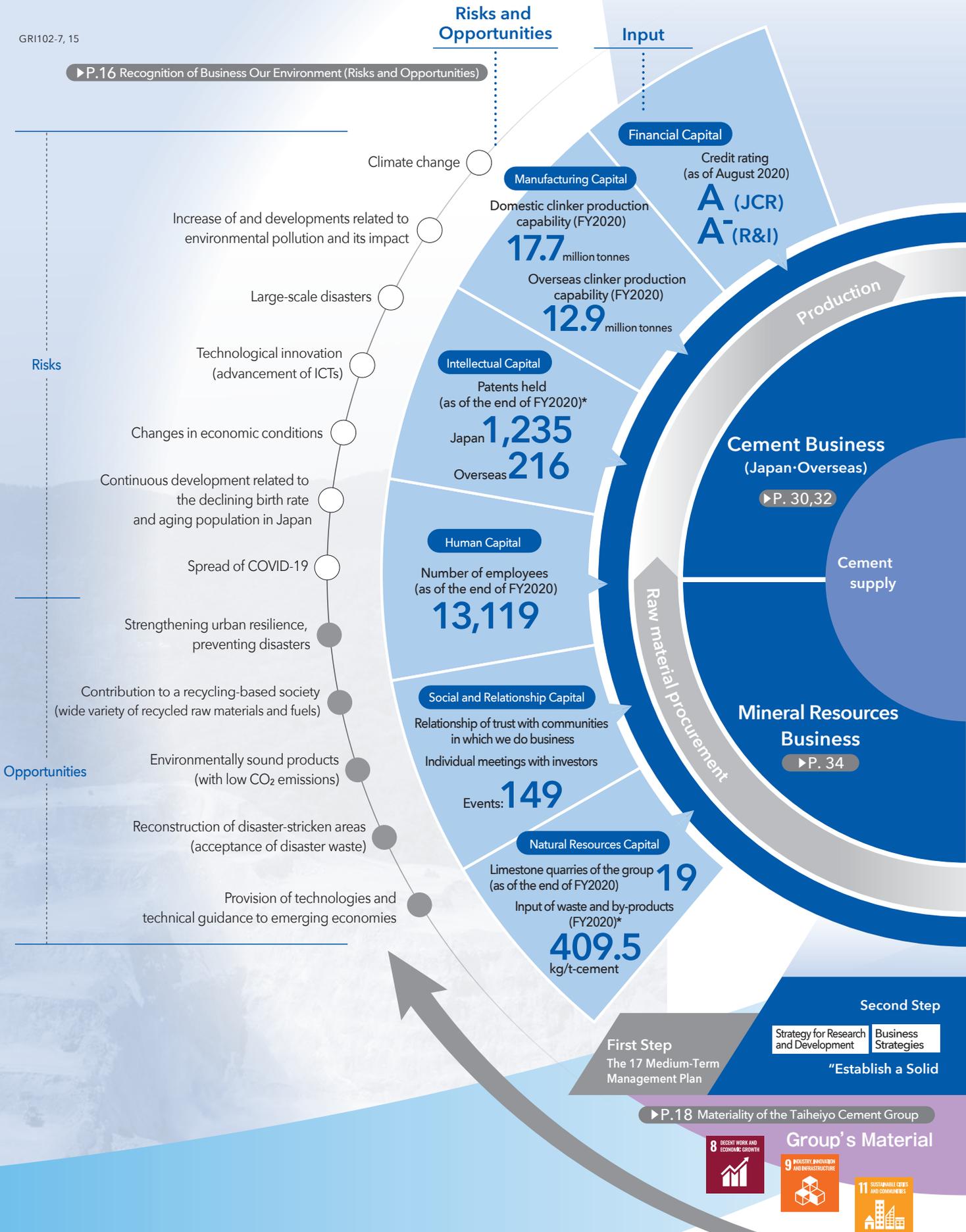


Value Creation Process

GRI102-7, 15

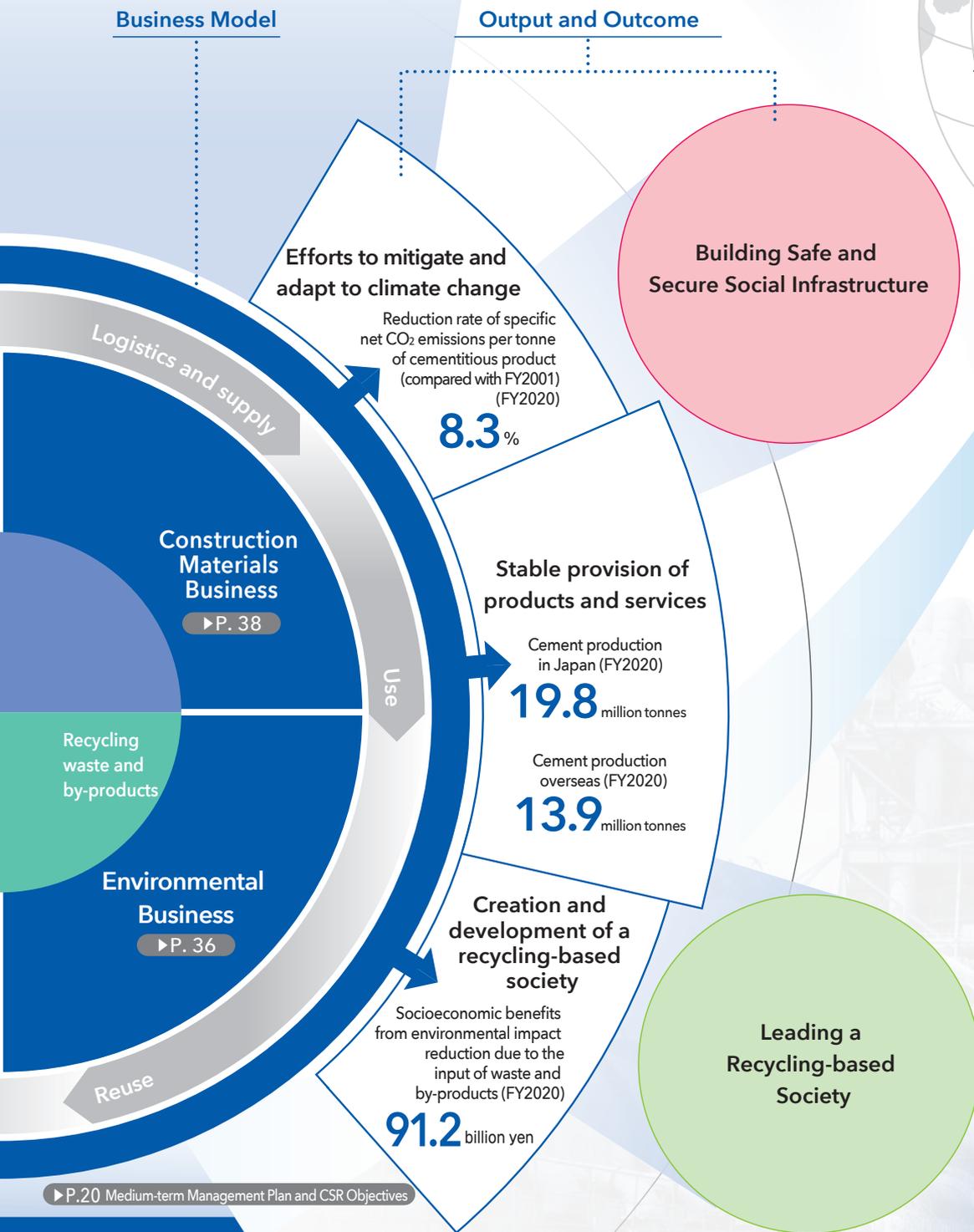
▶ P.16 Recognition of Business Our Environment (Risks and Opportunities)



Group's Total Capabilities



Pioneering a Sustainable Future for the Earth



Building Safe and Secure Social Infrastructure

Leading a Recycling-based Society

▶ P.20 Medium-term Management Plan and CSR Objectives

The 20 Medium-Term Management Plan

Strengthen Management Foundations

Business Foundation"

Third Step

Next Medium-Term Management Plan

CSR Objectives for 2025

Issues



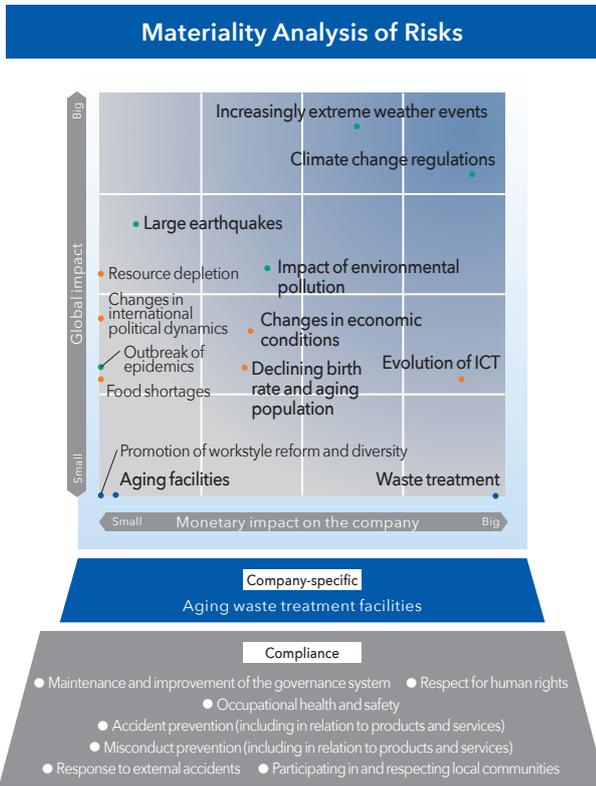
Closely related SDGs

*Figures are on a non-consolidated basis.

Recognition of Our Business Environment (Risks and Opportunities)

GRI102-11, 15, 29, 32, 46, 103-1, 2, 201-2

The Taiheiyo Cement Group’s efforts to prevent or lessen the impacts of risks that could significantly affect its business are key for its sustainable growth. Every three years the Risk Management & Compliance Committee leads the review of the risks that have been identified across the company while implementing risk management from PDCA cycles in each fiscal year. During the review in FY2020 we categorized them in terms of impact of anticipated changes in social and environmental conditions over the next ten years, in relation to uncertainty of group corporate management. The three categories are: change risks, company-specific risks and compliance risks. The review identified 16 risks that could have a material impact on the group.



Company-wide Material Risk Identification	
Risk Category	Item
Change	Environmental aspects <ul style="list-style-type: none"> ● Climate change: increasingly extreme weather events and dramatic increase in weather disasters ● Climate change: changes in regulations and society ● Increase of and developments related to environmental pollution and its impact: regulations ● Geological and biological activities: occurrence of a large earthquake
	Social aspects <ul style="list-style-type: none"> ● Technological innovation: evolution of digitalization (ICT) ● Changes in economic conditions ● Continuity and development related to the declining birth rate and aging population in Japan: declining labor force
Company-specific	<ul style="list-style-type: none"> ● Waste treatment ● Aging facilities
Compliance	<ul style="list-style-type: none"> ● Maintenance and improvement of the governance system ● Respect for human rights ● Occupational health and safety ● Accident prevention (including in relation to products and services) ● Misconduct prevention (including in relation to products and services) ● Response to impacts of external accidents ● Participating in and respecting local communities

● Results of Collection, Evaluation and Identification of Risks

In considering company-wide risks in terms of the social and environmental challenges to be addressed, we categorized them as follows:

- **Change risks:** arising from changes in the social environment
- **Company-specific risks:** arising from the characteristics of our business and capital, including all types of capital such as mining rights and human resources
- **Compliance risks:** related to the foundation of the organization

We then selected the risks deemed material for the entire company and assessed them in accordance with the criteria shown on the right.

(1) Change risks

We examined these items based on their impact on the company (that is,

the impact of the monetary evaluation) and the magnitude of the global impact (“occurrence” multiplied by “impact”). In selecting material risks we identified seven items using the magnitude of the impact on the company as the sole metric for selection.

(2) Company-specific risks

In this category the items are not closely related to any changes in global conditions but are closely connected to the group’s business history. We identified two such items that could significantly impact on the group.

(3) Compliance risks

Items in this category serve as the foundation of the organization and are essential for effectively controlling the organization and ensuring its continued acceptance by society. We therefore identified all items as material company-wide.



Future Business Strategies

Based on Results of a Company-wide Risk Review

Contributing to National Resilience

The increase in the number and severity of natural disasters are challenging social structures to formulate disaster prevention and mitigation actions. We will contribute to national resilience by enhancing the stable supply of cement and other construction materials for strengthening infrastructure and supporting rapid disaster restoration.

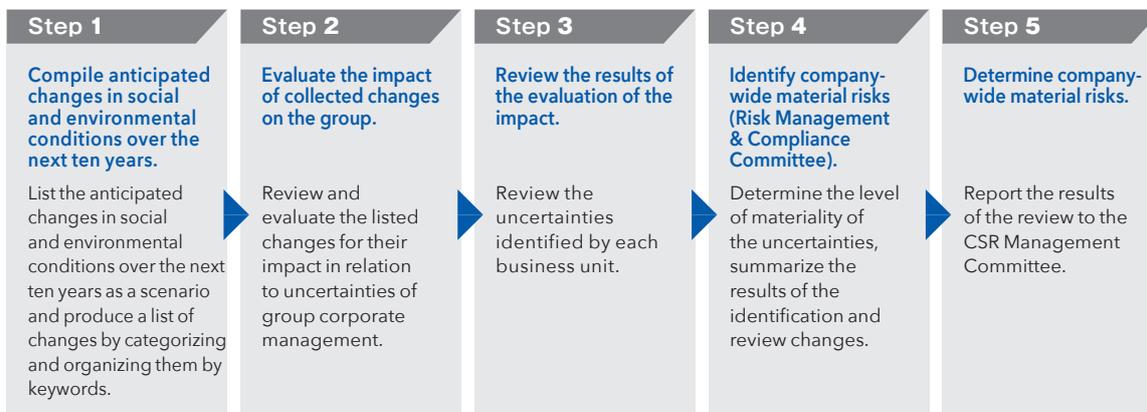
Supporting the Creation of a Recycling-based Society

We have recently been recycling disaster waste as raw materials and fuels for cement production as well as industrial waste, by-products, municipal waste and incineration ash. We will play our role in establishing a recycling-based society by applying and developing the necessary expertise and technologies.

Advancing the Creation of a Low-carbon Society

Viewing the challenge of reducing CO₂ emissions as a positive opportunity to advance the creation of a low-carbon society through our operations, we will expand our efforts to efficiently replace fossil fuels with alternative energy derived from waste and promote technological progress in such areas as the development of low-CO₂ cement and innovative technologies for CO₂ capture, utilization and storage (CCU and CCS).

Summary of the Collection, Evaluation and Identification of Company-wide Risks



We collect, evaluate and identify company-wide risks, including those of group companies, every three years and conduct an annual review of those risks. FY2020 was the third year of the company-wide risk review since it was first conducted in FY2017. The purpose of identifying risks is to understand the impact of anticipated changes in social and environmental conditions over the next ten years in relation to uncertainty of group management and then formulate measures to avoid and reduce that uncertainty. We review risks with reference to the corporate risk management guidance based on ISO 31000, COSO and WBCSD as well as other risk information. We also consult risk management experts.

We referred to the following risk information:

- Global Risk Report (2019): World Economic Forum
- Regional Risks for Doing Business (2018): World Economic Forum
- Enterprise Risk Management (2018): COSO/WBCSD
- Top Risk 2019 (2019): Eurasia Group
- 10 For 2019: Systematic Risks Loom Large (2019): Sustainalytics
- SDGs

For more information see "Risk Management and Compliance."

▶ P. 50

Materiality of the Taiheiyo Cement Group

GRI102-29, 32, 40, 42, 43, 44, 46, 47, 103-1, 2, 3, 203-1

STEP 01 | Identification of Issues

Key Stakeholders' Expectations and Demands Related to CSR Issues

We strive to fulfill our responsibilities in response to the expectations and demands of stakeholders while directly and indirectly maintaining sound relationships with them. Listed below are Taiheiyo Cement Group's key stakeholders, identified through consideration of our business characteristics and environment.

Stakeholders	Shareholders	Customers	Employees	Society	Suppliers			
	Shareholders, investors and financial institutions	Sales agents, ready-mixed concrete companies, ordering parties and waste disposal companies		Local communities in which we do business	Local governments	NGOs and NPOs	Business partners (procurement)	Partner companies (facilities operation)
Major Opportunities for Engagement	<ul style="list-style-type: none"> Publication of various reports (financial statements and CSR reports, etc.) Website and IR site IR activities Response to surveys 	<ul style="list-style-type: none"> Sales contact at the head and branch offices User societies and industry associations Technical journal and product catalogue Technical workshop Website 	<ul style="list-style-type: none"> Labor-management consultation and briefing sessions Training programs Setting up contact points for consultation and whistleblowing Website and intranet In-house newsletter CSR report 	<ul style="list-style-type: none"> Briefing sessions, debriefing sessions, tours and environmental monitoring system Social contribution activities CSR reports Dialogue 	<ul style="list-style-type: none"> Notifications to local governments Dialogue 	<ul style="list-style-type: none"> Meetings and gatherings Surveys Dialogue Social contribution activities 	<ul style="list-style-type: none"> Procurement briefing sessions 	<ul style="list-style-type: none"> The Health and Safety Cooperative Committee

Stakeholder Expectations and Demands

Category	Shareholders	Customers	Employees	Society	Suppliers	
Economy	<ul style="list-style-type: none"> Management stability and growth potential Stable redistribution of profits Information disclosure 	<ul style="list-style-type: none"> Stable supply of products High value-added products Improved economic efficiency of waste disposal 	<ul style="list-style-type: none"> Payment of reasonable price 	<ul style="list-style-type: none"> Sharing social costs 	<ul style="list-style-type: none"> Tax payment Activity support and sponsorships 	<ul style="list-style-type: none"> Payment of reasonable price
Environment	<ul style="list-style-type: none"> Effective allocation of management resources Information disclosure 	<ul style="list-style-type: none"> Provision of environmental products Reduced environmental impact from waste treatment 	<ul style="list-style-type: none"> Promotion of environmentally sound management 	<ul style="list-style-type: none"> Reduced environmental impact on the community Countermeasures to mitigate climate change Contribution to resource recycling Improved energy efficiency Appropriate use of water resources Conserving biodiversity Information disclosure 	<ul style="list-style-type: none"> Fair evaluation of environmental considerations Support for environmental measures Promotion of environmentally sound management 	
Society	<ul style="list-style-type: none"> Effective allocation of management resources Information disclosure 	<ul style="list-style-type: none"> Maintaining product quality and safety Provision of information on product use Technical support for product use Response to complaints Improved resource circulation in the community 	<ul style="list-style-type: none"> Respect for human rights Respect for diversity Elimination of discrimination; fair evaluation and equal opportunity Secured occupational safety and improved work environment Support for skill and career development Ensuring opportunities for conversation 	<ul style="list-style-type: none"> Contribution to infrastructure development Maintaining the quality of product and service safety Job creation Respect for human rights and the community Social contribution activities Information disclosure 	<ul style="list-style-type: none"> Equal and fair relationships Respect for human rights Secured work safety and improved work environment 	

Risks and Opportunities for Our Business Operations

The Taiheiyo Cement Group recognizes and evaluates Group risks and opportunities from the perspective of ESG (environment, society and governance). Furthermore, it strives to reduce potential, medium- to long-term business risks, fully utilize its resources and create social value and expand business opportunities.

Risks and Opportunities for Our Business Operations

Recognition and Evaluation

▶ P. 16

▶

Key Directions for the Group

- Stable provision of products and services
- Efforts to mitigate and adapt to climate change
- Creation and development of a recycling-oriented society
- Expansion of strategic business domain
- Construction of new business model
- Retention and development of capable human resources
- Enhancement of group governance
- Strengthening of corporate governance

Relationships between SDGs and Our Business Operations

5 goals most closely related to our business operations



STEP 02 | Prioritization

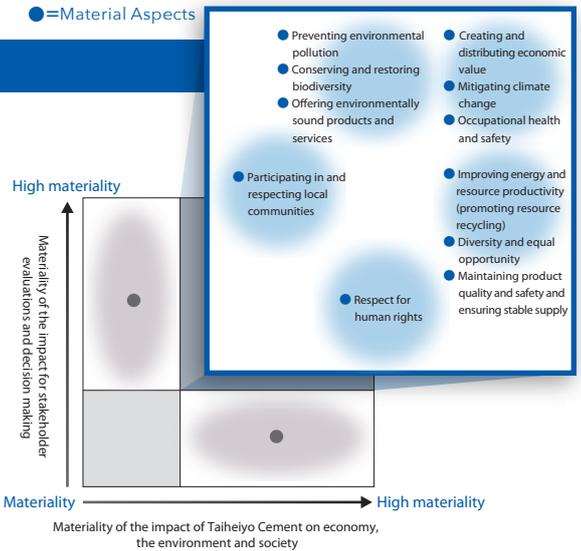
We identified sustainability issues while referring to international guidelines and stakeholder feedback in the context of our business. Through internal meetings we then held discussions on the priority themes for the Taiheiyō Cement Group, resulting in 11 priority aspects of the material issues.

In the process of steps 1 and 2 we referred to:

- GRI Sustainability Reporting Standards (GRI Standards) 2016/2018
- ISO26000
- SDGs, SDG Compass, SDGs Industry Matrix
- AA1000SES (AA1000 Stakeholder Engagement Standards)
- SASB
- ESG surveys and evaluations
- Internal questionnaire and feedback surveys
- Stakeholder Dialogue
- CSR report questionnaire survey
- Opinions and advice from outside experts and advisors

●=Various sustainability issues

- Appropriate use of water resources
- Appropriate management of chemical substances
- Compliance with environmental laws and regulations
- Mitigation of environmental impacts of transfer and transport
- Human resource development
- Work-life balance management
- Sound labor-management relations
- Fair trade
- Corruption prevention
- Marketing communication
- Personal information protection
- Information disclosure
- Protection and use of intellectual property



Material Issues and Approaches of the Taiheiyō Cement Group

Categories	Material Aspects	Boundaries of Major Impact		Management Approaches	Report Page	
		Taiheiyō Cement	Value chain			
Economy	Creating and Distributing Economic Value	✓	✓	Policy: Society	• Conducting business activities in accordance with our 20 Medium-term Management Plan (FY2019 to FY2021)	P. 8, PP. 20-21, PP. 30-39, PP. 89-91
Environment	Improving Energy and Resource Productivity (promoting resource recycling)	✓	✓	Policy: Industry and regional waste-related facilities	• Environmental management policy • WBCSD Membership conditions • GCCA Sustainability Charter	PP. 62-67, PP. 72-73
	Mitigating Climate Change	✓	✓	System: Industry and regional waste-related facilities	• Setting up Environmental Management Committee • All plants, head office, branches and the Central Research Laboratory are operating in compliance with ISO 14001	PP. 24-27, PP. 62-65, P. 73
	Preventing Environmental Pollution	✓	✓	Evaluation: Areas around plants	• Our Long-term Vision of Greenhouse Gas Emissions Reduction toward 2050 • CSR Objectives for 2025	PP. 70-71
	Conserving and Restoring Biodiversity	✓	✓	Evaluation: Areas around plants	• Group environmental targets and KPIs based on the WBCSD Membership conditions and the GCCA Sustainability Charter • Monitoring and review by the Environmental Management Committee	PP. 68-69
	Offering Environmentally Sound Products and Services	✓	✓	Evaluation: Society		PP. 36-37, PP. 40-41, PP. 76-78
Society	Occupational Health and Safety	✓	✓	Policy: Contractors	• Occupational Health and Safety Policy • Establishment of the Environmental Management Committee • OSHMS has been running in all plants and mines • CSR Objectives for 2025 • Monitoring of data on health and safety including information from contractors	PP. 86-88
	Diversity and Equal Opportunity	✓	—	Policy: System:	• The Basic Policy Concerning the Development of Human Resources • The Basic Policy Concerning Diversity • Development of a long-term human resource development system, a fair evaluation system and comfortable working environments	PP. 79-83
	Maintaining Product Quality and Safety and Ensuring Stable Supply	✓	✓	Policy: System:	• Quality Policy • A unified ISO 9001-based management system for product development, design and production • Technical support in the framework of Taiheiyō Brand Cement/Concrete (TBC) activities	PP. 76-78
	Participating in and Respecting Local Communities	✓	✓	Policy: System:	• Identifying communication with communities as a material issue in the Mission of the Taiheiyō Cement Group and the Basic Policy of CSR • Promoting company-wide activities by the Stakeholder Communication Committee	PP. 89-91
	Respect for Human Rights	✓	✓	Policy: System:	• Basic Policy Concerning Human Rights and Labor Practices • Promoting company-wide activities under the Human Rights Committee • Contact points for counseling	P. 79
				Evaluation:	• Managing progress according to the company-wide action plan and facilitating the exchange of opinions and negotiations at labor-management consultations	

STEP 03 | Validation

We confirmed the Principles of Completeness and Stakeholder Inclusiveness are applied to finalize the identification of the report content.

- ➔ Discussion at the Taiheiyō Cement report task force meeting
- ➔ Reporting and approval at the CSR Management Committee



STEP 04 | Review

We implement a review every fiscal year for the report issued.

- Internally ➔ Report booklets are distributed to all employees of Taiheiyō Cement Corporation and a questionnaire survey is conducted.
- Externally ➔ Third-party opinion by experts ➔ Questionnaire survey ➔ Review by external advisors

Progress of the Medium-Term Management Plan and CSR Objectives

GRI102-11, 15, 29, 103-2

Fundamental Policies of the 20 Medium-Term Management Plan (FY2019-2021)



The 20 Medium-Term Management Plan: Management Targets

	FY2019 Result	FY2020 Result	FY2021 Target
Operating income on sales	7.2%	6.9%	9% or more
ROA (ordinary income)	6.3%	5.9%	8% or more

20

The 20 Medium-Term Management Plan

FY2019-2021
(second step)

17

The 17 Medium-Term Management Plan

FY2016-2018
(first step)

Group's management foundation (human resources, technologies, R&D capabilities, sales, resources, knowhow, etc.) as pillars of growth

CSR Targets 2025

(Objectives to Be Achieved by FY2026)

I	 Prevention of Accidents	Zero fatalities Scope of implementation: Employees of the Taiheiyo Cement Group including overseas business sites and contractors
II	 Reduction of Greenhouse Gas Emissions	Reduce by at least 10% specific net CO₂ emissions per tonne in comparison to FY2001 levels Scope of implementation: Cement production sites of Taiheiyo Cement and group companies, including overseas sites
III	 Workplace Diversity	Ratio of female to male employees among new hires at least: 30% (those under "G Course" categories) Ratio of female to male employees at least: 10% Ratio of newly appointed female to male managers at least: 10% Scope of implementation: Non-consolidated (including employees on loan to group companies and other companies)

Next Medium-Term Management Plan (third step)

Future Vision and Direction

(toward 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

The 20 Medium-Term Management Plan

Financial Indicators (Guidelines)

(Billions of yen, unless otherwise stated)

	FY2018 Result	FY2019 Result	FY2020 Result	FY2021 (Planned)
Net sales	871.1	916.0	884.3	950.0 or more
Operating income	65.1	66.0	61.0	85.0 or more
EBITDA*	111.6	110.5	109.9	140.0 or more
Net debt/equity ratio (DER) (times)	0.6	0.5	0.5	0.5 or less
Net interest-bearing debt/EBITDA (times)	2.1	2.02	1.95	1.5 or less

*Operating income + depreciation (including goodwill amortization)

Financial Strategy and Shareholders' Returns

① Capital expenditure and investment and financing

We plan to invest 230 billion yen, including 120 billion yen in growth investment, over the three years. In FY2019 and 2020 we decided to invest around 60 billion yen domestically and overseas as growth investment. This includes the amount invested for a planned capital alliance with the PT Semen Indonesia (Persero) Tbk group as announced in April 2020.

② Returns to shareholders

We have stated that we will consider flexibly repurchasing shares toward achieving a total return ratio of around 30%. In FY2019 we achieved a total return ratio of around 34% by paying commemorative dividends for the 20th anniversary of the company's founding and repurchasing our shares in addition to ordinary

dividends. In FY2020, although we only paid ordinary dividends, the inclusion of repurchased shares announced in May 2020 and concluded in July 2020 in FY2020 financial figures would bring the total return ratio to around 32%. Thus, our total return ratio exceeded 30% in those two years.

③ Further strengthening our financial structure

We have set a target of a net DER of 0.5 or less at the end of FY2021 as a guideline. The financial structure has been steadily improving, as seen at the end of FY2020 by the equity ratio of 42.3% (an improvement of 3.6% from the end of FY2018) and the balance of interest-bearing debt of 266.1 billion yen (a reduction of 22.4 billion yen from the end of FY2018). Moreover, we achieved our net DER target of 0.5 times or less, ahead of schedule at the end of FY2020.