

(Translation)

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Securities Code 5233

June 1, 2018

## To Those Stockholders with Voting Rights

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

## NOTICE OF THE 20<sup>th</sup> ORDINARY GENERAL MEETING OF STOCKHOLDERS

You are cordially invited to the 20<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 (<https://www.web54.net>) specified by the Company.

- 1. Date and Time:** Thursday, June 28, 2018 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 20<sup>th</sup> Fiscal Term (from April 1, 2017 to March 31, 2018) 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 20<sup>th</sup> Fiscal Term (from April 1, 2017 to March 31, 2018)
  - Proposals to be resolved:**
    - Proposal No. 1:** Appropriation of Surplus
    - Proposal No. 2:** Election of Fourteen Directors
    - Proposal No. 3:** 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.

##### (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 27, 2018 (Japan Standard Time).
- If you make no indication on the Voting Rights Exercise Form whether you are voting for or against the

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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 (<https://www.web54.net>) specified by the Company before 5:00 p.m. on Wednesday, June 27, 2018 (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 Consolidated and Non-Consolidated Financial Statements (if any) will be listed on the Company’s website (<http://www.taiheiyo-cement.co.jp>).

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## 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

30 yen per share of common stock of the Company, for a total amount of 3,722,018,700 yen.

The Company, with an effective date of October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. As a result, the annual dividend per share for the term under review will amount to the equivalent of 60 yen, which includes an interim dividend of 3 yen already paid, after conversion to the post-consolidation figure of 30 yen.

(3) Effective Date of Dividends from surplus

June 29, 2018

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**Proposal No. 2: Election of Fourteen Directors**

The term of office of all thirteen Directors will expire at the close of this General Meeting of Stockholders. Accordingly, we would like to increase the number of Directors by one in order to strengthen the management structure, and propose the election of fourteen Directors, including two Outside Directors.

The candidates for Director are as follows.

No.	Name	Current position at the Company
1	Reappointment Shuji Fukuda	Chairman and Director
2	Reappointment Masafumi Fushihara	President and Representative Director
3	Reappointment Yuuichi Kitabayashi	Vice President and Representative Director
4	Reappointment Shigeru Matsushima	Director and Senior Executive Officer
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 Ichiro Egami	Director and Managing Executive Officer Senior General Manager, International Business Division
10	Reappointment Tomoya Sakamoto	Director and Managing Executive Officer
11	Reappointment Katsuhide Fukuhara	Director and Managing Executive Officer
12	New Candidate Toshiaki Suzuki	Managing Executive Officer Senior General Manager, Cement Business Division
13	Reappointment Yoshiko Koizumi Outside Director Independent Director	Director
14	Reappointment Yuzo Arima Outside Director Independent Director	Director

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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 7 years and 10 months at close of this General Meeting of Stockholders</p>	<p>April 1974      Joined Onoda Cement Co., Ltd.            June 1999      General Manager, Accounting &amp; Finance Department of Taiheiyo Cement Corporation            April 2004      General Manager, Accounting &amp; Finance Department and General Manager, Accounting &amp; Finance Business Operation Center            April 2006      General Manager, Hokuriku Branch            April 2008      Executive Officer and General Manager, Human Resources Department and General Manager, Personnel Business Operation Center            October 2008    Executive Officer and General Manager, Human Resources Department            August 2010    Director, Managing Executive Officer and General Manager, Human Resources Department            October 2010    Director and Managing Executive Officer            April 2012      President and Representative Director            April 2018      Chairman and Director (to present)</p> <p><b>Reason for nominating Shuji Fukuda as Director</b>            Since 2010, Mr. Shuji Fukuda has engaged in management of the Company as Director, and currently serves as Chairman and Director after serving as President and Representative Director. He therefore has a wealth of experience, achievements, and knowledge as a manager. The Company has judged that he is an appropriate person to aim to enhance the function of the Board of Directors as a chairman of the Board meetings, and 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>	3,100

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

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
2	<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 3 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            April 2018      President and Representative Director (to present)</p> <p><b>Reason for nominating Masafumi Fushihara as Director</b>            Since 2015, Mr. Masafumi Fushihara has engaged in management of the Company as Director, and currently serves as President and Representative Director, after serving as Senior General Manager of the Cement Business Division. He therefore 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>	2,000

Notes:

1. Mr. Masafumi Fushihara currently serves as Outside Director of P.S. Mitsubishi Construction Co., Ltd., and is scheduled to retire as Director on June 21, 2018.
2. No special relationship exists between the Company and Mr. Masafumi Fushihara.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
3	Yuuichi Kitabayashi <u>Reappointment</u> (June 2, 1955) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 5 years at close of this General Meeting of Stockholders	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)  <b>Reason for nominating Yuuichi Kitabayashi as Director</b> Since 2013, Mr. Yuuichi Kitabayashi has engaged in management of the Company as Director, and since 2016, he has served as Representative Director. He therefore 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.	4,900

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

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
4	<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 5 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>            Since 2013, Mr. Shigeru Matsushima has engaged in management of the Company as Director, and has been making significant contribution to the development of the Group 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>	3,920

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



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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 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 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>            Since 2016, Mr. Youichi Funakubo has engaged in management            of the Company as Director, and has been making significant            contribution to the development of the Group 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>	3,100

Note: No special relationship exists between the Company and Mr. Youichi Funakubo.

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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) 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 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> Since 2016, Mr. Keiichi Miura has engaged in management of the Company as Director, and has been making significant contribution to the development of the Group 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>	2,800

Note: No special relationship exists between the Company and Mr. Keiichi Miura.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
7	Masahiro Karino <u>Reappointment</u> (March 23, 1957) 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	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)  <b>Reason for nominating Masahiro Karino as Director</b> Since 2016, Mr. Masahiro Karino has engaged in management of the Company as Director, and has been making significant contribution to the development of the Group 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.	2,400

Note: No special relationship exists between the Company and Mr. Masahiro Karino.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
8	Kunihiro Ando <u>Reappointment</u> (May 4, 1957) 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	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)  <b>Reason for nominating Kunihiro Ando as Director</b> Since 2016, Mr. Kunihiro Ando has engaged in management of the Company as Director, and has been making significant contribution to the development of the Group as an officer overseeing the mineral resources business 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.	4,100

Note: No special relationship exists between the Company and Mr. Kunihiro Ando.

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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;">Ichiro Egami <u>Reappointment</u> (April 13, 1957)</p> <p>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 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 Ichiro Egami as Director</b> Since 2016, Mr. Ichiro Egami has engaged in management of the Company as Director, and has been making significant contribution to the development of the Group 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>	2,800

Note: No special relationship exists between the Company and Mr. Ichiro Egami.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
10	<p>Tomoya Sakamoto  <u>Reappointment</u>            (October 23, 1955)            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 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            June 2017      Director, Managing Executive Officer (to present)</p> <p><b>Reason for nominating Tomoya Sakamoto as Director</b>            Since 2017, Mr. Tomoya Sakamoto has engaged in management of the Company as Director, and has been making significant contribution to the development of the Group as an officer overseeing the production control and equipment management 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>	2,500

Notes:

1. Mr. Tomoya Sakamoto was newly elected at the 19th Ordinary General Meeting of Stockholders held on June 29, 2017 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. Tomoya Sakamoto.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
11	<p>Katsuhide Fukuhara  <u>Reappointment</u>            (September 25, 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 1981      Joined Onoda Cement Co., Ltd.            April 2013      General Manager of Corporate Planning                                     Department of Taiheiyo Cement Corporation            April 2015      Executive Officer and General Manager of                                     Corporate Planning Department            April 2017      Managing Executive Officer            June 2017      Director, Managing Executive Officer (to                                     present)</p> <p><b>Reason for nominating Katsuhide Fukuhara as Director</b>            Since 2017, Mr. Katsuhide Fukuhara has engaged in            management of the Company as Director, and has been making            significant contribution to the development of the Group as an            officer overseeing the construction materials business and            Group companies management division. 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>	3,200

Notes:

1. Mr. Katsuhide Fukuhara was newly elected at the 19th Ordinary General Meeting of Stockholders held on June 29, 2017 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. Katsuhide Fukuhara.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
12	Toshiaki Suzuki <u>New Candidate</u> (August 18, 1956)	March 1980    Joined Chichibu Cement Co., Ltd. April 2011    General Manager, Tohoku Branch of Taiheiyo Cement Corporation April 2014    Executive Officer and General Manager, Tohoku Branch April 2015    Executive Officer and General Manager, Tokyo Branch April 2018    Managing Executive Officer and Senior General Manager, Cement Business Division (to present)  <b>Reason for nominating Toshiaki Suzuki as Director</b> Mr. Toshiaki Suzuki has been involved in operations of the cement business for many years. Since 2014, he has served as Executive Officer and has a wealth of experience and insight regarding overall management. 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.	2,300

Notes:

1. Mr. Toshiaki Suzuki is scheduled to take office as Outside Director of P.S. Mitsubishi Construction Co., Ltd. on June 21, 2018.
2. No special relationship exists between the Company and Mr. Toshiaki Suzuki.



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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
13	<p data-bbox="277 723 478 748">Yoshiko Koizumi</p> <p data-bbox="252 763 504 788">Candidate for Outside</p> <p data-bbox="331 801 424 826">Director</p> <p data-bbox="288 840 467 864">Reappointment</p> <p data-bbox="252 878 504 902">(September 25, 1943)</p> <p data-bbox="252 916 504 1160">Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 3 years at close of this General Meeting of Stockholders</p>	<p data-bbox="523 277 1182 333">April 1972 Registered as a lawyer (Daini Tokyo Bar Association)</p> <p data-bbox="523 344 1145 400">January 1980 Partner, Masuda and Ejiri Law Office (predecessor of Nishimura &amp; Asahi)</p> <p data-bbox="523 412 1046 436">January 2008 Counsel, Nishimura &amp; Asahi</p> <p data-bbox="523 445 1038 470">April 2009 Partner, City-Yuwa Partners</p> <p data-bbox="523 479 1209 591">June 2015 Outside Director of Taiheiyo Cement Corporation Outside Director, Dowa Holdings Co., Ltd. Partner, City-Yuwa Partners</p> <p data-bbox="523 602 1257 748">June 2016 Outside Director of Taiheiyo Cement Corporation Outside Director, Dowa Holdings Co., Ltd. Outside Corporate Auditor, Sumitomo Bakelite Co., Ltd.</p> <p data-bbox="523 759 1257 1039">September 2017 Partner, City-Yuwa Partners Outside Director of Taiheiyo Cement Corporation Outside Director, Dowa Holdings Co., Ltd. Outside Corporate Auditor, Sumitomo Bakelite Co., Ltd. Outside Corporate Auditor, Nippon Koei Co., Ltd. Partner, City-Yuwa Partners (to present)</p> <p data-bbox="523 1084 1166 1232">(Significant concurrent positions) Outside Director, Dowa Holdings Co., Ltd. Outside Corporate Auditor, Sumitomo Bakelite Co., Ltd. Outside Corporate Auditor, Nippon Koei Co., Ltd. Lawyer, Partner of City-Yuwa Partners</p> <p data-bbox="523 1274 1257 1588"><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>	1,500

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. Additionally, the Independence Criteria for Outside Officers defined by the Company is provided on page 21.
4. The Company receives legal advice as required from lawyers of City-Yuwa Partners other than Ms. Yoshiko Koizumi, where she serves as a partner, but the Company has not concluded an advisory

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agreement with the law firm. The advisory fees paid to the law firm are less than 1% of annual sales for each of the Company and 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.

5. No special relationship exists between the Company and Ms. Yoshiko Koizumi.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
14	<p data-bbox="309 445 448 472">Yuzo Arima</p> <p data-bbox="252 488 507 515">Candidate for Outside</p> <p data-bbox="331 521 427 548">Director</p> <p data-bbox="288 562 470 589">Reappointment</p> <p data-bbox="288 600 470 627">(May 16, 1947)</p> <p data-bbox="252 638 507 891">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="523 275 1209 333">April 1971      Joined Toyo Soda Manufacturing Co., Ltd. (currently TOSOH CORPORATION)</p> <p data-bbox="523 340 1150 367">June 2000      Director of TOSOH CORPORATION</p> <p data-bbox="523 374 1070 432">June 2005      Managing Director of TOSOH CORPORATION</p> <p data-bbox="523 439 1070 497">June 2009      Managing Director of TOSOH CORPORATION</p> <p data-bbox="523 504 1182 562">President and Representative Director of TAIYO VINYL CORPORATION</p> <p data-bbox="523 568 1182 627">June 2010      President and Representative Director of TAIYO VINYL CORPORATION</p> <p data-bbox="523 633 1230 660">June 2015      Advisor of TAIYO VINYL CORPORATION</p> <p data-bbox="523 667 1230 725">June 2016      Outside Director of Taiheiyo Cement Corporation (to present)</p> <p data-bbox="523 754 1193 781"><b>Reason for nominating Yuzo Arima as Outside Director</b></p> <p data-bbox="523 788 1257 1041">Mr. Yuzo 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>	500

Notes:

1. Mr. Yuzo Arima is nominated as an Outside Director.
2. The Company currently has an agreement with Mr. Yuzo 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. Yuzo Arima is approved, the Company plans to continue the said agreement with him.
3. Mr. Yuzo Arima satisfies the Independence Criteria for Outside Officers defined by the Company, and the Company has registered Mr. Yuzo 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 21.
4. No special relationship exists between the Company and Mr. Yuzo Arima.

(Translation)

**Proposal No. 3: 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>Toshihito Aoki Candidate for Outside Corporate Auditor (April 7, 1954)</p>	<p>October 1983    Joined Tetsuzo Ota &amp; Co. (currently Ernst &amp; Young ShinNihon LLC) August 1987    Registered as a Certified Public Accountant July 1999       Partner of Showa Ota &amp; Co. (currently Ernst &amp; Young ShinNihon LLC) August 2014    Retired from Ernst &amp; Young ShinNihon LLC</p> <p>(Significant concurrent positions) Certified Public Accountant</p> <p><b>Reason for nominating Toshihito Aoki as substitute Outside Corporate Auditor</b> Although Mr. Toshihito Aoki has not engaged in corporate management in the past, he has been practicing corporate accounting for many years, and has a wealth of experience, achievements, and insight as a Certified Public Accountant. The Company has judged that he can audit the business execution of Directors from an objective, independent, and fair standpoint, and requests that he be a new candidate for substitute Outside Corporate Auditor.</p>	<p>0</p>

- Notes:
1. Mr. Toshihito Aoki is nominated as a substitute Outside Corporate Auditor.
  2. In the event that Mr. Toshihito Aoki takes office as an Outside Corporate Auditor, the Company plans to enter into an agreement with him, which would limit 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.
  3. Mr. Toshihito Aoki satisfies the Independence Criteria for Outside Officers defined by the Company, and in the event that he takes office as an Outside Corporate Auditor, the Company plans to register him as an independent corporate auditor 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 21.
  4. No special relationship exists between the Company and Mr. Toshihito Aoki.

(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, 2017 - March 31, 2018)

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

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

During FY2017, Japan's economy continued to undergo a moderate recovery due to factors such as continued improvements in employment and earnings, as well as continued pick-up in capital investment and personal consumption on the back of strong corporate earnings. Meanwhile, attention paid to downside risk is mounting due to a serious shortage of labor and uncertainty in the global economy.

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 recovery from economic deceleration, supported by various government policies. In Vietnam and the Philippines, the economy has been on an expansionary trend due to the increase in exports and strong personal consumption.

Under these circumstances, in FY2017, the Group's consolidated sales increased ¥72,524 million from the previous year to ¥871,113 million. Consolidated operating income was ¥65,129 million, up ¥1,894 million, while consolidated ordinary income was ¥64,366 million, up ¥4,563 million and profit attributable to owners of parent decreased ¥9,071 million to ¥38,525 million.

Reviews of operation by each segment are as follows.

#### **Cement Business**

**Sales**                      **¥611,918 million (up 9.4% year-on-year)**  
**Operating Income**    **¥40,652 million (up 4.5% year-on-year)**

Domestic cement demand in the public sector was solid in the first half of FY2017 due to the enforcement of the supplementary budget for the previous year, while it was stagnant in the second half due to the effects of unseasonable weather and prolongation in construction duration, etc., and for the full year, was lower than the previous year. Domestic cement demand in the private sector exceeded the previous year due to an increase in capital investment and, as a whole, domestic cement demand increased 0.2% from the previous year to 41.87 million tons, of which, imported cement decreased 37.4% from the previous year to 0.17 million tons. Total exports increased 2.4% to 11.80 million tons.

Under these circumstances, the Taiheiyo Cement Group's domestic cement sales by volume, including consignment sales, increased 2.4% from the previous year to 14.72 million tons, whilst exports decreased 2.7% to 4.23 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 saw a partial recovery trend in demand and price. Our cement business in Vietnam was affected by competition with other products, among other factors. Our cement business in the Philippines is facing weak market conditions, although domestic demand is expanding.

As a result of the above, consolidated sales increased ¥53,003 million from the previous year to ¥611,918 million, and consolidated operating income increased ¥1,753 million to ¥40,652 million.

#### **Mineral Resources Business**

**Sales**                      **¥81,483 million (up 1.6% year-on-year)**  
**Operating Income**    **¥8,061 million (up 3.8% year-on-year)**

In our aggregates business, although demand related to the Tokyo Olympics and Paralympics began to increase, demand as a whole decreased since the restoration and reconstruction works in the Tohoku region neared completion. 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.

(Translation)

As a result of the above, consolidated sales increased ¥1,306 million from the previous year to ¥81,483 million, and consolidated operating income increased ¥302 million to ¥8,061 million.

#### **Environmental Business**

**Sales** ¥90,206 million (up 15.7% year-on-year)  
**Operating Income** ¥7,463 million (down 2.6% year-on-year)

Waste processing operations of waste plastics, etc., and electric power-related business were strong, and while measures were promoted for disaster waste processing operations associated with the 2016 Kumamoto Earthquakes, depreciation and amortization increased due to capital investments. As a result, consolidated sales increased ¥12,305 million from the previous year to ¥90,206 million, and consolidated operating income decreased ¥203 million to ¥7,463 million.

#### **Construction Materials Business**

**Sales** ¥77,033 million (up 4.0% year-on-year)  
**Operating Income** ¥4,740 million (down 21.8% year-on-year)

As sales of materials related to civil engineering and construction increased, consolidated sales increased ¥3,006 million from the previous year to ¥77,033 million, and consolidated operating income decreased ¥1,321 million to ¥4,740 million.

#### **Other Business**

**Sales** ¥79,020 million (up 4.8% year-on-year)  
**Operating Income** ¥3,926 million (up 20.1% year-on-year)

Due to solid demand in the real estate business and information processing business, consolidated sales increased ¥3,689 million from the previous year to ¥79,020 million, and consolidated operating income increased ¥658 million to ¥3,926 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	611,918	53,003	40,652	1,753
Mineral Resources	81,483	1,306	8,061	302
Environmental	90,206	12,305	7,463	(203)
Construction Materials	77,033	3,006	4,740	(1,321)
Other	79,020	3,689	3,926	658
Subtotal	939,663	73,311	64,843	1,189
Elimination or unallocated amounts	(68,550)	(787)	286	705
Total	871,113	72,524	65,129	1,894

#### **2) Capital Investments**

The total amount of capital investments by the Group in the fiscal year under review increased ¥3,703 million from the previous year to ¥58,087 million, consisting of ¥36,186 million in the Cement Business, ¥8,476 million in the Mineral Resources Business, ¥1,780 million in the Environmental Business, ¥3,462 million in the Construction Materials Business, ¥7,624 million in the Other Business and ¥557 million in Group wide assets.

(Translation)

### 3) Trends in Assets and Income

Item	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	20 <sup>th</sup> fiscal year ended March 31, 2018 (Current)
Net sales (millions of yen)	842,848	835,359	798,588	871,113
Ordinary income (millions of yen)	67,890	60,225	59,802	64,366
Profit attributable to owners of parent (millions of yen)	44,114	36,404	47,597	38,525
Net income per share (yen)	359.06	296.31	383.91	311.40
Total assets (millions of yen)	1,040,602	1,014,075	1,015,415	1,022,142
Net assets (millions of yen)	347,490	357,073	400,034	432,326

(Note) The Company, with an effective date of October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. Net income per share is calculated assuming that the said share consolidation had been conducted at the beginning of FY2014.

### 4) Issues to be Addressed

Looking ahead, the Japanese economy is expected to continue recovering moderately, on the back of factors such as robust corporate earnings and employment environment. Although the global economy also continues to undergo an expansionary trend, uncertainty is growing due to concerns over trade friction following U.S. international trade policies and geopolitical risks.

Turning our attention to the Group's business environment, in our core domestic cement business, demand is expected to recover due to construction related to the Tokyo Olympics and Paralympics in 2020, redevelopment investment in urban areas, and disaster prevention and mitigation measures. Meanwhile, the impact of serious labor shortages and increase in raw material prices are concerns.

Additionally, in the U.S. economy, on the back of factors such as robust corporate earnings and employment environment, personal consumption and capital investment will maintain a recovery trend and economic growth is forecast to continue, while great uncertainty surrounds policy management, and trends must be monitored closely.

Under these circumstances, the Group has set its *future vision and direction* targeted at the mid-2020s and clarified the medium- to long-term direction toward sustainable development. As the first step, the Group undertook the 17 Medium-Term Management Plan which covers the three-year period from FY2015 to FY2017. From FY2018, as the second step, the Group has formulated the 20 Medium-Term Management Plan which covers the three-year period until FY2020, and will actively work toward achieving targets.

#### Future Vision and Direction

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 we are actively undertaking the process divided into three steps toward its realization.

#### Purpose of the 20 Medium-Term Management Plan

The 20 Medium-Term Management Plan covers the three-year period from FY2018 to FY2020, and is regarded as the second step toward realizing our *future vision and direction*.

Based on the business and financial strategies and its outcomes under the 17 Medium-Term Management Plan as the first step, the Group will establish solid business foundations toward sustainable development for the future, and steadily lead to the next step by continuously undertaking remaining issues and steadily executing new measures.



(Translation)

### **Basic Policies of 20 Medium-Term Management Plan**

In the 20 Medium-Term Management Plan, the Group aims to establish solid business foundations in accordance with the following basic policies.

- (i) The Group will preempt future changes to the business operating environment, attempt innovation from various perspectives, and establish an enterprise group moving forward to development.
- (ii) As a member of the social infrastructure industry, the Group will contribute to establishment of a safe and secure society by stable supply of high quality products, solutions, and advanced technology development, in order to build national resilience.
- (iii) The Group will strengthen its earnings base in existing businesses, and make further improvements in its financial structure by exhaustive cost-cutting, as well as active investment in growth areas that will contribute to sustainable development of the Group.

### **Business Strategies**

#### **1. Enhance earnings base for existing businesses and formulate/implement growth strategies**

The Group will boost its earnings base by exhaustive cost-cutting and promotion of process innovation, etc., and pursue competitive advantages through new value creation and differentiation. Furthermore, the Group will conduct growth investment in order to grow earnings capacity, and contribute to resolution of social issues by working steadily toward the achievement of business strategies.

##### **(i) Cement Business (Japan)**

The Group will aim to realize reasonable pricing early, and focus on strengthening earnings capacity by exhaustive cost-cutting. The Group will fulfill its responsibilities for stable supply for national projects, etc., by strengthening and enhancing stable supply systems in production and distribution. Furthermore, the Group will actively work on measures for mitigation of climate change through new technology development and policies in the production process.

##### **(ii) Cement Business (Overseas)**

The Group will attempt strategic expansion of its business area and achieve further improvements in its presence by building a brand image of quality, technology, and environment. The Group will contribute to resolution of various social issues such as infrastructure development, establishment of a sound material-cycle society, and efforts to address tighter environmental regulations in regions where the Group is conducting business.

##### **(iii) Mineral Resources Business**

With a view to medium- to long-term natural resource policies, the Group will build a base of sustainable development and establish a stable supply system for natural resources. The Group will utilize abundant natural resources that the Group reserves, and aim to expand earnings of existing businesses. Additionally, the Group will focus on development of future-oriented businesses and aim to establish mineral resources business overseas.

##### **(iv) Environmental Business**

The Group will maximize the earnings capacity of existing businesses and build a new business model through advanced technology development. Not only playing a role of a member of venous industry, but the Group will also make further social contributions by taking on the role of implementing a new material-cycle that is based on the extraction of resources from waste and byproducts.

##### **(v) Construction Materials Business**

The Group will establish sustainable business foundations which are able to adapt to changes in the business environment and aim to strengthen competitiveness of existing businesses and financial structures. Furthermore, the Group will develop new sources of earnings in growth business sectors and maximize synergies of existing businesses.

##### **(vi) Other Business**

The Group will aim to strengthen the earnings capacity of each company and pursue establishment of new business models from which synergistic effects as a Group can be expected.

#### **2. Support for national projects**

The Group will maximize the Group's strength, muster all of its resources, conduct stable supply of high-quality products, and provide solutions steadily in order to meet full-fledged restoration and reconstruction demand in Fukushima Prefecture, various infrastructure improvements for the Tokyo Olympics and Paralympics, and other national projects such as major infrastructure projects.

(Translation)

### **Research & Development Strategies**

As an engine of growth supporting each business segment, the Group will work on research and development contributing to the whole Group's development. The Group will also focus on research and development playing a role in resolution of social issues as a member of the social infrastructure industry, develop technologies needed, and provide them appropriately for national projects.

### **Strengthen management foundations**

Following the 17 Medium-Term Management Plan, the Group will steadily work toward the realization of targets set in the form of CSR Objectives for 2025. The Group will also endeavor to improve working efficiency and establish a comfortable working environment through workstyle reform and promotion of health and productivity management, as well as securing and training global human resources. Furthermore, the Group will seek to strengthen its management foundations by strengthening group governance, enhancing corporate governance, continuing selection and concentration, and strengthening competitiveness in value chains.

The Group looks 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) 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, lightweight aggregates and 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)

7) **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 Prefecture
Clion Co., Ltd.	Koto-ku, Tokyo
Myojyo Cement Co., Ltd.	Itoigawa City, Niigata Prefecture
Taiheiyo Materials Corporation	Kita-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

8) **Employees**

Business Segment	Number of Employees
Cement	8,460 persons
Mineral Resources	906 persons
Environmental	155 persons
Construction Materials	1,409 persons
Other	1,859 persons
Group-wide (common)	266 persons
Total	13,055 persons

- (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. (562 persons).

Number of employees	Increase or decrease from previous year	Average age	Average length of service
1,746 persons	Increase of 44 persons	41.7 years old	19.9 years

(Translation)

## 9) Major Lenders and Amount of Borrowings

Lender	Outstanding borrowings (millions of yen)
Mizuho Bank, Ltd.	41,576
Sumitomo Mitsui Banking Corporation	30,835

## 2. Shares of the Company

- 1) Total number of shares authorized to be issued 197,730,800 shares
- 2) Total number of shares outstanding 127,140,278 shares  
(including 3,072,988 shares of treasury stock)
- 3) Number of stockholders 55,822 persons

### 4) Major stockholders

Stockholder name	Holding (thousand shares)	Stockholding ratio (%)
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	8,727	7.0
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	7,328	5.9
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	5,122	4.1
JP MORGAN CHASE BANK 385632	2,464	1.9
STATE STREET BANK AND TRUST COMPANY	2,415	1.9
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 5)	2,413	1.9
MIZUHO BANK, LTD.	2,375	1.9
STATE STREET BANK WEST CLIENT-TREATY 505234	2,311	1.8
GOVERNMENT OF NORWAY	1,877	1.5
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 1)	1,790	1.4

- (Notes) 1. The Company holds 3,072,988 shares of treasury stock.  
2. The stockholding ratio is calculated by excluding treasury stock.

### 5) Other Significant Matters regarding Shares

The company, with an effective date of October 1, 2017, changed the number of shares constituting one unit of stock from 1,000 shares to 100 shares, and also conducted a reverse stock split for its common stock at a ratio of one for 10. As a result, the total number of shares authorized to be issued changed from 1,977,308,000 shares to 197,730,800 shares, and the total number of shares outstanding changed from 1,271,402,783 shares to 127,140,278 shares.

(Translation)

### 3. Company Officers

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

Position	Name	Significant concurrent positions
President and Representative Director	Shuji Fukuda	
Vice President and Representative Director	Yuuichi Kitabayashi	Overseeing Corporate Planning Department
Director	Shigeru Matsushima	
Director	Masafumi Fushihara	Outside Director of P.S. Mitsubishi Construction Co., Ltd.
Director	Youichi Funakubo	
Director	Keiichi Miura	
Director	Masahiro Karino	
Director	Kunihiro Ando	
Director	Ichiro Egami	
Director	Tomoya Sakamoto	
Director	Katsuhide Fukuhara	
Director	Yoshiko Koizumi	Outside Director of Dowa Holdings Co., Ltd. Outside Corporate Auditor of Sumitomo Bakelite Co., Ltd. Outside Corporate Auditor of Nippon Koei Co., Ltd. Lawyer, Partner of City-Yuwa Partners
Director	Yuzo Arima	
Corporate Auditor (Standing)	Hidehiko Kasamura	
Corporate Auditor (Standing)	Toshihide Nishimura	Outside Corporate Auditor of NIPPON CONCRETE INDUSTRIES CO., LTD.
Corporate Auditor	Yoshio Narukage	
Corporate Auditor	Wakako Mitani (Name on family registration: Wakako Akamatsu)	Lawyer, Partner of TANABE & PARTNERS

- (Notes)
1. Directors Yoshiko Koizumi and Yuzo Arima are Outside Directors.
  2. Corporate Auditors Yoshio Narukage and Wakako Mitani are Outside Corporate Auditors.
  3. Directors Tomoya Sakamoto and Katsuhide Fukuhara, and Corporate Auditor Toshihide Nishimura were newly elected at the 19th Ordinary General Meeting of Stockholders held on June 29, 2017, and took office on the same day.
  4. Directors Ken Kikuchi and Toshihide Nishimura retired from office at the close of the 19th Ordinary General Meeting of Stockholders held on June 29, 2017.
  5. Corporate Auditor Kohji Ishii resigned from office at the close of the 19th Ordinary General Meeting of Stockholders held on June 29, 2017.
  6. Corporate Auditor Takashi Nonaka retired from office due to his passing on February 19, 2018. His significant concurrent position during his office is Outside Director of Takachiho Koheki Trading Co., Ltd.
  7. Due to retirement as Corporate Auditor of Takashi Nonaka, Substitute Corporate Auditor Wakako Mitani took office as Corporate Auditor on February 20, 2018.

(Translation)

8. Corporate Auditors Hidehiko Kasamura and Toshihide Nishimura have hands-on experience in the business management division of the Company and have considerable financial and accounting expertise.
9. Corporate Auditor Yoshio Narukage has years of experience in financial institutions and has considerable financial and accounting expertise.
10. 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. The advisory fees paid to the law firm is less than 1% of net sales for each of the Company and 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.
11. The Company has registered Directors Yoshiko Koizumi and Yuzo Arima as independent directors and Corporate Auditors Yoshio Narukage and Wakako Mitani as independent corporate auditors at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange.
12. The following personnel change took place effective April 1, 2018.

Name	Position in the Company, assignment and significant concurrent positions	
	Before change	After change
Shuji Fukuda	President and Representative Director	Chairman and Director
Masafumi Fushihara	Director Outside Director of P.S. Mitsubishi Construction Co., Ltd.	President and Representative Director Outside Director of P.S. Mitsubishi Construction Co., Ltd.

(Translation)

13. The Company has introduced an executive officer system; executive officers as of April 1, 2018 are as follows.

Position	Name	Assignment
Senior Executive Officer	Shigeru Matsushima*	Overseeing General Affairs Department and Purchasing Department
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	Ichiro 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
Managing Executive Officer	Toshiaki Suzuki	Senior General Manager of Cement Business Division
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 Manager of Sales Department, Cement Business Division
Executive Officer	Tetsuya Ohashi	General Manager of Business Development Department, International Business Division
Executive Officer	Yukimasa Nakano	General Manager of Tokyo 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
Executive Officer	Isao Takaki	General Manager of Kamiiso Plant
Executive Officer	Takayoshi Okamura	General Manager of Central Research Laboratory
Executive Officer	Atsuhiko Koike	General Director of Nghi Son Cement Corporation

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	15	761
Corporate Auditors	6	72
Total	21	834

(Notes) 1. Directors' and Corporate Auditors' number of persons paid includes two Directors and one Corporate Auditor who retired or resigned at the close of the 19th Ordinary General Meeting of Stockholders held on June 29, 2017, and one Corporate Auditor who retired during the fiscal year under review.

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 and insight in corporate management mainly as a lawyer.
Director	Yuzo Arima	15 out of 15 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	5 out of 12 meetings	8 out of 12 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	14 out of 15 meetings	14 out of 14 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.
Corporate Auditor	Wakako Mitani	3 out of 3 meetings	2 out of 2 meetings	Made comments as appropriate at the meetings of the Board of Directors and meetings of the Board of Auditors based on her wealth of experience and insight in corporate management mainly as a lawyer.

(Notes) 1. During the fiscal year under review, 15 meetings of the Board of Directors were held. Of which, before Corporate Auditor Takashi Nonaka retired from office, 12 meetings of the Board of Directors had been held, since Corporate Auditor Wakako Mitani took office as Corporate Auditor, 3 meetings of the Board of Directors have been held.

2. During the fiscal year under review, 14 meetings of the Board of Auditors were held. Of which, before Corporate Auditor Takashi Nonaka retired from office, 12 meetings of the Board of Auditors had been held, since Corporate Auditor Wakako Mitani took office as Corporate Auditor, 2 meetings of

(Translation)

the Board of Auditors 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**  
¥ 105 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**

¥ 251 million

(Note) Among significant subsidiaries of the Company, 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.

(Translation)

**1) Compliance system**

- (i) Based on the CSR Prospectus, a CSR Management Committee has been established composed of 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 24 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, 2017 - March 31, 2018)

### **Consolidated Balance Sheets**

(Unit: Millions of yen)

Account	FY2017 (as of March 31, 2018)	(Reference) FY2016 (as of March 31, 2017)
<b>Assets</b>		
<b>Current assets</b>	<b>340,595</b>	<b>332,895</b>
Cash and deposits	53,766	60,516
Notes and accounts receivable-trade	182,272	166,625
Electronically recorded monetary claims-operating	10,989	5,320
Merchandise and finished goods	29,193	31,835
Work in process	2,383	1,708
Raw materials and supplies	41,761	42,422
Deferred tax assets	7,320	9,098
Short-term loans receivable	3,464	3,896
Other	10,560	12,595
Allowance for doubtful accounts	(1,116)	(1,125)
<b>Noncurrent Assets</b>	<b>681,546</b>	<b>682,520</b>
<b>Property, plant and equipment</b>	<b>505,438</b>	<b>497,151</b>
Buildings and structures	134,456	136,454
Machinery, equipment and vehicles	136,603	135,380
Land	158,057	160,571
Lease assets	20,998	22,319
Construction in progress	32,647	19,083
Other	22,674	23,341
<b>Intangible assets</b>	<b>33,038</b>	<b>37,660</b>
Goodwill	777	3,409
Other	32,261	34,250
<b>Investments and other assets</b>	<b>143,070</b>	<b>147,708</b>
Investment securities	86,834	84,781
Long-term loans receivable	2,941	3,238
Deferred tax assets	12,194	19,056
Assets for retirement benefits	21,298	17,352
Other	28,341	31,613
Allowance for doubtful accounts	(8,539)	(8,333)
<b>Total Assets</b>	<b>1,022,142</b>	<b>1,015,415</b>



(Translation)

Account	FY2017 (as of March 31, 2018)	(Reference) FY2016 (as of March 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>360,550</b>	<b>308,910</b>
Notes and accounts payable-trade	91,113	78,441
Electronically recorded obligations-operating	4,670	1,234
Short-term loans payable	153,181	134,428
Current portion of bonds	15,035	11,120
Income taxes payable	6,416	5,914
Deferred tax liabilities	3	4
Provision for bonuses	6,021	5,742
Other provision	121	410
Other	83,986	71,613
<b>Noncurrent liabilities</b>	<b>229,265</b>	<b>306,469</b>
Bonds payable	20,000	35,035
Long-term loans payable	100,390	160,346
Deferred tax liabilities	10,051	8,378
Liability for retirement benefits	24,559	24,217
Provision for directors' retirement benefits	520	568
Provision for special repairs	128	121
Other provision	750	981
Lease obligations	18,844	21,285
Asset retirement obligations	7,553	7,520
Other	46,466	48,013
<b>Total liabilities</b>	<b>589,815</b>	<b>615,380</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>	<b>395,582</b>	<b>363,725</b>
<b>Capital stock</b>	<b>86,174</b>	<b>86,174</b>
<b>Capital surplus</b>	<b>60,339</b>	<b>59,548</b>
<b>Retained earnings</b>	<b>260,016</b>	<b>228,914</b>
<b>Treasury stock</b>	<b>(10,947)</b>	<b>(10,911)</b>
<b>Accumulated other comprehensive income</b>	<b>(313)</b>	<b>(1,906)</b>
Valuation difference on available-for-sale securities	10,941	9,830
Deferred gains or losses on hedges	1	48
Revaluation reserve for land	5,057	5,065
Foreign currency translation adjustments	(16,201)	(12,862)
Retirement benefits liability adjustments	(111)	(3,987)
<b>Non-controlling interests</b>	<b>37,058</b>	<b>38,215</b>
<b>Total net assets</b>	<b>432,326</b>	<b>400,034</b>
<b>Total liabilities and net assets</b>	<b>1,022,142</b>	<b>1,015,415</b>

(Translation)

## Consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2017 (April 1, 2017 - March 31, 2018)	(Reference) FY2016 (April 1, 2016 - March 31, 2017)
<b>Net sales</b>	<b>871,113</b>	<b>798,588</b>
<b>Cost of sales</b>	<b>664,996</b>	<b>599,924</b>
<b>Gross profit</b>	<b>206,117</b>	<b>198,664</b>
<b>Selling, general and administrative expenses</b>	<b>140,987</b>	<b>135,429</b>
<b>Operating income</b>	<b>65,129</b>	<b>63,235</b>
<b>Non-operating income</b>	<b>8,378</b>	<b>5,888</b>
Interest and dividends income	1,969	1,650
Equity in earnings of unconsolidated subsidiaries and affiliates	3,196	2,009
Other	3,212	2,228
<b>Non-operating expenses</b>	<b>9,141</b>	<b>9,320</b>
Interest expenses	4,639	4,998
Provision of allowance for doubtful accounts	1,030	120
Other	3,471	4,201
<b>Ordinary income</b>	<b>64,366</b>	<b>59,802</b>
<b>Extraordinary income</b>	<b>1,616</b>	<b>21,661</b>
Gain on disposal of non-current assets	1,417	648
Gain on sales of investment securities	92	4,012
Gain on bargain purchase	-	16,874
Other	106	126
<b>Extraordinary loss</b>	<b>7,341</b>	<b>28,723</b>
Loss on disposal of non-current assets	4,725	3,965
Loss on sales of investment securities	23	24
Loss on valuation of investment securities	1,356	68
Impairment loss	577	20,693
Loss on step acquisitions	-	3,034
Other	658	936
<b>Income before income taxes</b>	<b>58,642</b>	<b>52,741</b>
Income taxes-current	10,200	8,830
Income taxes-deferred	7,356	(3,646)
<b>Profit</b>	<b>41,085</b>	<b>47,556</b>
Profit (loss) attributable to non-controlling interests	2,559	(40)
<b>Profit attributable to owners of parent</b>	<b>38,525</b>	<b>47,597</b>

(Translation)

## Non-consolidated Financial Statements

(April 1, 2017 - March 31, 2018)

### Non-consolidated Balance Sheets

(Unit: Millions of yen)

Account	FY2017 (as of March 31, 2018)	(Reference) FY2016 (as of March 31, 2017)
<b>Assets</b>		
<b>Current assets</b>	<b>115,409</b>	<b>109,708</b>
Cash and deposits	4,143	7,619
Notes receivable-trade	23,036	15,845
Electronically recorded monetary claims-operating	4,017	2,463
Accounts receivable-trade	51,950	47,141
Merchandise and finished goods	7,439	8,233
Raw materials and supplies	16,590	16,217
Prepaid expenses	409	351
Deferred tax assets	1,774	3,151
Other	6,047	8,689
Allowance for doubtful accounts	(0)	(3)
<b>Noncurrent Assets</b>	<b>460,475</b>	<b>461,904</b>
<b>Property, plant and equipment</b>	<b>203,659</b>	<b>201,825</b>
Buildings	23,395	23,309
Structures	50,526	51,516
Machinery and equipment	37,403	38,339
Vehicles	118	106
Tools, furniture and fixtures	772	718
Raw materials land	12,897	13,019
Land	66,573	66,918
Lease assets	3,930	3,821
Construction in progress	8,039	4,073
<b>Intangible assets</b>	<b>13,901</b>	<b>14,289</b>
Mining rights	10,502	10,706
Software	561	740
Other	2,837	2,842
<b>Investments and other assets</b>	<b>242,914</b>	<b>245,789</b>
Investment securities	24,051	23,355
Shares of subsidiaries and affiliates	172,075	172,808
Investments in capital	36	36
Investments in capital of subsidiaries and affiliates	15,995	16,039
Long-term loans receivable	59	74
Long-term prepaid expenses	10,462	10,483
Prepaid pension costs	15,481	17,725
Other	28,132	39,359
Allowance for doubtful accounts	(23,379)	(34,093)
<b>Total Assets</b>	<b>575,884</b>	<b>571,613</b>

(Translation)

Account	FY2017 (as of March 31, 2018)	(Reference) FY2016 (as of March 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>160,850</b>	<b>131,021</b>
Electronically recorded obligations-operating	10,242	-
Accounts payable-trade	28,666	29,892
Short-term loans payable	62,025	57,679
Current portion of bonds	15,000	10,000
Lease obligations	1,031	883
Accounts payable - other	10,672	15,483
Accrued expenses	18,464	12,755
Income taxes payable	2,292	203
Advances received	58	343
Deposits received	306	312
Unearned revenue	1,461	1,286
Provision for bonuses	2,247	2,180
Electronically recorded obligations-non-operating	8,382	-
<b>Noncurrent liabilities</b>	<b>140,478</b>	<b>182,163</b>
Bonds payable	20,000	35,000
Long-term loans payable	78,403	108,453
Lease obligations	3,230	3,184
Deferred tax liabilities	4,638	2,024
Provision for loss on guarantees	2,407	2,381
Guarantee deposits received	28,873	28,331
Asset retirement obligations	2,587	2,443
Other	337	344
<b>Total liabilities</b>	<b>301,329</b>	<b>313,185</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>	<b>267,943</b>	<b>252,234</b>
<b>Capital stock</b>	<b>86,174</b>	<b>86,174</b>
<b>Capital surplus</b>	<b>56,276</b>	<b>56,275</b>
Legal capital surplus	42,215	42,215
Other capital surplus	14,061	14,060
<b>Retained earnings</b>	<b>136,080</b>	<b>120,271</b>
Other retained earnings	136,080	120,271
Reserve for mine prospecting	261	252
Reserve for advanced depreciation of non-current assets	16,674	17,024
Retained earnings brought forward	119,144	102,994
<b>Treasury stock</b>	<b>(10,586)</b>	<b>(10,486)</b>
<b>Valuation and translation adjustments</b>	<b>6,611</b>	<b>6,193</b>
Valuation difference on available-for-sale securities	6,611	6,186
Deferred gains or losses on hedges	-	7
<b>Total net assets</b>	<b>274,554</b>	<b>258,428</b>
<b>Total liabilities and net assets</b>	<b>575,884</b>	<b>571,613</b>

(Translation)

## Non-consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2017 (April 1, 2017 - March 31, 2018)	(Reference) FY2016 (April 1, 2016 - March 31, 2017)
<b>Net sales</b>	<b>321,162</b>	<b>300,398</b>
<b>Cost of sales</b>	<b>225,888</b>	<b>203,682</b>
<b>Gross profit</b>	<b>95,273</b>	<b>96,715</b>
<b>Selling, general and administrative expenses</b>	<b>67,409</b>	<b>66,104</b>
<b>Operating income</b>	<b>27,863</b>	<b>30,611</b>
<b>Non-operating income</b>	<b>7,656</b>	<b>9,142</b>
Dividends income	6,398	4,461
Reversal of allowance for doubtful accounts	26	4,054
Other	1,231	626
<b>Non-operating expenses</b>	<b>3,160</b>	<b>5,051</b>
Interest expenses	1,264	1,624
Provision for loss on guarantees	26	1,214
Other	1,869	2,211
<b>Ordinary income</b>	<b>32,359</b>	<b>34,702</b>
<b>Extraordinary income</b>	<b>1,085</b>	<b>25,969</b>
Gain on disposal of non-current assets	896	239
Gain on sales of investment securities	3	18
Gain on sales of shares of subsidiaries and affiliates	186	25,711
<b>Extraordinary loss</b>	<b>3,883</b>	<b>27,485</b>
Loss on disposal of non-current assets	3,155	2,945
Loss on liquidation of subsidiaries and affiliates	21	0
Loss on valuation of shares of subsidiaries and affiliates	128	902
Loss on valuation of investments in capital of subsidiaries and affiliates	-	21,243
Loss on valuation of investment securities	4	5
Loss on sales of investment securities	4	30
Impairment loss	568	2,357
<b>Income before income taxes</b>	<b>29,562</b>	<b>33,187</b>
Income taxes-current	2,501	65
Income taxes-deferred	3,806	(3,848)
<b>Net income</b>	<b>23,254</b>	<b>36,970</b>

(Translation)

**Independent Auditor's Report**

May 15, 2018

The Board of Directors  
Taiheiyo Cement Corporation.

KPMG AZSA LLC

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

Akihisa Sada (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, 2018 and for the year from April 1, 2017 to March 31, 2018 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, 2018

The Board of Directors  
Taiheiyo Cement Corporation

KPMG AZSA LLC

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

Akihisa Sada (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, 2018 and for the year from April 1, 2017 to March 31, 2018 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 20<sup>th</sup> fiscal term from April 1, 2017 to March 31, 2018. 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 verified the status of their management at the Company's major meetings, and requested explanation as necessary. We also communicated and exchanged information with the directors, corporate auditors, etc. of subsidiaries by conducting site audits in accordance with audit plans and holding regular meetings with the corporate auditors of major subsidiaries.
  - 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 16, 2018

Board of Auditors, Taiheiyo Cement Corporation

Corporate Auditor (Standing) Hidehiko Kasamura [Seal]

Corporate Auditor (Standing) Toshihide Nishimura [Seal]

Outside Corporate Auditor Yoshio Narukage [Seal]

Outside Corporate Auditor Wakako Mitani [Seal]