083	20,950
Other	45,660	46,074
<b>Intangible assets</b>	<b>37,660</b>	<b>43,919</b>
Goodwill	3,409	6,432
Other	34,250	37,487
<b>Investments and other assets</b>	<b>147,708</b>	<b>173,626</b>
Investment securities	84,781	115,443
Long-term loans receivable	3,238	1,127
Deferred tax assets	19,056	23,258
Assets for retirement benefits	17,352	8,968
Other	31,613	31,483
Allowance for doubtful accounts	(8,333)	(6,655)
<b>Total Assets</b>	<b>1,015,415</b>	<b>1,014,075</b>

(Translation)

Account	FY2017 (as of March 31, 2017)	(Reference) FY2016 (as of March 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>308,910</b>	<b>321,229</b>
Notes and accounts payable-trade	79,676	73,893
Short-term loans payable	134,428	160,421
Current portion of bonds	11,120	450
Income taxes payable	5,914	8,351
Deferred tax liabilities	4	5
Provision for bonuses	5,742	5,723
Other provision	410	751
Other	71,613	71,631
<b>Noncurrent liabilities</b>	<b>306,469</b>	<b>335,772</b>
Bonds payable	35,035	46,155
Long-term loans payable	160,346	187,471
Deferred tax liabilities	8,378	3,527
Liability for retirement benefits	24,217	22,814
Provision for directors' retirement benefits	568	433
Provision for special repairs	121	245
Other provision	981	747
Lease obligations	21,285	15,662
Asset retirement obligations	7,520	7,990
Other	48,013	50,725
<b>Total liabilities</b>	<b>615,380</b>	<b>657,002</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>	<b>363,725</b>	<b>324,851</b>
<b>Capital stock</b>	<b>86,174</b>	<b>86,174</b>
<b>Capital surplus</b>	<b>59,548</b>	<b>50,925</b>
<b>Retained earnings</b>	<b>228,914</b>	<b>188,731</b>
<b>Treasury stock</b>	<b>(10,911)</b>	<b>(979)</b>
<b>Accumulated other comprehensive income</b>	<b>(1,906)</b>	<b>(6,566)</b>
Valuation difference on available-for-sale securities	9,830	4,755
Deferred gains or losses on hedges	48	16
Revaluation reserve for land	5,065	4,665
Foreign currency translation adjustments	(12,862)	(4,174)
Retirement benefits liability adjustments	(3,987)	(11,829)
<b>Non-controlling interests</b>	<b>38,215</b>	<b>38,787</b>
<b>Total net assets</b>	<b>400,034</b>	<b>357,073</b>
<b>Total liabilities and net assets</b>	<b>1,015,415</b>	<b>1,014,075</b>

(Translation)

**Consolidated Statements of Income**

(Unit: Millions of yen)

Account	FY2017 (April 1, 2016 - March 31, 2017)	(Reference) FY2016 (April 1, 2015 - March 31, 2016)
<b>Net sales</b>	<b>798,588</b>	<b>835,359</b>
<b>Cost of sales</b>	<b>599,924</b>	<b>640,375</b>
<b>Gross profit</b>	<b>198,664</b>	<b>194,983</b>
<b>Selling, general and administrative expenses</b>	<b>135,429</b>	<b>134,550</b>
<b>Operating income</b>	<b>63,235</b>	<b>60,433</b>
<b>Non-operating income</b>	<b>5,888</b>	<b>11,456</b>
Interest and dividends income	1,650	1,563
Equity in earnings of unconsolidated subsidiaries and affiliates	2,009	5,292
Other	2,228	4,600
<b>Non-operating expenses</b>	<b>9,320</b>	<b>11,664</b>
Interest expenses	4,998	6,492
Other	4,321	5,172
<b>Ordinary income</b>	<b>59,802</b>	<b>60,225</b>
<b>Extraordinary income</b>	<b>21,661</b>	<b>3,282</b>
Gain on disposal of non-current assets	648	1,666
Gain on sales of investment securities	4,012	1,325
Gain on bargain purchase	16,874	-
Other	126	290
<b>Extraordinary loss</b>	<b>28,723</b>	<b>10,915</b>
Loss on disposal of non-current assets	3,965	3,205
Loss on sales of investment securities	24	81
Loss on valuation of investment securities	68	374
Impairment loss	20,693	5,757
Loss on step acquisitions	3,034	-
Other	936	1,497
<b>Income before income taxes</b>	<b>52,741</b>	<b>52,592</b>
Income taxes-current	8,830	14,334
Income taxes-deferred	(3,646)	678
<b>Profit</b>	<b>47,556</b>	<b>37,579</b>
Profit (loss) attributable to non-controlling interests	(40)	1,175
<b>Profit attributable to owners of parent</b>	<b>47,597</b>	<b>36,404</b>

(Translation)

## **Non-consolidated Financial Statements**

(April 1, 2016 - March 31, 2017)

### **Non-consolidated Balance Sheets**

(Unit: Millions of yen)

Account	FY2017 (as of March 31, 2017)	(Reference) FY2016 (as of March 31, 2016)
<b>Assets</b>		
<b>Current assets</b>	<b>109,708</b>	<b>98,306</b>
Cash and deposits	7,619	3,175
Notes receivable-trade	18,309	18,228
Accounts receivable-trade	47,141	46,697
Merchandise and finished goods	8,233	8,585
Raw materials and supplies	16,217	15,266
Prepaid expenses	351	333
Deferred tax assets	3,151	1,783
Other	8,689	4,238
Allowance for doubtful accounts	(3)	(3)
<b>Noncurrent Assets</b>	<b>461,904</b>	<b>489,267</b>
<b>Property, plant and equipment</b>	<b>201,825</b>	<b>204,642</b>
Buildings	23,309	23,783
Structures	51,516	47,747
Machinery and equipment	38,339	36,524
Vehicles	106	125
Tools, furniture and fixtures	718	676
Raw materials land	13,019	13,097
Land	66,918	69,547
Lease assets	3,821	4,121
Construction in progress	4,073	9,019
<b>Intangible assets</b>	<b>14,289</b>	<b>14,592</b>
Mining rights	10,706	10,908
Software	740	838
Other	2,842	2,845
<b>Investments and other assets</b>	<b>245,789</b>	<b>270,032</b>
Investment securities	23,355	20,265
Shares of subsidiaries and affiliates	172,808	173,001
Investments in capital	36	36
Investments in capital of subsidiaries and affiliates	16,039	37,164
Long-term loans receivable	74	147
Long-term prepaid expenses	10,483	10,817
Prepaid pension costs	17,725	21,014
Other	39,359	53,482
Allowance for doubtful accounts	(34,093)	(45,896)
<b>Total Assets</b>	<b>571,613</b>	<b>587,574</b>

(Translation)

Account	FY2017 (as of March 31, 2017)	(Reference) FY2016 (as of March 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>131,021</b>	<b>142,478</b>
Accounts payable-trade	29,892	29,146
Short-term loans payable	57,679	75,599
Current portion of bonds	10,000	-
Lease obligations	883	1,176
Accounts payable-other	15,483	17,921
Accrued expenses	12,755	11,158
Income taxes payable	203	3,534
Advances received	343	146
Deposits received	312	199
Unearned revenue	1,286	1,430
Provision for bonuses	2,180	2,152
Other	-	12
<b>Noncurrent liabilities</b>	<b>182,163</b>	<b>216,485</b>
Bonds payable	35,000	45,000
Long-term loans payable	108,453	132,763
Lease obligations	3,184	3,151
Deferred tax liabilities	2,024	3,515
Provision for loss on guarantees	2,381	1,166
Guarantee deposits received	28,331	28,323
Asset retirement obligations	2,443	2,168
Other	344	395
<b>Total liabilities</b>	<b>313,185</b>	<b>358,963</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>	<b>252,234</b>	<b>224,659</b>
<b>Capital stock</b>	<b>86,174</b>	<b>86,174</b>
<b>Capital surplus</b>	<b>56,275</b>	<b>48,110</b>
Legal capital surplus	42,215	34,049
Other capital surplus	14,060	14,060
<b>Retained earnings</b>	<b>120,271</b>	<b>90,816</b>
Other retained earnings	120,271	90,816
Reserve for mine prospecting	252	251
Reserve for advanced depreciation of non-current assets	17,024	17,477
Retained earnings brought forward	102,994	73,087
<b>Treasury stock</b>	<b>(10,486)</b>	<b>(441)</b>
<b>Valuation and translation adjustments</b>	<b>6,193</b>	<b>3,951</b>
Valuation difference on available-for-sale securities	6,186	3,960
Deferred gains or losses on hedges	7	(8)
<b>Total net assets</b>	<b>258,428</b>	<b>228,610</b>
<b>Total liabilities and net assets</b>	<b>571,613</b>	<b>587,574</b>

(Translation)

## Non-consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2017 (April 1, 2016 - March 31, 2017)	(Reference) FY2016 (April 1, 2015 - March 31, 2016)
<b>Net sales</b>	<b>300,398</b>	<b>300,642</b>
<b>Cost of sales</b>	<b>203,682</b>	<b>204,645</b>
<b>Gross profit</b>	<b>96,715</b>	<b>95,997</b>
<b>Selling, general and administrative expenses</b>	<b>66,104</b>	<b>63,045</b>
<b>Operating income</b>	<b>30,611</b>	<b>32,952</b>
<b>Non-operating income</b>	<b>9,142</b>	<b>7,274</b>
Dividends income	4,461	5,486
Reversal of allowance for doubtful accounts	4,054	1,031
Other	626	757
<b>Non-operating expenses</b>	<b>5,051</b>	<b>4,011</b>
Interest expenses	1,624	2,332
Provision for loss on guarantees	1,214	-
Other	2,211	1,679
<b>Ordinary income</b>	<b>34,702</b>	<b>36,214</b>
<b>Extraordinary income</b>	<b>25,969</b>	<b>3,117</b>
Gain on disposal of non-current assets	239	412
Gain on sales of investment securities	18	134
Gain on sales of shares of subsidiaries and affiliates	25,711	2,569
<b>Extraordinary loss</b>	<b>27,485</b>	<b>3,803</b>
Loss on disposal of non-current assets	2,945	2,537
Loss on liquidation of subsidiaries and affiliates	0	0
Loss on valuation of shares of subsidiaries and affiliates	902	-
Loss on valuation of investments in capital of subsidiaries and affiliates	21,243	-
Loss on valuation of investment securities	5	96
Loss on sales of investment securities	30	59
Impairment loss	2,357	1,110
<b>Income before income taxes</b>	<b>33,187</b>	<b>35,527</b>
Income taxes-current	65	6,067
Income taxes-deferred	(3,848)	3,133
<b>Net income</b>	<b>36,970</b>	<b>26,326</b>

(Translation)

**Independent Auditor's Report**

May 15, 2017

The Board of Directors  
Taiheiyo Cement Corporation.

KPMG AZSA LLC

Shozo Tokuda (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yohihide Takehisa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yoshiaki Sekine (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Taiheiyo Cement Corporation as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 444-4 of the Companies Act.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

(Translation)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Taiheiyo Cement Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

### **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

(Translation)

**Independent Auditor's Report**

May 15, 2017

The Board of Directors  
Taiheiyo Cement Corporation

KPMG AZSA LLC

Shozo Tokuda (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yoshihide Takehisa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yoshiaki Sekine (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Taiheiyo Cement Corporation as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 436-2-1 of the Companies Act.

**Management's Responsibility for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

(Translation)

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Taiheiyo Cement Corporation. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

### **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

(Translation)

Board of Auditors' Audit Report (Copy)

## Audit Report

The Board of Auditors has prepared this Audit Report following deliberations based on the respective audit reports prepared by Corporate Auditors in relation to the execution of duties by Directors for the 19<sup>th</sup> fiscal term from April 1, 2016 to March 31, 2017. The report is as follows.

### 1. Method and Description of Audit by Corporate Auditors and the Board of Auditors

- (1) The Board of Auditors determined the audit policy, audit plan, etc., received reports from each Corporate Auditor on the progress and results of his/her audit, in addition to receiving reports from Directors, etc. and the Accounting Auditor on the execution status of their duties, and sought explanations as necessary.
- (2) Each Corporate Auditor, based on the audit standards for Corporate Auditors established by the Board of Auditors, followed the audit policy, audit plan, etc., communicated with Directors, the Internal Auditing Department and other employees, etc., endeavored to collect information and develop an environment for the audit, and implemented audits via the following methods.
  - 1) We attended the meetings of the Board of Directors and other important meetings, received reports from Directors, employees, etc. on the execution status of their duties, sought explanations as necessary, reviewed important approval documents, etc., and investigated the status of operations and assets at the head office and principal places of business. With respect to subsidiaries, we communicated and exchanged information with the directors, corporate auditors, etc. of the subsidiaries and received reports on their businesses as necessary. Based on the above methods, we examined the Business Report and the supplementary schedules for the fiscal year under review.
  - 2) We also monitored and verified the content of the resolution passed by the Board of Directors regarding the development of a system to ensure that Directors comply with laws, ordinances and the Articles of Incorporation in executing their duties and other systems stipulated in paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act that are required to ensure proper operations of a company group comprised of a stock company and its subsidiaries, as well as the status of the system developed pursuant to such resolution (i.e., internal control system). In regards to internal controls over financial reporting, we received reports from Directors, etc. and KPMG AZSA LLC on the evaluation and audit status of such internal controls, and sought explanations as necessary.
  - 3) We monitored and verified whether or not the Accounting Auditor had maintained its independence and whether or not it had conducted its audit properly, received reports from the Accounting Auditor on the execution status of its duties, and sought explanations as necessary. In addition, we were notified by the Accounting Auditor that it is equipped with a *system for ensuring that duties are performed properly* (matters listed in the items of Article 131 of the Company Accounting Ordinance) in accordance with the Quality Control Standards for Audits (issued by the Business Accounting Council on October 28, 2005), etc., and sought explanations as necessary.

Based on the above methods, we examined the Business Report and its supplementary schedules, Non-consolidated Financial Statements (i.e., Non-consolidated Balance Sheets, Non-consolidated Statements of Income, Non-consolidated Statements of Changes in Net Assets and Notes to the Non-Consolidated Financial Statements) and their supplementary schedules as well as the Consolidated Financial Statements (i.e., Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Changes in Net Assets and Notes to the Consolidated Financial Statements) for the fiscal year under review.

(Translation)

## 2. Audit Results

### (1) Results of audit of Business Report, etc.

1. In our opinion, the Business Report and the supplementary schedules are in compliance with laws, ordinances and the Articles of Incorporation, and fairly represent the Company's position.
2. No material facts were identified regarding misconduct or violation of any laws, ordinances or the Articles of Incorporation in relation to the execution of duties by Directors.
3. In our opinion, the Board of Directors' resolution on the internal control system (including internal controls over financial reporting) is adequate in content. We found no matters that need to be pointed out in regards to the content of the records in the Business Report and the execution of duties by Directors in relation to said internal control system. Of note, we received reports from Directors, etc. and KPMG AZSA LLC that there are no material inadequacies to be disclosed in relation to internal controls over financial reporting as at the time of preparation of this Audit Report.

### (2) Results of audit of Non-consolidated Financial Statements and their supplementary schedules

In our opinion, the methods and results of the audit conducted by Accounting Auditor KPMG AZSA LLC are reasonable.

### (3) Results of audit of Consolidated Financial Statements

In our opinion, the methods and results of the audit conducted by Accounting Auditor KPMG AZSA LLC are reasonable.

May 17, 2017

Board of Auditors, Taiheiyo Cement Corporation

Corporate Auditor (Standing) Kohji Ishii [Seal]

Corporate Auditor (Standing) Hidehiko Kasamura [Seal]

Outside Corporate Auditor Takashi Nonaka [Seal]

Outside Corporate Auditor Yoshio Narukage [Seal]