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## Taiheiyo Cement Corporation Basic Policy on Corporate Governance

### Chapter 1 General Provisions

#### Article 1 (Purpose)

The purpose of this Basic Policy is to prescribe basic matters concerning corporate governance at Taiheiyo Cement Corporation (hereinafter the “Company”) to ensure continuous improvement of corporate governance and thereby to help the Company to achieve sustainable growth and increase corporate value over the medium to long term.

#### Article 2 (Basic Views)

The mission of the Taiheiyo Cement Group is to contribute to social infrastructure development by providing solutions that are environmentally efficient, enhance our competitive position and bring value to our stakeholders. Based on this mission, the Company will, in accordance with the provisions of this Basic Policy, strive to improve corporate governance by ensuring the separation of the management’s decision-making and supervisory functions from business execution to satisfy the expectations of stakeholders including stockholders and to realize sustainable growth and increase of its corporate value over the medium to long term.

### Chapter 2 Corporate Governance System

#### Article 3 (Roles and Responsibilities of the Board of Directors)

- (1) The Board of Directors shall, in compliance with the provisions of laws and regulations, the articles of incorporation, and applicable regulations of the Company, be responsible for making decisions on management strategy, management plan, and other important matters related to the management of the Company as well as for the supervision of the execution of duties by the directors.
- (2) The Board of Directors shall delegate the decisions on matters other than those listed in the preceding paragraph to the Executive Committee and the executive officers in charge of the matter in question.

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Article 4 (Composition of the Board of Directors)

- (1) The Board of Directors shall consist of no more than 10 directors as prescribed by the articles of incorporation. At least one-third of them shall be independent outside directors who satisfy the separately prescribed independence criteria for outside officers.
- (2) The Company shall, in order to ensure the effectiveness of the Board of Directors, ensure that the composition of the Board is well balanced as a whole comprising of members with diverse knowledge and experience.

Article 5 (Establishment of a Nomination and Compensation Advisory Committee)

- (1) The Company shall establish a Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors in order to secure fairness, transparency and objectivity pertaining to decisions on the nomination and compensation of directors and other officers.
- (2) The members of the Nomination and Compensation Advisory Committee shall consist of directors appointed by the Board of Directors and include three or more members, the majority of whom shall be outside directors. The chairperson of the committee shall be appointed from among outside directors.
- (3) The Nomination and Compensation Advisory Committee shall deliberate policies relating to the nomination of directors, appointment and dismissal of directors and other officers, policies for deciding compensation and other similar matters for each director, and the details of compensation for directors and other officers, and shall report to the Board of Directors.

Article 6 (Nomination Policy, etc. for Candidates for a Director)

- (1) Candidates for an internal director shall be those persons who have knowledge and experience that are adequate for the proper and fair execution of the management of the Company in addition to excellent personal characteristics, insights, capabilities, and ethical standards. They shall be selected from a broad and diverse pool of talents, regardless of gender, nationality, work experience, age, etc., and proposed by the President and Director to the Board of Directors for deliberation and final nomination.
- (2) Candidates for an outside director shall be those persons who are capable of supervising the directors and the management of the Company from an independent standpoint and providing advice that is appropriate and to the point based on their extensive experience and broad knowledge. They shall be selected from a broad and diverse pool of talents, regardless of gender, nationality, work experience, age, etc., and proposed by the President and Director to the Board of Directors for deliberation and final nomination.
- (3) If a director violates laws, regulations, or the articles of incorporation, or any other event that is deemed to make it difficult for a director to appropriately perform his or her duties occurs, the Board of Directors shall deliberate and make decisions on the removal of the said director from his or her

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position or the submission of a proposal for the dismissal of the said director to the General Meeting of Stockholders.

- (4) In making decisions to propose the appointment of candidates for directors and the dismissal of directors, the Board of Directors shall respect the results of the deliberation and reporting of the Nomination and Compensation Advisory Committee to the maximum extent possible in order to secure the fairness, transparency and objectivity of such decisions.

#### Article 7 (Term of Office of Directors)

The term of office of directors shall, as prescribed by the articles of incorporation, expire at the conclusion of the General Meeting of Stockholders pertaining to the last fiscal year ending within one year after their appointment.

#### Article 8 (Concurrent Positions of Directors)

- (1) Directors of the Company may concurrently hold a position as an officer, etc. at a company other than the Company only if it does not prevent the director from fulfilling the duty of due care of prudent manager and the duty of loyalty as a director of the Company and shall focus on the execution of duties at the Company as much as possible.
- (2) The significant concurrent positions held by the directors of the Company shall be disclosed annually in the Reference Documents for the General Meeting of Stockholders and the Business Report pursuant to the provisions of laws and regulations.

#### Article 9 (Executive Officer System)

The Company shall put in place a business execution system consisting of executive officers in order to clearly separate the management's decision-making and supervisory functions from business execution.

#### Article 10 (Appointment Policy, etc. for Executive Officers)

- (1) Executive officers shall be those persons who have a thorough knowledge of corporate management and the business of the Company and are capable of fully executing their duties. They shall be selected from a broad and diverse pool of talents, regardless of gender, nationality, work experience, age, etc., and proposed by the President and Director to the Board of Directors for deliberation and appointment.
- (2) If an executive officer violates laws, regulations, or the articles of incorporation, or any other event that is deemed to make it difficult for an executive officer to appropriately perform his or her duties occurs, the Board of Directors shall deliberate and make decisions on the dismissal of the said executive officer.
- (3) In making decisions to propose the appointment and dismissal of managing executive officers, the Board of Directors shall respect the results of the deliberation and reporting of the Nomination and

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Compensation Advisory Committee to the maximum extent possible in order to secure the fairness, transparency and objectivity of such decisions.

#### Article 11 (Term of Office of Executive Officers)

The term of office of executive officers shall, as prescribed by the applicable regulations of the Company, expire on the last day of the fiscal year ending within one year after their assumption of office.

#### Article 12 (Composition of the Board of Auditors)

- (1) The Board of Auditors shall consist of no more than five corporate auditors as prescribed by the articles of incorporation, at least a half of which shall be independent outside corporate auditors who satisfy the separately prescribed independence criteria for outside officers.
- (2) Corporate auditors shall be those persons who have appropriate experience and capabilities as well as necessary knowledge on finance, accounting, and the law. At least one of them shall be a person who has sufficient expertise on finance and accounting.

#### Article 13 (Nomination Policy, etc. for Candidates for a Corporate Auditor)

- (1) Candidates for an internal corporate auditor shall be those persons who are capable of conducting audits of the overall execution of duties by directors in a fair manner in addition to having excellent personal characteristics, insights, capabilities, and ethical standards. They shall be selected from a broad and diverse pool of talents, regardless of gender, nationality, work experience, age, etc., and proposed by the President and Director, after obtaining the prior consent of the Board of Auditors, to the Board of Directors for deliberation and final nomination.
- (2) Candidates for an outside corporate auditor shall be those persons who are capable of conducting audits of the overall execution of duties by directors in a fair manner from an independent standpoint and providing advice that is appropriate and to the point based on their extensive experience and broad knowledge. They shall be selected from a broad and diverse pool of talents, regardless of gender, nationality, work experience, age, etc., and proposed by the President and Director, after obtaining the prior consent of the Board of Auditors, to the Board of Directors for deliberation and final nomination.
- (3) If a corporate auditor violates laws, regulations, or the articles of incorporation, or any other event that is deemed to make it difficult for a corporate auditor to appropriately perform his or her duties occurs, the Board of Directors shall deliberate and make decisions on the submission of a proposal for the dismissal of the said corporate auditor to the General Meeting of Stockholders, after consultation with the Board of Auditors.

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#### Article 14 (Term of Office of Corporate Auditors)

The term of office of corporate auditors shall, as prescribed by the articles of incorporation, expire at the conclusion of the General Meeting of Stockholders pertaining to the last fiscal year ending within four years after their appointment.

#### Article 15 (Concurrent Positions of Corporate Auditors)

- (1) Corporate auditors of the Company may concurrently hold a position as an officer, etc. at a company other than the Company only if it does not prevent the corporate auditor from fulfilling the duty of due care of prudent manager as a corporate auditor of the Company and shall focus on the execution of duties at the Company as much as possible.
- (2) The significant concurrent positions held by the corporate auditors of the Company shall be disclosed annually in the Reference Documents for the General Meeting of Stockholders and the Business Report pursuant to the provisions of laws and regulations.

#### Article 16 (Policy and Procedure for the Determination of Officers' Compensation)

- (1) Internal directors' compensation (including compensation as an executive officer if such a position is held concurrently) shall consist of fixed compensation and stock compensation as a consideration for the execution of duties and variable compensation that is linked to the financial performance of the Company for the fiscal year and be determined by the Board of Directors so as not to exceed the total amount approved by the General Meeting of Stockholders.
- (2) Outside directors' compensation shall consist only of fixed compensation to ensure their independence from business execution and be determined by the Board of Directors so as not to exceed the total amount approved by the General Meeting of Stockholders.
- (3) The compensation of managing executive officers (excluding those who also hold the position of a director) shall consist of fixed compensation and stock compensation as a consideration for the execution of duties and variable compensation that is linked to the financial performance of the Company for the fiscal year and be determined by the Board of Directors.
- (4) The compensation of executive officers (excluding those who also hold the position of a director or managing executive officers) shall consist of fixed compensation as a consideration for the execution of duties and variable compensation that is linked to the financial performance of the Company for the fiscal year and be determined by the Board of Directors.
- (5) Corporate auditors' compensation shall consist only of fixed compensation to ensure the proper execution of their duties such as audit services and audits of business execution and be determined by consultation among corporate auditors so as not to exceed the total amount approved by the General Meeting of Stockholders.
- (6) In making decisions on the compensation of directors and managing executive officers, the Board of Directors shall leave its decisions to the discretion of the Representative Director after the deliberation

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and reporting of the Nomination and Compensation Advisory Committee. The Representative Director shall respect the reporting from the Nomination and Compensation Advisory Committee to the maximum extent possible when making decisions in order to secure the fairness, transparency and objectivity of such decisions.

Article 17 (Support to Outside Directors and Outside Corporate Auditors)

- (1) The Company shall, for the purpose of supporting the execution of duties by outside directors and outside corporate auditors, appoint departments in charge of providing such support.
- (2) The Company shall, in order to encourage active discussion at the meetings of the Board of Directors, deliver relevant materials for the meeting agenda to outside directors and outside corporate auditors in advance and otherwise strive to provide sufficient information to outside directors and outside corporate auditors by, for example, ensuring that explanation is provided to them before the date of the board meeting by the departments in charge that had been appointed in advance.

Article 18 (Meetings by Outside Directors and Outside Corporate Auditors)

Outside directors and outside corporate auditors shall hold a meeting among them as necessary.

Article 19 (Training Policy for Directors, Corporate Auditors, etc.)

- (1) The Company shall provide directors, corporate auditors, and executive officers of the Company with training opportunities that are necessary for the fulfillment of their roles and responsibilities on an ongoing basis at its cost.
- (2) The Company shall provide internal directors, internal corporate auditors, and executive officers of the Company with training on the Companies Act, corporate governance, etc., at the time of their assumption of office. The Company shall also provide them with training opportunities during their term of office for learning and deepening understanding of knowledge that are relevant to their respective roles including those provided by external organization.
- (3) The Company shall provide outside directors and outside corporate auditors of the Company with training on the Company's business, finance, organization, corporate governance, etc., at the time of their assumption of office. The Company shall also provide them with opportunities during their term of office for deepening understanding of the business of the Company such as on-site tours of the factories, subsidiaries, etc., of the Company.

Article 20 (Evaluation of the Overall Effectiveness of the Board of Directors)

The Board of Directors shall analyze and evaluate the overall effectiveness of the Board of Directors and disclose the summary of the results of the evaluation each year.

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## Chapter 3      Securing the Rights and Equal Treatment of Stockholders

### Article 21 (General Meeting of Stockholders)

- (1) The Company shall, recognizing that the General Meeting of Stockholders is the highest decision-making body of the Company and an important forum for constructive dialogue with stockholders, put in place an appropriate environment for the exercise of rights by stockholders.
- (2) The Company shall strive to send a notice of General Meeting of Stockholders as early as possible to secure sufficient time for stockholders to consider the proposals at the meeting. The Company shall also publish by electronic means the content of the Notice of General Meeting of Stockholders on the website of the Company as well as through other media before sending it by mail.

### Article 22 (Securing the Rights and Equal Treatment of Stockholders)

- (1) The Company shall treat the stockholders of the Company equally in accordance with the nature and the number of shares held by them.
- (2) The Company shall not provide any special benefits, such as the provision of property benefits, only to selected stockholders.
- (3) If a proposal set forth by the Company met a considerable number of negative votes at the General Meeting of Stockholders although it was approved, the Board of Directors shall analyze the reason for and the cause of such votes to decide whether any future responses are required.

### Article 23 (Basic Policy concerning Cross-Shareholding and the Exercise of Voting Rights Pertaining to Shares Held as Part of Cross-Shareholdings)

- (1) The Company will undertake a cross-shareholding with a business partner if it is determined to contribute to the enhancement of the corporate value of the Company over the medium to long term from the perspective of the maintenance, enhancement, etc., of the stable and long-term commercial relationship with the business partner.
- (2) The Board of Directors shall conduct an annual review of individual cross-shareholdings to evaluate whether it is necessary to continue to hold them based on the examination of, among others, their medium- to long-term economic rationality and future prospect, from the perspective of whether the purpose is appropriate and whether the benefits and risks from each holding cover the Company's cost of capital.
- (3) The Company shall exercise voting rights pertaining to cross-shareholdings based on a comprehensive judgment on the desirability of the proposal from the perspective of the enhancement of the corporate

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value of the issuer and the Company over the medium to long term after closely examining the purpose and the details of each proposal.

#### Article 24 (Transactions with Related Parties)

- (1) A director intending to enter into a competitive transaction or a conflict of interest transaction prescribed by laws and regulations shall obtain the approval of the Board of Directors in advance. In addition, a director who has executed such a transaction shall report the actual status of the transaction at the meeting of the Board of Directors held immediately after the execution of the transaction.
- (2) When the Company proposes to enter into a transaction with its related party, such as a major stockholder or subsidiary, it shall complete the approval procedure prescribed by the applicable regulations of the Company and the Board of Directors shall regularly monitor the status of such transactions.

### Chapter 4 Dialogue with Stockholders

#### Article 25 (Policy for Constructive Dialogue with Stockholders)

The Company shall separately prescribe the policy for the promotion of constructive dialogue with investors including stockholders to help the Company to achieve sustainable growth and increase corporate value over the medium to long term.

### Chapter 5 Appropriate Cooperation with Stakeholders Other Than Stockholders

#### Article 26 (Relationship with Stakeholders)

The Company will, recognizing that sustainable growth and the creation of corporate value over the medium to long term of the Company are only possible with the provision of resources and contribution from various stakeholders such as customers, business partners, creditors, local communities, and employees, strive to build a good relationship with these stakeholders for appropriate cooperation with them.

#### Article 27 (Business Principles)

The Company shall establish and put into practice the Business Principles that indicate how the Company should behave in order to realize its mission and the status of the practice of the Business Principles shall be reported regularly to the Board of Directors.



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#### Article 28 (Responses to Sustainability Issues)

The Company shall respond appropriately to any sustainability issues and the status of such responses shall be reported regularly to the Board of Directors.

#### Article 29 (Ensuring Diversity within the Company)

The Company shall, based on the recognition that diverse perspectives and values reflecting different experience, skills, and attributes existing within the Company can be the strength of the Company in achieving sustainable growth, put in place an environment and a system for ensuring diversity including the promotion of women's empowerment.

#### Article 30 (Whistleblower Program)

The Company shall establish and administer an appropriate whistleblower program so that the whistleblower can report information or genuine suspicion about an illegal or inappropriate act or disclosure without worrying about any potential risk of disadvantages or retaliation and the information and suspicion reported are objectively examined and used appropriately.

### Chapter 6 Information Disclosure

#### Article 31 (Ensuring Appropriate Information Disclosure and Transparency)

- (1) The Company shall, in compliance with the provisions of laws and regulations and rules of financial instruments exchanges, disclose material facts properly on a timely basis. In addition, the Company will strive to actively provide information disclosure through the website of the Company, the integrated report, etc., beyond the scope of legal requirements to ensure management transparency.
- (2) The Company shall strive to ensure that the information disclosed and provided pursuant to the provisions of the preceding paragraph will be easy to understand and highly useful for the users.
- (3) The Company shall disclose and provide information disclosure in English to the extent reasonable.

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## Supplementary Provisions

- 1 This Basic Policy shall take effect on December 22, 2015.
- 2 Any revision or abolishment of this Basic Policy shall be subject to the approval of the Board of Directors.
- 3 A partial revision of this Basic Policy shall enter into force on December 25, 2018.  
A partial revision of this Basic Policy shall enter into force on June 26, 2020.  
A partial revision of this Basic Policy shall enter into force on March 31, 2021.  
A partial revision of this Basic Policy shall enter into force on June 29, 2021.  
A partial revision of this Basic Policy shall enter into force on December 21, 2021.

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## Appendix 1

### 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.

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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.

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## Appendix 2

### Policy for Constructive Dialogue with Stockholders

The Company shall, in accordance with the following policy, undertake initiatives to promote constructive dialogue with investors including stockholders to help the Company to achieve sustainable growth and increase corporate value over the medium to long term.

(Structure)

- The officer in charge of the General Affairs Department shall be responsible for the overall supervision of dialogue with investors with the assistance of the General Affairs Department.
- The person in charge of investor relations at the General Affairs Department shall request the provision of information from departments in charge of specific themes to make dialogue more fruitful and the departments in charge shall respond to the request appropriately.

(Dialogue Methods)

- The Company will hold results briefings on a semiannual basis for the media, analysts, and institutional investors. In addition, the Company will hold briefings on its management strategies, business operations, etc., as appropriate.
- The Company will respond to individual investors by publishing sufficient information on its management policies, businesses, operating results, etc., on the website of the Company.

(Dialogue on an Individual Basis)

- The Company will respond to a request for dialogue on an individual basis if such a dialogue is determined to be beneficial for sustainable growth and increase of its corporate value over the medium to long term, by having an appropriate person have a face-to-face interview with a stockholder on an individual basis, while paying attention to the fairness in information disclosure.

(Feedback to the Board of Directors)

- The officer in charge of the General Affairs Department shall summarize the opinions, etc. of the investors obtained in the course of dialogue and report them regularly to the Board of Directors.

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(Management of Insider Information)

- In conducting dialogue with investors, the Company shall manage insider information properly in accordance with the applicable regulations of the Company.