

# Taiheiyo Cement Group Corporate Governance

Messages from Outside Directors and Outside Corporate Auditors



Outside Corporate Auditor

Yoshio Fujima

Outside Corporate Auditor

Wakako Mitani

Outside Director

Yoshiko Koizumi

Outside Director

Shinhachiro Emori

The Taiheiyo Cement Group is striving for highly transparent management by enhancing its corporate governance. What issues does the group need to clear in order to maintain sound management and continue to grow further? Two outside directors and two outside corporate auditors talked about the group's governance from their points of view.



Outside Director

**Yoshiko Koizumi**

I will shed light on unrecognized issues to help promote the group's governance.

Since assuming this position in 2015 I have always had the impression that this company is solid. I regularly receive a large volume of documents that are prepared for outside directors as well as frequent explanations from the drafting and other departments. The company's expectations of me as an outside director are high and, while that places a lot of pressure on me, I believe that is why we have maintained a relationship in which I can speak frankly. The company employs a self-evaluation system in which all directors fill out a questionnaire to assess the effectiveness of the Board of Directors. A new process has been added in which the chairman of the board and outside directors analyze and evaluate effectiveness based on the results of the questionnaire. I feel that this new process also demonstrates the company's willingness to listen to the candid opinions of outsiders.

In fulfilling my role as an outside director, I have valued the importance of interacting with employees onsite through direct communication. These experiences have made me realize that the spirit of valuing people and communities continues to be alive and well in the company, and that the cement industry is built on people and communities. As the company expands its business across the Pacific Rim it will face the challenge of instilling this spirit in regions with different history, climates and cultures, while practicing effective governance. My role as an outside director would be analysis and provision of advice on corporate legal affairs, applying my many years of experience as an international lawyer, and openly expressing my opinions based on my experience as an outside director and outside auditor at other companies—even in relation to matters that the company has not recognized as issues. Since the company has so many outstanding personnel, if we can understand the essence of an issue, we will naturally find a solution.



Outside Director

**Shinhachiro Emori**

I plan to have effective discussions by using my practical experience as a corporate manager.

Having worked for a chemical manufacturer that also makes cement, I know the company's business environment well and can provide advice leveraging my practical experience as a corporate manager. Having only recently been appointed to the post I am not yet ready to make detailed observations but I intuitively sense that management of a large group with approximately 120 consolidated subsidiaries will be difficult. Since group companies differ in history, business formats and corporate culture, a great deal of effort will be required to check, every day, on whether or not governance has permeated throughout the group. This important task should be carried out no matter what it takes, in order to provide prompt, effective guidance in times of emergency. Fostering a relationship of trust between the headquarters and each group company is key for establishing and instilling group governance, and this depends on daily communication. As for creating a governance system in line with the real situation, I believe that I will be able to provide advice based on my own experience.

In FY2021 the number of the company's board members was changed from 15 to 10. This was intended to increase the ratio of outside officers and strengthen the monitoring function, and I feel this was a very reasonable action. Going forward, each director must take responsibility for attending board meetings and enriching the content of discussions to enable effective and thorough discussions. As an outside director who understands corporate management practices, I think my role is not only to apply brakes on management but also to step on the accelerator once in a while. I hope to effectively contribute as an outside director who can offer helpful advice when the company faces difficult decisions.



Outside Corporate Auditor

**Wakako Mitani**

I will strive to strengthen the group's internal controls to meet its expectations.

Two years have passed since I became an outside corporate auditor. During that time I attended various important meetings in addition to the Board of Directors and Audit and Supervisory Board meetings, and I deepened my understanding of the company's strategy. I participate in visits to as many branches, plants and group companies as possible, both in Japan and overseas. When I speak with local employees I am provided with specific and direct information. They constantly amaze me with their level of activity and openness.

I have also had direct discussions with employees on important matters and compliance issues. The company is the largest in the Japanese cement industry and maintains hundreds of group companies of different sizes. Therefore, while it maintains a high level of compliance as a leading company, it needs to have an internal control system that matches the business format and scale of each group company, and a level of internal control that lives up to the name of the Taiheiyo Cement Group. From a lawyer's point of view, striking this balance can be difficult, but I believe that the group will continue to instill a vision of what it should be across the entire organization. One issue I point out in this regard is that I feel the need to establish a group internal control system that enables group companies to share information and roll out countermeasures so that when a compliance problem arises, they can prevent the same problem from reoccurring anywhere else in the group.

While the role expected of outside corporate auditors and the level of expectation differs from company to company, I strongly feel that this company actively seeks and reflects external opinions. I will continue to work hard to meet their expectations.



Outside Corporate Auditor

**Yoshio Fujima**

I will conduct higher quality audits to help develop the group.

The company makes outside corporate auditors work in what we consider as "a good way." It has been only a year since I was appointed as outside corporate auditor but I have already visited many sites in Japan and abroad. At every work site I felt they tried to conduct effective audits relevant to the current business environment rather than "pro-forma" reviews. Furthermore, compared to my previous auditing experience, no other company has provided so much information, making this a very refreshing experience for me.

Also, when I assumed this post, I was very interested in how the group, which consists of approximately 300 subsidiaries and affiliated companies, can instill and maintain the basic spirit of its internal control system group-wide. When conducting audits as an outside corporate auditor, I paid attention to this point while also exchanging opinions based on explanations received about management and the operations of each department at the headquarters, plants and subsidiaries. As a result, I realized that group employees share a common understanding. I feel this is due to the significant contribution of over 130 years of group history and pride which have fostered human resources who understand and practice the spirit of internal control and have nurtured an environment that maintains that spirit. However, the group went through a period of limiting new hires in the past so to continue consistently conveying this spirit and fostering awareness will be among its management challenges.

I also think that it is important for the group's sustainable growth to enhance the disclosure of corporate information related to non-financial information, which has recently been attracting attention, while at the same time creating an environment that secures human resources and maintains a sound internal control system. I would like to increase the impact of auditor's audits from a professional perspective as a certified public accountant while also offering appropriate advice as an outside corporate auditor.

# Corporate Governance

## Basic Policy on Corporate Governance

In keeping with the Group’s mission we established the Basic Policy on Corporate Governance with the aim of meeting the expectations of all stakeholders, including shareholders, and helping to achieve sustainable growth while maximizing our corporate value over the medium to long term. Under the policy we also work toward further enhancing our corporate governance.

**WEB** Taiheiyo Cement Corporation Basic Policy on Corporate Governance Corporate Governance Report

Our website <https://www.taiheiyo-cement.co.jp/english/>

About Us → Corporate Governance

### ■ Status of Compliance with Japan’s Corporate Governance Code

Principles	Disclosure by		
	Website *1	Basic Policy*2	Report *3
Principle 1.4	Cross-shareholdings	Article 22	●
Principle 1.7	Related party transactions	Article 23	
Principle 2.6*4	Roles of corporate pension funds as asset owners		●
Principle 3.1 Full disclosure	Company objectives (e.g., mission), management strategies, management plans		●
	Basic concepts and policies on corporate governance		●
	Policies and procedures in determining the compensation of senior management and directors	Article 15	
	Policies and procedures on the appointment of senior management, and nomination of director and corporate auditor candidates	Article 5 Article 9 Article 12	
Supplementary Principle 4.1.1	Board of Directors’ decisions and scope of matters delegated to management	Article 3	
Principle 4.9*5	Independence standards and qualification for outside directors	Article 4	●
Supplementary Principle 4.11.1	Views on appropriate balance between knowledge, experience and skills of the Board of Directors as well as on diversity and appropriate board size	Article 4	
Supplementary Principle 4.11.2	Status of concurrent positions at other listed companies held by directors and corporate auditors of the Taiheiyo Cement Group	Article 7 Article 14	
Supplementary Principle 4.11.3	Analysis and evaluation of the overall effectiveness of the Board of Directors and summary of results	Article 19	●
Supplementary Principle 4.14.2	Training policy for directors and corporate auditors	Article 18	
Principle 5.1	Policy for constructive dialogue with shareholders	Article 24	

\*1 Our website  
 \*2 Our Basic Policy on Corporate Governance  
 \*3 Reports related to our corporate governance  
 \*4 Principle to be disclosed under the revised Corporate Governance Code (June 1, 2018)  
 \*5 In addition to the above three methods of disclosure we disclose information in our securities reports and materials for our general shareholders’ meeting.

## Taiheiyo Cement Group Management Organization

GRI102-18, 19, 22, 23, 24, 28, 29, 30, 33

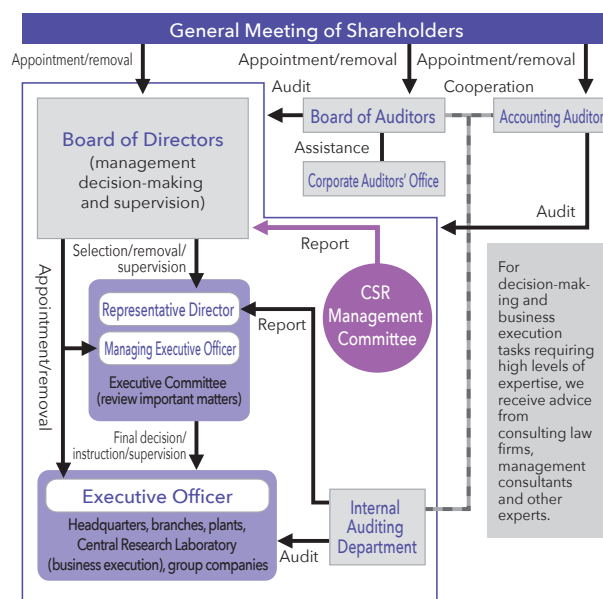
### ■ Corporate Governance System

Our organizational structure is anchored by our Board of Directors and Board of Auditors. We have also introduced an executive officer system in order to separate management decision-making and monitoring/supervisory functions from business execution. Our Corporate Auditor’s Office consists of one manager and two subordinates, which comprehensively supports corporate auditors in performing their duties. Our Internal Auditing Department conducts internal audits, identifies issues that require improvement and reports audit results to the president to increase the effectiveness of internal audits.

Also, our CSR Management Committee determines the ideal direction for our business activities from the perspective of CSR and promotes the strengthening of corporate governance.

In FY2020 we held 14 board meetings, with all directors and auditors in attendance.

### Corporate Governance System



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 CSR Management  
 Main Results of FY2020 CSR Efforts

### Overview of Corporate Governance System (as of June 30, 2020)

Area	Number of People
Organizational structure	Company with board of auditors
Board chairman	Chairman and director
Number of board directors (female board directors) (one-year term)	7 (1)
Number of outside directors (independent directors)	2 (2)
Number of executive officers (concurrent directors)	21 (2)
Number of corporate auditors (female corporate auditors)	4 (1)
Number of outside directors (independent directors)	2 (2)

### Major Meetings in FY2020

Meetings	Meetings Held	Attendance Rate of Outside Directors
Board of Directors	14	100%
Board of Auditors	12	100%
Executive Committee	23	-

#### ■ Evaluating the Effectiveness of the Board of Directors

In accordance with the Basic Policy on Corporate Governance, we analyze and evaluate the overall effectiveness of the Board of Directors on an annual basis. We also have all directors take part in a self-assessment survey by filling out a questionnaire on the composition of the Board of Directors, operational status, decision-making process and external communication. The results are analyzed and evaluated by the board chairman and outside directors and reported to the Board of Directors for future discussion and confirmation on improvements from the previous fiscal year as well as on issues and measures. In FY2020 the Board of Directors was considered to be generally well managed and its overall effectiveness ensured.

In addition, after reviewing the results and opinions presented by each director, we are working to raise the level of board effectiveness through such efforts as reducing the number of directors to strengthen management oversight and accelerate decision-making.

#### ■ Appointment of Board Members

The president proposes candidates for board directors and auditors to the Board of Directors, including outside directors, in accordance with the Basic Policy on Corporate Governance. After

deliberation and decision by the Board of Directors candidates are presented to the General Meeting of Shareholders and appointed based on its resolution. For nomination of auditors, the president proposes candidates to the directors with prior approval from the Board of Auditors, including outside auditors.

### Outside Officers

GRI102-22

#### ■ Appointment of Outside Directors

We appoint outside officers in accordance with the Independence Criteria for Outside Officers and the Taiheiyo Cement Corporation Basic Policy on Corporate Governance. These individuals must not have any conflicts of interest with general shareholders but be fully independent, and possess broad insight and experiences in terms of corporate legal affairs and corporate management.



Independence Criteria for Outside Officers (Taiheiyo Cement Corporation Basic Policy on Corporate Governance, Appendix 1)

Our website <https://www.taiheiyo-cement.co.jp/english>

About Us → Corporate Governance

#### ■ Major Areas of Experience of Outside Officers

Outside officers must be capable of supervising our directors and management from an independent, external standpoint, and provide proper and appropriate advice based on their wealth of experience and insight. Our current appointed outside officers include lawyers with experience in corporate legal affairs, a corporate manager from the manufacturing industry and a certified public accountant, all of whom have the requisite experience, achievements and insight.

#### Major Areas of Expertise of Outside Directors and Auditors

	Name	Attribute	Major Areas of Expertise				Global
			Management Strategy	Finance/Accounting	HR/Labor	Legal/Internal Control/Compliance	
Outside Director	Yoshiko Koizumi	Lawyer			○	○	○
Outside Director	Shinhachiro Emori	Corporate manager	○		○		
Outside Auditor	Wakako Mitani	Lawyer			○	○	
Outside Auditor	Yoshio Fujima	Certified public accountant		○		○	

## Board Member Remuneration

GRI102-35, 36, 37

### ■ Board Member Remuneration

Resolutions of the General Meeting of Shareholders determine the upper limits of remuneration for board directors and auditors. The board of directors, including outside directors, has resolved that the level of remuneration for individual board directors is decided by the representative director. The level of remuneration for individual auditors is determined by the Audit and Supervisory Board members. The remuneration system for directors consists of fixed compensation and performance-based compensation, while the remuneration system for the outside directors and auditors consists solely of fixed compensation.

### ■ Determining Board Member Remuneration

Fixed compensation is set according to position. Performance-based compensation for directors is calculated by multiplying profit attributable to owners of parent for the fiscal year under review by 1% (up to 400 million yen) and a coefficient by position, although this can be reduced depending on business and other conditions. If the annual dividend for the fiscal year under review is less than 30 yen per share, in principle no performance-based compensation will be paid. The ratio of performance-based compensation to total compensation in FY2020 was 37%, and the profit attributable to owners of parent in FY2019, the basis for calculation, was 43.4 billion yen.

#### Annual Remuneration of Board Members (FY2020)

	Board Members Who Received Remuneration	Amount of Remuneration Paid (Million Yen)
Board directors	18	853
Corporate auditors	6	72
Total	24	926

Note:

- The above counts of board members and corporate auditors who received remuneration include 4 board directors and 2 corporate auditors who retired or resigned at the conclusion of the 21st Ordinary General Meeting of Shareholders held on June 27, 2019.
- Of the above, the total amount of compensation for outside officers was 51 million yen, and the number of paid outside officers was 5.

## Initiatives to Enhance Governance Functions

GRI102-27

### ■ Support System for Outside Officers

The Corporate Planning Department assists outside directors with the execution of duties by, for example, explaining in advance Board of Directors meeting agendas and regularly reporting on important matters concerning business execution.

Full-time auditors regularly report to outside auditors on the matters deliberated in major internal meetings regarding business execution. In addition, our Corporate Auditor's Office provides support to corporate auditors.

### ■ Training for Directors and Corporate Auditors

Internal directors, internal corporate auditors and executive officers receive training on corporate law, corporate governance and other key issues upon assuming their posts. They also receive training from external organizations to acquire the knowledge they need for their respective roles.

As for outside directors and outside corporate auditors, their initial training includes business, finance, organization and corporate governance. They are also given opportunities to visit our business sites and affiliated companies in Japan and overseas to bolster their understanding of our company.

## Internal Control System

GRI102-30

In accordance with our Basic Policy for Building an Internal Control System, we are creating a system that will enable us to enhance various activities from the following three perspectives: (1) efficiency of business operations, (2) risk and compliance, and (3) financial reporting. Under this policy our Internal Control Report has confirmed that internal control over financial reporting for FY2020 was effective. An auditing firm we appoint has expressed its opinion that the report was appropriate. In the Business Report for FY2020 we have presented an overview of system operation to ensure the proper execution of operations in accordance with the basic policy.

## Board of Directors and Auditors



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### Shuji Fukuda Chairman and Director

#### Career Summary

Apr. 1974	Joined Onoda Cement Co., Ltd.	Oct. 2008	Executive Officer and General Manager, Human Resources Department
Jun. 1999	General Manager, Accounting & Finance Department of Taiheiyo Cement Corporation	Aug. 2010	Director, Managing Executive Officer and General Manager, Human Resources Department
Apr. 2004	General Manager, Accounting & Finance Department and General Manager, Accounting & Finance Business Operation Center	Oct. 2010	Director and Managing Executive Officer
Apr. 2006	General Manager, Hokuriku Branch	Apr. 2012	President and Representative Director
Apr. 2008	Executive Officer and General Manager, Human Resources Department and General Manager, Personnel Business Operation Center	Apr. 2018	Chairman and Director (to present)

#### Experience and Knowledge

Since 2010 Mr. Shuji Fukuda has engaged in the management of the company as a director and after serving as president and representative director was appointed as chairman and director in April 2018. He possesses a wealth of managerial experience, achievements and knowledge. While striving to enhance the function of the Board of Directors as chairperson, he has also effectively served as a director, striving to continuously increase the corporate value of the group, such as identifying key management issues, and supervising business execution.

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### Yuuichi Kitabayashi Vice President and Representative Director

#### Career Summary

Apr. 1978	Joined Nihon Cement Co., Ltd.	Jun. 2013	Director and Managing Executive Officer
May. 2009	General Manager, Kamiiso plant of Taiheiyo Cement Corporation	Apr. 2016	Representative Director and Senior Executive Officer
Apr. 2011	Executive Officer and General Manager, Production Department	Apr. 2017	Vice President and Representative Director Overseeing Corporate Planning Department (to present)
Apr. 2013	Managing Executive Officer		

#### Experience and Knowledge

Since 2013 Mr. Yuuichi Kitabayashi has engaged in the management of the company as a director and was appointed as vice president and representative director in April 2017. He possesses a wealth of managerial experience, achievements and management insights. He continuously strives to increase the corporate value of the group and significantly contributes to its development, while also identifying key management issues and supervising business execution.

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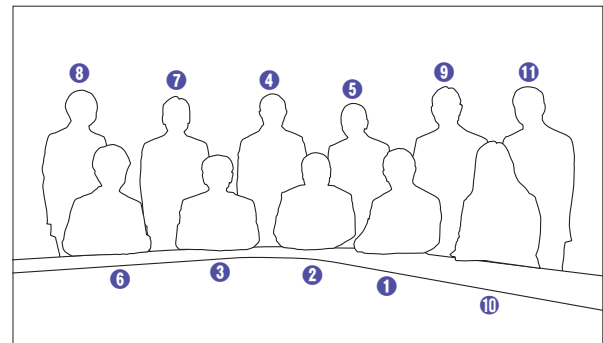
### Masafumi Fushihara President and Representative Director

#### Career Summary

Apr. 1978	Joined Onoda Cement Co., Ltd.	Apr. 2015	Managing Executive Officer
Apr. 2007	General Manager, Business Promotion Department of Environmental Business Company of Taiheiyo Cement Corporation	Jun. 2015	Director and Managing Executive Officer
May. 2009	General Manager, Sales Department of Environmental Business Company	Apr. 2016	Director, Managing Executive Officer and Senior General Manager, Cement Business Division
Oct. 2010	General Manager, Environmental Business Development Department	Apr. 2017	Director, Senior Executive Officer and Senior General Manager, Cement Business Division
Apr. 2012	Executive Officer and General Manager, Environmental Business Development Department	Apr. 2018	President and Representative Director (to present)

#### Experience and Knowledge

Since 2015 Mr. Masafumi Fushihara has engaged in the management of the company as a director and was appointed as president and representative director in April 2018 after serving as senior general manager of the Cement Business Division. He therefore possesses a wealth of managerial experience, achievements and knowledge. He continuously strives to increase the corporate value of the group as he leads its management, identifies key management issues and supervises business execution.



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## Masahiro Karino Director and Senior Executive Officer

### Career Summary

Apr. 1980	Joined Nihon Cement Co., Ltd.	Apr. 2016	Managing Executive Officer
Apr. 2004	General Manager, Legal Department of Taiheiyo Cement Corporation	Jun. 2016	Director and Managing Executive Officer
Apr. 2013	Executive Officer and General Manager, Legal Department	Apr. 2019	Director and Senior Executive Officer (to present)

### Experience and Knowledge

Mr. Masahiro Karino was appointed director in 2016 and has since been engaged in the management of the company. He was appointed director and senior executive officer in April 2019. He is effective in the role of a director in striving to continuously increase the corporate value of the group as he significantly contributes to its development while also identifying key management issues and supervising business execution.

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## Yoshiko Koizumi Outside Director

### Career Summary

Apr. 1972	Registered as a lawyer (Daini Tokyo Bar Association)	Jun. 2015	Director of Taiheiyo Cement Corporation (to present)
Jan. 1980	Partner, Masuda and Ejiri Law Office (predecessor of Nishimura & Asahi)	Jun. 2016	Outside Director, Dowa Holdings Co., Ltd. (to present)
Jan. 2008	Counsel, Nishimura & Asahi	Sep. 2017	Outside Corporate Auditor, Nippon Koei Co., Ltd. (to present)
Apr. 2009	Partner, City-Yuwa Partners (to present)		

### Experience and Knowledge

After working as counsel and partner at law firms Yoshiko Koizumi was appointed as a director of the company in June 2015. She has a wealth of corporate law experience, and provides precise recommendations and advice from an objective standpoint, independent of the management team that executes business in the Board of Directors, and also monitors and supervises overall management.

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## Toshihide Nishimura Corporate Auditor (Standing)

### Career Summary

Apr. 1979	Joined Onoda Cement Co., Ltd.	Apr. 2015	Managing Executive Officer
Apr. 2006	General Manager, Construction Materials Business Department of Taiheiyo Cement Corporation	Jun. 2015	Director and Managing Executive Officer
May 2009	General Manager, Accounting & Finance Department	Apr. 2017	Director
Apr. 2012	Executive Officer, General Manager of Related Business Department	Jun. 2017	Corporate Auditor (standing) (to present)

### Experience and Knowledge

After serving as director and managing executive officer of the company, he was appointed as corporate auditor in June 2017. In addition to his extensive knowledge and insight in the Accounting & Finance Department he has a wealth of experience as a director in construction materials, building construction and civil engineering businesses, as well as the supervision of business execution. With the intention of continuously increasing the corporate value of the group, he properly audits the execution of duties by directors.

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## Wakako Mitani Outside Corporate Auditor

### Career Summary

Apr. 2000	Registered as a lawyer (Daiichi Tokyo Bar Association)
Jul. 2001	Joined TANABE & PARTNERS
Apr. 2012	Partner, TANABE & PARTNERS (to present)
Feb. 2018	Corporate Auditor (to present)

### Experience and Knowledge

After working as a partner at a law firm, Ms. Wakako Mitani assumed the position of corporate auditor in February 2018. As a lawyer she has considerable experience, achievements and insights in the field of corporate legal affairs, and effectively audits the execution of duties by directors from an independent, objective and fair standpoint.

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## Kunihiro Ando Director and Senior Executive Officer

### Career Summary

Apr. 1980	Joined Onoda Cement Co., Ltd.	Apr. 2016	Managing Executive Officer
Apr. 2011	General Manager, Ofunato plant of Taiheiyo Cement Corporation	Jun. 2016	Director and Managing Executive Officer
Apr. 2013	Executive Officer and General Manager, Oita plant	Apr. 2020	Director and Senior Executive Officer (to present)
Apr. 2015	Executive Officer and General Manager, Mineral Resources Business Department		

### Experience and Knowledge

Since 2016, Mr. Kunihiro Ando has engaged in the management of the company as director and was appointed as director and senior executive officer in April 2020. He is effective in the role of a director in striving to continuously increase the corporate value of the group as he significantly contributes to its development while also identifying key management issues and supervising business execution.

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## Shinhachiro Emori Outside Director

### Career Summary

Apr. 1975	Joined Toyo Soda Manufacturing Co., Ltd. (currently Tosoh Corporation)	Jun. 2012	Representative Managing Director of Tosoh Corporation
Jun. 2010	Director of Tosoh Corporation	Jun. 2015	President and Representative Director of Taiyo Vinyl Corporation
Jun. 2011	Managing Director of Tosoh Corporation	Jun. 2020	Director of Taiheiyo Cement Corporation (to present)

### Experience and Knowledge

After serving as representative managing director of Tosoh Corporation and president and representative director of Taiyo Vinyl Corporation, Mr. Shinhachiro Emori was appointed as director of the company in June 2020. He possesses a wealth of experience, achievements and insight as a corporate manager. He provides precise recommendations and advice from an objective standpoint, independent of the management team that executes business in the Board of Directors, and also monitors and supervises overall management.

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## Shigeru Matsushima Corporate Auditor (Standing)

### Career Summary

Apr. 1979	Joined Nihon Cement Co., Ltd.	Apr. 2013	Managing Executive Officer
May. 2009	General Manager, Hokkaido Branch of Taiheiyo Cement Corporation	Jun. 2013	Director and Managing Executive Officer
Apr. 2011	Executive Officer and General Manager, Hokkaido Branch	Apr. 2017	Director and Senior Executive Officer
Apr. 2012	Executive Officer, Deputy General Manager and General Manager of Cement Business Division	Apr. 2019	Director
		Jun. 2019	Corporate Auditor (standing) (to present)

### Experience and Knowledge

After serving as director and senior executive officer of the company Mr. Shigeru Matsushima was appointed corporate auditor in June 2019. As a director of the company, he has taken charge of a wide range of operations in the general affairs and accounting departments and environmental business, and has considerable insight as well as the experience of supervising business execution as a director. He effectively audits the execution of duties by directors to continuously improve the corporate value of the group.

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## Yoshio Fujima Outside Corporate Auditor

### Career Summary

Nov. 1974	Joined Chuo Audit Corporation (currently MISUZU Audit Corporation)	Jul. 2007	Retired from MISUZU Audit Corporation
Mar. 1980	Registered as a certified public accountant	Jun. 2011	Outside Auditor, JIEC Co., Ltd.
Sep. 1990	Employee, Chuo Shinko Audit Corporation (currently MISUZU Audit Corporation)	May. 2012	Outside Auditor, Prime Works Co., Ltd. (currently Neos Corporation)
Aug. 1996	Representative Partner, Chuo Audit Corporation (currently MISUZU Audit Corporation)	May. 2016	Outside Director (Audit and Supervisory Committee Member), JIEC Co., Ltd.
		Jun. 2019	Corporate Auditor (to present)

### Experience and Knowledge

After serving as a representative partner of an auditing firm and an outside director and auditor of operating companies, Mr. Yoshio Fujima became corporate auditor of the company in June 2019. As a certified public accountant, he has abundant experience, achievements and insights, including many years of practical experience in corporate accounting. He effectively audits the execution of duties by directors from an independent, objective and fair standpoint.



# Risk Management and Compliance

Closely Related SDGs



## Basic Risk Management and Compliance Policies

GRI102-16

### ■ Basic Risk Management Policy and Regulations

In our Business Principles we declare “we will strive to anticipate the changing business environment to assess new opportunities for growth.” We consider risk management as a foundation for reducing management uncertainties and achieving management objectives. We manage risks that make the achievement of management goals uncertain, such as social change, changes in the global environment, natural disasters, accidents and scandals, based on our basic risk management policy. In addition, we have established risk management regulations to incorporate the risk management policy into specific risk management activities. Risk management regulations include emergency responses.

### Basic Risk Management Policy

- 1 We prevent and reduce risks in order to ensure the quality and safety of our products and services, protect the lives and safety of our employees and their families, and earn greater trust from our stakeholders.
- 2 We create a system to appropriately manage a wide range of risks associated with our business activities.
- 3 We promote risk management through a plan-do-check-act cycle.
- 4 We quickly and appropriately deal with risks as they are identified.
- 5 In collaboration with group companies we build a system for immediately detecting new risks arising from changes in our business environment and for quickly and appropriately dealing with risks at the group level.

### ■ Basic Compliance Policy

Under our Business Principles we pledge that we will act in strict compliance with the law and in accordance with social mores. Fully aware that compliance is the foundation of CSR management, we published the Basic Compliance Policy and simultaneously created compliance rules in March 2005. We do not limit our definition of compliance to legal compliance; our definition includes compliance with the social mores from which our laws originate, the mission and business principles of our group, and internal regulations.

### Basic Compliance Policy (Summary)

- Compliance with the Mission, Business Principles and social norms
- Maintaining internal systems and rules and ensuring broad-based awareness of them
- Cooperation with all group companies and promotion of educational and enlightenment activities
- Establishing appropriate responses and policies for when problems occur
- Timely and appropriate disclosure and communication of necessary information
- Compliance with international standards and rules, and respect for local cultures and customs
- Rejection of illegal and unwarranted demands from antisocial forces or organizations

### WEB Standard of Conduct (Casebook)

Our website <http://www.taiheiyo-cement.co.jp/english>

CSR → Corporate Social Responsibility at Taiheiyo Cement  
→ Corporate Framework for CSR

### WEB Taiheiyo Cement Group Tax Policy

Our website <https://www.taiheiyo-cement.co.jp/english>

CSR → Risk Management and Compliance → Compliance Guidelines

Please see below for more information.

Antimonopoly Law Compliance Manual  
Anti-Bribery Basic Principle (Policy)

▶ P. 84-85

## Risk Management and Compliance Promotion System

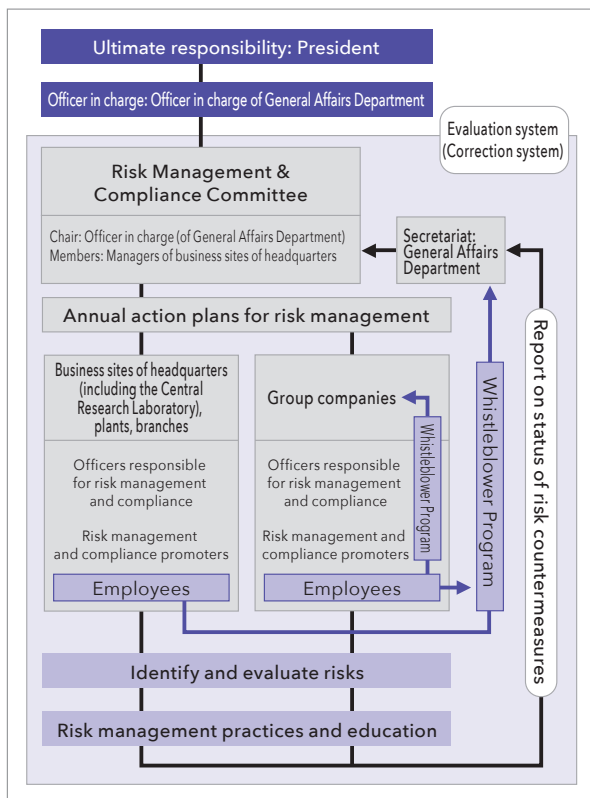
GRI102-17, 30, 31

Our president has ultimate responsibility for risk management and compliance promotion. The officer in charge of both areas (officer in charge of the General Affairs Department) is appointed by the president to preside over and run the Risk Management & Compliance Committee and systematically promote organized activities.

The committee plays a core role in our risk management and compliance promotion for the entire group. It deploys the policy, identifies, evaluates and specifies company-wide risks, implements risk management activities based on PDCA cycles and promotes compliance. Moreover, it studies and proposes the creation and revision

of rules for risk management and compliance, and provides instructions for advancing the awareness and education of employees. Under the guidance of this committee, each business site and group company has an officer responsible for risk management and compliance, and a risk management and compliance promoter, who carry out specific duties. We held four Risk Management & Compliance Committee meetings in FY2020.

#### Risk Management and Compliance Promotion System



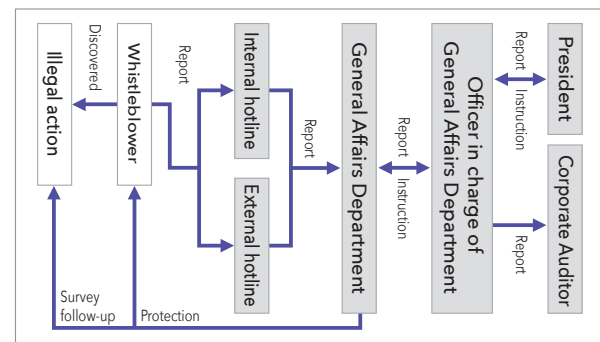
Note: Subject to risk management: 103 group companies (as of April 2020)

#### ■ Whistleblower Program

We properly handle reports and proposals in accordance with normal company procedures while directly receiving reports without the need for usual company procedures. Whistleblowers have the option of either disclosing their identity, including their name and department, or reporting anonymously to mitigate any potential psychological constraint. We have whistleblower hotlines both internally (at the CSR Group of our General Affairs Department) and externally (at a law firm). Our internal hotline is in a dedicated, locked room

equipped with dedicated phone and fax lines as well as a computer with a dedicated address in order to safeguard the privacy of those submitting reports. Our external hotline is also available to all employees of group companies in an effort to strengthen group governance, improve program effectiveness and reduce the burden on individual companies. Moreover, we created the Whistleblower Program Regulations so whistleblowers using the program are not subject to unfavorable treatment.

#### Whistleblower Program



#### Results\* of the Whistleblower Program (FY2020)

Hotline	Reports
Internal (CSR Group of General Affairs Department)	2
External (Kajitani Law Offices)	1

\*These should be regarded as reports according to the Whistleblower Program Regulations.

#### Risk Management and Compliance Promotion Activities

GRI102-11, 17, 201-2, 205-2

#### ■ Identifying, Evaluating and Specifying Company-wide Risks

We identify, evaluate and specify group-wide risks every three years and conduct annual reviews of those risks.

FY2020 was the third year of the company-wide risk review since the first was conducted in FY2017. The purpose of identifying risks is to identify 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 reviewed risks.

Please see below for more information.

Awareness of Business Environment (Risks and Opportunities)

▶ P. 16

## Risk Management and Compliance

### ■ Risk Reduction Countermeasures

With the evaluation results of identified company-wide risks, our Risk Management & Compliance Committee takes the lead in specifying those to be addressed every year and implementing activities to reduce risk impact through PDCA cycles.

Issues addressed in FY2020 were: (1) Leakage of pollutants and hazardous substances, (2) Enhancement of information security, (3) Product/service accidents, (4) Aging of facilities and equipment, (5) Prevention of traffic accidents, (6) Strengthening of overseas crisis management measures, (7) Enhancement of group corporate governance including risk management and the compliance system, (8) Work-related accidents, (9) Response to shortage of human resources, and (10) Respect for intellectual property rights and strengthening risk prevention.

### ■ Examples of Overseas Risk Countermeasure Activities

We created and regularly revise the Riot/Terrorism Response Manual. In addition, regarding high-risk countries to which our employees are dispatched, we stipulate an outline for deciding on local evacuation as necessary, create a tool for evaluating the emergency evacuation level according to changes in local situations, and provide training using the tool. We also list and secure supplies (food, clothes, hygiene supplies, and medicines), as well as cash and other resources needed, in the event of evacuation or an emergency at each overseas business site.

### ■ Emergency Task Force

When any event such as a disaster, accident or misconduct has occurred, the affected business site informs the general manager of the General Affairs Department. The general manager determines the appropriate countermeasure from the following options while considering the severity of the event: establish the Emergency Task Force or delegate site leadership to respond to the event. Action is then taken through the chosen countermeasure.

Although we received 25 reports in FY2020, none required action by the Emergency Task Force. Major information, including its handling, is deliberated by the CSR Management Committee. In addition, as preparation for responding to disasters

and accidents, we conducted Shake Out drills for earthquakes at each business site, and workshops on a business continuity plan for the headquarters and branches in case of an earthquake. Moreover, we provided training for plant staff so they would understand how to appropriately handle complaints if an accident occurs.

### ■ Response to the Spread of the Novel Coronavirus (COVID-19)

In response to the government's declared state of emergency on April 7, 2020 due to the spread of the novel coronavirus COVID-19, we set up the Emergency Task Force as of the same date and announced the company's "Our emergency measures."

Specific measures introduced by the emergency task force included our strong promotion of working from home, staggered work hours and the use of video conferencing systems depending on the COVID-19 infection situation. We also prohibited domestic and overseas business trips, and implemented other measures to prevent the spread of the virus and ensure business continuity.

In addition, each overseas office has taken measures against COVID-19 in line with local circumstances as soon as receiving an announcement from the Emergency Task Force. The head office has supported delivering masks and medical supplies to all overseas offices.

### ■ Risk Management and Compliance Promotion Training

We provide training for managers and promoters for risk management and compliance of the company's business sites and group companies to ensure effective risk management and compliance.

In November 2019, we presented a lecture by a risk management consultant for group company managers based on two themes: "Unconscious bias management required for leaders" and "Creating an organizational climate that does not cause compliance problems," with 100 companies participating, and including a lecture titled "How to conduct PDCA for risk management and compliance promotion" followed by case study discussions for promoters, with 80 companies participating.

## ■ Compliance Training

To fulfill our mission and uphold our business principles we formulated the Standards of Conduct to guide all officers and employees of Taiheiyo Cement in the performance of their daily duties. The standards consists of 35 items in 6 categories and gathers together Taiheiyo Cement's policies, regulations and president's messages delivered within and outside the company.

We created and distributed to all our employees, as well as all those of our main group companies, the Standards of Conduct (Casebook), which describes specific examples on how to act in line with the Standards of Conduct.

We regularly revised The Standards of Conduct (Casebook) to reflect the latest information.

In addition, for all company employees including those on loan to group companies, we conduct monthly quiz tests as part of e-learning programs to provide education on the Standards of Conduct (Casebook) and other materials so they learn how to act in individual situations.

In FY2020, 73.3% of employees participated in the program.



Standards of Conduct (Casebook)

### WEB Standards of Conduct (Casebook)

Our website <https://www.taiheiyo-cement.co.jp/english/>

CSR → Corporate Social Responsibility at Taiheiyo Cement  
→ Corporate Framework for CSR

## ■ Legal Roundtables for Group Companies

Since FY2006 we have been holding roundtable discussions attended by management and legal affairs representatives from our group companies. These provide opportunities to share legal information (mainly responses to revisions of laws) in order to further our understanding of major laws relating to corporate management and to assist in the creation of our group's compliance regime. In FY2020 we discussed the following topics.

## Group Legal Round Tables (FY2020)

No.	Date	Attendees	Topics
29th	July 2019	19 (11 companies)	·Legal issues concerning labor
30th	November 2019	86 (84 companies)	·Communication with authorities in response to corporate scandals (criminal plea bargains, antimonopoly leniency and commitment procedures) ·Practical responses to civil law revisions (contract clause examples)

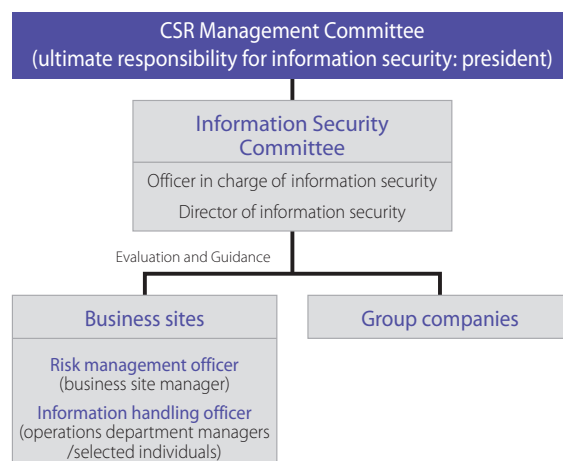
## Information Security

### ■ Information Security Promotion System

To ensure and maintain the security of information assets, we have established the Basic Information Security Policy and the Information Security Management Regulations. Under the management system in accordance with these regulations, we are actively working to maintain information security.

Our president has ultimate responsibility for information security. Appointed by the president is the officer in charge of information security (officer in charge of the Corporate Planning Department), who presides over and runs the Information Security Committee in order to advance organized and planned activities to promote information security.

### Information Security Structure



### WEB Basic Information Security Policy Privacy Policy

Our website <https://www.taiheiyo-cement.co.jp/english/>

CSR → Risk Management and Compliance

### ■ Information Security Promotion Activities

In FY2020 we alerted and enlightened all employees

## Risk Management and Compliance

through a portal site on our intranet and also conducted an email drill to respond to targeted attacks. In addition, we held a gathering for the information departments of group companies in which we distributed the Information Security Measures Guide and explained measures to promote it. In addition, we conducted disaster recovery drills, a security level survey of group companies and information security training. No serious incidents related to information security have occurred.

We will continue our efforts to improve the security levels of our domestic and overseas group companies.

### Protection and Use of Intellectual Property

#### ■ Intellectual Property Policy

Our fundamental intellectual property policy is to contribute to management through intellectual property activities that support our business, ensuring our competitive advantages by strategically conducting intellectual property activities. Under this policy we are developing our intellectual property activities in collaboration with business and R&D divisions to contribute to increasing the corporate value of the Taiheiyo Cement Group.

#### ■ In-house Intellectual Property Management System

The company has established the Rules for Handling Intellectual Property Rights. Under the management system based on these rules, we are working on intellectual property activities. The Intellectual Property Department assigns staff members to the headquarters mainly to perform planning and administrative tasks, and to the Central Research Laboratory to handle applications for and protect rights and research efforts. In addition, intellectual property promoters are assigned as contact points to the major business divisions and the Central Research Laboratory to actively promote the effective and efficient creation, protection and use of our intellectual property in collaboration with the Intellectual Property Department.

#### ■ Intellectual Property Management System for the Group

In March 2018 we formulated and began applying the Taiheiyo Cement Group Intellectual Property Management Guidelines, which apply to the entire group, to promote the use of our intellectual property

and reduce associated risks. We have also established a committee consisting of those related to intellectual property at the main group companies in order to promote and vitalize our intellectual property activities corresponding to the scale and industry of each group company, by sharing issues, exchanging information and holding workshops. Our company headquarters was previously used as the venue, but since FY2019 we have created new opportunities to use group companies for that purpose. As a result, the management of each company has begun to attend the venues and further enhancements have been made.

#### ■ Outline of Our Intellectual Property

As of the end of March 2020 the company owned 1,235 domestic patents and 216 overseas, 273 domestic trademarks and 132 overseas, and 11 domestic design rights. (See the "Research and Development" section for graphs by segment.)

The cement segment accounts for the largest share of patents owned by the company. However, over the past several years the share of patent applications in the environmental and mineral resources segments has been growing in line with our business and R&D strategies. In order to increase business revenue from patents, we must obtain patents for technologies including peripheral technologies, considering the company's business conditions. With this understanding we are firmly establishing a wide collection of strong, advanced patents from the perspective of retaining a competitive advantage in terms of intellectual property.

As a technology-oriented manufacturer we have recently focused on raising the percentage of inventors among all employees. We believe this would further cultivate a mindset of valuing corporate intellectual property and develop the originality and portfolio of each business by protecting effective inventions, leading to the continued strengthening of our competitiveness.

Please see below for more information.

Research and Development

▶ P. 40

#### ■ Licensing Activities

While the company applies for and acquires rights primarily to ensure competitive advantages in our business activities, we also proactively license rights that we do not use to other companies. In some cases we also license technologies from other enterprises if they are likely to contribute to our business.

### ■ Risk Management for Intellectual Property

Our acquisition and control of intellectual property is conducted under the Rules for Handling Intellectual Property Rights stated above. This intellectual property rights strategy is intended to ensure that implementation corresponds with the reality of our individual businesses.

Intellectual property, including pending patent applications, is handled through a centrally controlled database by the Intellectual Property Department.

We strive to prevent infringements of competitors' patents and strictly manage risks by ascertaining recent developments of issues through the periodic circulation of patent information, a problematic patent watch system and an intellectual property review service with the utmost attention paid to setting our own criteria. Moreover, we are educating employees and increasing their awareness by holding in-house training, intellectual property strategy promotion meetings with various divisions and so forth. To date, we have never been sued for infringing intellectual property rights and therefore not suffered any business interference as a consequence.

To manage trade secrets and prevent leaks of know-how and technology, we formulated and enforce Information Security Management Regulations and Document Management Rules that cover the entire group. In addition, we use the guidelines stipulated in the Rules for Handling Intellectual Property Rights to determine whether we will file a patent application for a technology or keep it secret as internal expertise in order to prevent technology leaks.

Group companies have formulated or reinforced various intellectual property rules while completing the execution of agreements with each inventor. Given that we are strategically licensing our core technologies overseas from the perspective of our projected global management stance, we also address the risks of overseas licensing. The legal systems of emerging Asian countries are different from the system in Japan. For example, licensors are responsible for quality/performance assurance in those countries. In addition to internal information dissemination, we are implementing risk management in cooperation with specialized lawyers who are familiar with situations in those countries.

### ■ Intellectual Property Award Program

We have paid specified compensation to inventors for their patent applications and for registered patents that have significantly contributed to the business

profits under our regulations. Furthermore, in FY2018 we started to operate an Intellectual Property Award Program to strengthen employee awareness of intellectual property. In FY2020, achievements were recognized through the Excellent Invention Award (1 award, 7 individuals), the Largest Number of Patent Applications Award (1 individual and 1 team) and the Intellectual Property Contribution Award (2 awards, a total of 8 individuals).

### ■ Training and Awareness Raising

To raise awareness of intellectual property and increase its potential, the company encourages employees, especially members of the research division and the technology development division, to take the Intellectual Property Management Skills Test, a national licensing examination. We have continued other employee training and awareness-raising efforts such as external workshops held by the Japan Intellectual Property Association and Japan Institute for Promoting Invention and Innovation, in addition to in-house training at our headquarters, Central Research Laboratory, branches and plants. In FY2020 we implemented the training programs described below, with 90 attendees including employees from affiliated companies. We have also partially introduced an e-learning program. Furthermore, through efforts such as information exchange gatherings and study meetings for those related to the intellectual property of each company stated above, we strive to duly protect and use intellectual property across the group while respecting other companies' intellectual property and preventing infringement, focusing primarily on intellectual property as a source of profit.



Session on patent descriptions

Number of Internal Attendees at Intellectual Property Training Sessions Held in FY2020

Training Content	Taiheiyo Cement Corporation Employees	Affiliated Company Employees	Total
Basic	24	31	55
Description	18	17	35
<b>Total</b>	<b>42</b>	<b>48</b>	<b>90</b>

# CSR Management

Closely Related SDGs



## Corporate Framework for CSR

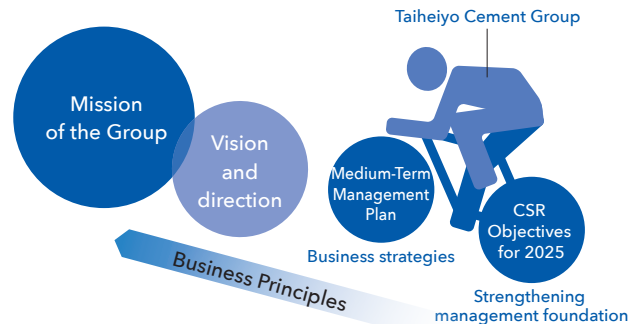
GRI102-15, 16

The Mission of the Taiheiyo Cement Group is the highest level concept and guiding principle of our business activities. Our Business Principles present more specific guidelines for action based on the Mission.

The vision and direction targeting the mid-2020s has been established as our vision for the future based on the Mission to present the value and direction of the group in qualitative terms.

The Medium-Term Management Plan sets forth our management strategy and targets for the next three years, while the CSR Objectives for 2025 are long-term, quantitative CSR targets. We strive to realize our vision and direction based on these targets.

\*The Mission of the Taiheiyo Cement Group: 01; Business Principles: page 01; CSR Objectives for 2025: page 21



### Basic Policy for Promoting CSR Management

- 1 Based on our Mission and Business Principles, the company will clarify the ideal form of CSR management to be pursued and strive to advance operations based on CSR.
- 2 Promoting a corporate culture that places great importance on compliance, we aspire for all directors and all employees to always make the most appropriate independent judgments.
- 3 We will manage the company with awareness that our social mission includes environmental protection, defense of human rights and contribution to communities.
- 4 We will proactively engage on key CSR issues and undertake the most appropriate prioritization and resource allocation.
- 5 We will practice appropriate information disclosure and communication with stakeholders, based on the status of our CSR management promotion, and build relationships of trust.
- 6 We will treat CSR management and promotion as a group-wide activity.

## Basic Policy for Promoting CSR Management

GRI102-16

We promote CSR management in accordance with our CSR guidelines which specify actions that are essential for realizing the Mission of the Taiheiyo Cement Group and implementation of our Business Principles. The guidelines direct the company in conducting activities in and outside of the business that fulfill our social responsibility while we pursue sustainable growth for both the company and society as a whole. Moreover, they lay down basic policies for promoting CSR management.

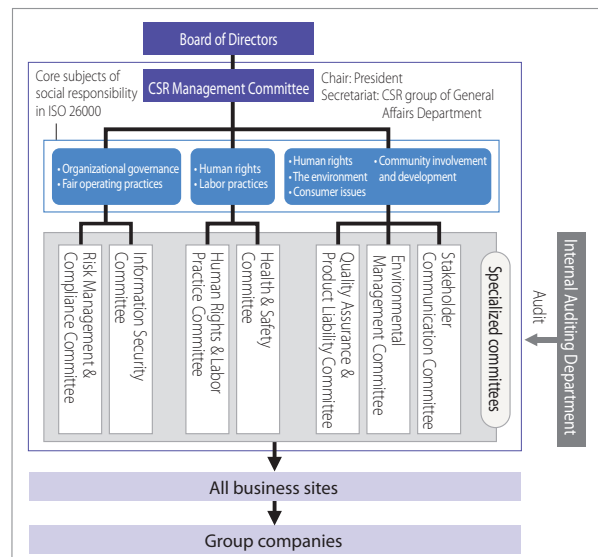
## CSR Management Promotion System

GRI102-18, 19, 20, 21, 28, 29, 30, 32

To promote our CSR management we have created a cross-departmental CSR Management Committee, chaired by the president with all board directors and all managing executive officers as members, under the direct oversight of the Board of Directors.

The CSR Management Committee's role is to screen CSR action plans and other material items, and review their progress. Reporting to this committee are seven specialized committees for individual CSR subjects, each chaired by the director responsible for that area. The department most closely associated with any given issue acts as the secretariat for the related committee.

CSR Management Promotion System (CSR Management Committee and Specialized Committees)



## CSR Training and Education

GRI102-27

We provide CSR education through training programs for each position, including sessions for newly hired employees, follow-up courses for second-year employees, career development (around ten years after joining the company) and training for newly appointed managers. For education on specific issues such as human rights, each specialized committee provides the relevant training programs. We also conduct executive-level CSR training once a year, including for group companies. Moreover, in order to enhance their understanding of the 2019 CSR Report, we created and distributed a report summary.

### Executive-level CSR Training (FY2020)

Date	Companies in Attendance	Topic
November 2019	100	<ul style="list-style-type: none"> <li>Unconscious bias management necessary for leaders</li> <li>Creating an organizational culture that does not lead to compliance issues</li> </ul>

## Collaboration with External Organizations

G102-11, 12, 13

### ■ Global Cement and Concrete Association

The Global Cement and Concrete Association (GCCA) was founded in 2018 as a CEO led initiative for the industry. As a founding member company Taiheiyo Cement is the sole Japanese cement and concrete manufacturer participating in the initiative. The association succeeded the activities of the Cement Sustainability Initiative (CSI), a sector project of the World Business Council for Sustainable Development (WBCSD), in January 2019. Under the strategic partnership, the GCCA collaborates with the WBCSD toward sustainable development.



The GCCA established six working groups to develop various guidelines on the themes of responding to climate change, a long-term roadmap for CO<sub>2</sub> reduction, low-carbon concrete, biodiversity, and health and safety. Through the GCCA we are working on building a sustainable society by setting and disclosing CO<sub>2</sub> emission reduction targets for each member company.

In addition, the GCCA launched a research network called Innovandi in 2020 and is expanding research worldwide on sustainable concrete and cement, which are characterized by low CO<sub>2</sub>, as well as the separation and recovery of CO<sub>2</sub>. We have also participated in Innovandi since its establishment.



The challenges that the GCCA and Innovandi are working on are recognized as one of our management issues and we are making efforts to take action.

### ■ The World Business Council for Sustainable Development (WBCSD)

As a core member of the WBCSD Cement Sustainability Initiative (CSI) since 2000, we



wbcasd

have been engaged in international activities for sustainable development. Even after the activities of CSI have been succeeded to the GCCA, we continue to work as a WBCSD member and exchange the latest information on ESG with member companies from a broader perspective.

In addition, we dispatch one person every year to the WBCSD Leadership Program. So far we have dispatched eight people thereby contributing to the development of global human resources.

### ■ Participation in the Industrial Federation for Human Rights, Tokyo

We participate in the Industrial Federation for Human Rights, Tokyo. Established in November 1979, the federation now consists of 123 companies (representing about 1.5 million employees as of July 2020), most of which are headquartered in Tokyo. Under its basic philosophy of voluntary management and full participation, the federation endeavors to resolve the issue known as Dowa, a discrimination issue in Japan, and other human rights issues.



CSR Management Main Results of FY2020 CSR Efforts GRI102-11, 44

	Plan	Results	Evaluation	See Also
Organizational Governance and Fair Operating Practice	<b>Organization Risk Management &amp; Compliance Committee</b>			
	1. Strengthen promotion activities by executing a plan for company-wide risk countermeasures			
	● Leakage of pollutants and dangerous substances	● Responded to by the Environmental Management Committee, which conducted a review during the meeting	○	PP. 50-52
	● Enhancement of information security	● Completed a smooth transition to Windows 10 at the company level ● Conducted information security level surveys across the entire group and strengthened follow-ups and countermeasures based on the results ● Conducted training on response to the risk of theft of confidential information by targeted attacks as well as to suspicious emails	○	PP. 53-54
	● Product/service accidents	● Amended and distributed each quality assurance standard for cement, cement-related products, and mineral resources products ● Monitored the data transition of each existing product and continued to follow up in order to prevent abnormal values ● Completed the establishment of a voluntary inspection system for group companies and received and approved a report on inspection results from the department in charge	○	PP. 50-52
	● Aging of facilities and equipment	● Dismantled idle equipment	○	PP. 50-52
	● Preventing traffic accidents	● Responded to by the equipment division and relevant division of non-operating business units; the committee conducted a review during the meeting	○	PP. 50-52
	● Strengthening measures for overseas crisis management	● Secured supplies in high-risk dispatched countries ● Completed updating evacuation judgment standards and evacuation execution tools in Papua New Guinea and the Philippines	○	PP. 50-52
	● Enhancement of group corporate governance including risk management and the compliance system	● Formulated the Bribery Prevention Regulations (Draft), which we plan to start administering soon while also continuing to discuss the draft ● Conducted a compliance session at a lecture meeting for top executives of the group in November and at a workshop for risk compliance promoters in November ● Conducted education and awareness-raising training for branch managers and those in charge of environmental business at branches in order to continue their waste business	△ ○	PP. 50-52
	● Work-related accidents	● Achieved zero fatalities; however, the number of accidents was the same as previous years due to the frequent occurrence of heat stroke and rule violations	○	PP. 50-52
	● Response to shortage of human resources	● Exchanged opinions on various measures to secure and retain employees	○	PP. 50-52
	● Respect for intellectual property rights and strengthening risk prevention	● Conducted basic training on intellectual property rights and posted teaching materials and Q&A on copyrights for all business site managers and employees	○	PP. 54-55
	2. Continuous improvement of risk management using PDCA cycle			
	● Continuous improvement of promotion activities using a PDCA cycle	● Implemented a PDCA cycle at our business sites and group companies ● Provided training on practical PDCA implementation for risk compliance promoters ● Revised the PDCA implementation entry form to better detect one's own risk and implement efforts	○	PP. 50-52
	<b>Organization Information Security Committee</b>			
	1. Enhance Information Security Management System (ISMS) and ensure its ongoing operation and improvement			
	● Maintain and manage the company's information security	● There were no cases that required the holding of the committee's extraordinary meeting ● Revised the Mobile PC User Guidelines and created the Cloud Service User Guide ● Conducted an annual disaster recovery drill	○	PP. 53-54
	● Strengthen group information security structure	● Result of information security level survey: 2.8 (average) (last year: 2.8) ● Explained the Information Security Countermeasure Guide and the Cloud Service User Guide at a meeting of group companies' information divisions ● Made follow-up visits to two group companies: Taiheiyō Rikuso Corporation and Oita Taiheiyō Mining Corporation ● Presented improvement measures to each overseas group company based on the FY2019 survey results in order to improve the information security level of those companies	△	
	2. Implement countermeasures for security, accidents and failures based on the plan			
	● Improve the security level by implementing information security-related projects	● Upgrading the company system to Windows 10 is expected to be completed within FY2020 ● Vulnerability diagnosis was conducted by external experts, and we implemented training on targeted attack emails	○	PP. 53-54
3. Conduct education/training/awareness-raising programs				
● Raise employee awareness of security across the group	● Conducted information security training in position-specific courses ● Published security news ● Provided security news materials and in-house security education materials to group companies	○	PP. 53-54	
4. Monitor and assess the status of information security				
● Promote the appropriate use of information through periodic monitoring	● Following the change of the anti-virus software, the number of cases of detection and preventing the opening of attachments in viral emails improved ● Monitored file transmissions to external parties and monitored suspicious application transmissions by exit countermeasures; no incidents were found	○	PP. 53-54	
● Conduct an internal audit on information security	● Neither paper audits nor on-site audits were conducted	×		
5. Continue operation and improvement of the Personal Information Protection Management System				
● Set up a task force and respond to issues when necessary ● Verify and respond to the state of compliance, education and audits	● Loss of company smartphones: 0 in 1st half, 1 in 2nd half (discovered immediately, so there was no possibility of leakage.) ● Enabled SSL for our website and revised the content of the "Handling of personal information" on the site	○	PP. 53-54	
<b>Organization Human Rights &amp; Labor Practices Committee</b>				
1. Raise human rights awareness and continue training programs throughout the group				
● In-house training and awareness raising	Human rights training courses by position and other training type (attendees included group company employees): (1) A lecture for CSR executives in November on creating an organizational climate that does not cause compliance issues (lecturer: Shigetaka Matsumoto, Business Consultants, INC.): 138, (2) Training for new employees in April: 108, (3) Communication + on-the-job training (employees with a three-year career: 91, those with a four-year career: 81 (5) Career development training (leader and sub-leader): 43, (6) Training for newly appointed managers in August: 42, (7) Training for foremen in February: 20, and (8) Techno-school special lecture in July: 5	○	PP. 79-80	
● Consider and implement measures to prevent the recurrence of harassment	Conducted a variety of seminars: (1) Video seminar to clarify the roles of human rights awareness promotion committee members and harassment consultation members (2) "Unconscious bias seminar" to make all business site managers and those in management and non-management positions aware of unconscious bias (3) Anger management video seminar ● Established a new way to use the consultation service on our portal site to increase the transparency and awareness of the process after a harassment consultation ● Created a pocket-sized list of don'ts that comprise standards of harassment and distributed it to all employees in July	○	P. 79	
● Training and raising of human rights awareness for group companies	(1) Supported seminars for employees in each position by lending DVDs (a total of 15) (2) Regularly provided related materials: distributed the public relations magazine by the Industrial Federation for Human Rights, Tokyo to each business office and group company in June and December	○	PP. 79-80	
● The Industrial Federation for Human Rights	● Actively participated in various seminars and group meetings of the Industrial Federation for Human Rights and the Corporate Federation for Dowa and Human rights issue, Osaka	○	P. 79	
2. Continue to achieve statutory employment ratio for persons with disabilities and promote their working opportunities				
● Hire new persons with disabilities based on the Medium-term Employment Plan for Persons with Disabilities	● Carried out recruitment in cooperation with recruitment sources, public employment agencies, special-needs schools for people with disabilities, and employment support agencies	○	P. 81	
● Respond to issues related to special purpose subsidiaries	● Number of hires by each company: Taiheiyō Service Corporation (1 person), Kamiiso Kogyo Corporation (Expected to hire 1 person in April 2020), Nippo Onoda Corporation (1 person, counted as 2 due to severity)	○	P. 81	
3. Report the state of initiatives to address issues related to human rights and labor practices				
● Report the latest state of initiatives for the empowerment of women, work style reform, and group-wide improvement of operational efficiency and efforts with regard to human rights and various labor-related issues in the promotion of group human resources	● Conducted an initiative to change summer lifestyles from June to October ● Promoted the wider use of the flextime system and Early Leaving Office Day (Wednesday and Friday) throughout the year, and conducted the Premium Friday initiative ● Held the fourth Diversity Forum (October) ● Conducted a work-from-home trial (July to December) ● Revised the Elder Temporary Employee Regulations (September)	○	PP. 79-82	
● Report the state of implementation of education/training and global human resource development programs based on the new training system	Dispatched employees based on our new global human resource development program: ● Overseas technical trainee program: 4 from the Philippines, 4 from Vietnam and 2 from the U.S. ● Overseas language study program: dispatched 2 employees to the U.S. ● Overseas internship program: Malaysia in June (6 people), Malaysia in November (7 people)	○	P. 80	
● Report the state of initiatives to promote the health of employees	● Working to operate and develop data for the selected health management system ● Working to reduce the risk of lifestyle diseases and prevent mental health diseases	△	PP. 82-83	
● Progress of CSR Objectives for 2025	● Increase the ratio of female employees under "career track" categories to at least 30%; FY2020 20.3% (14 of 69 new recruits); FY2021 20.9% (14 of 67 new recruits) ● Increase the ratio of female employees to at least 10%; 9.0%, as of February 11, 2020 (210 of 2,346 employees) ● Increase the ratio of newly appointed female managers to 10%; 3%, (1 of 33 employees) as of March 11, 2019; 8% (2 of 25) as of March 11, 2020	○	P. 09 PP. 80-83	

Human Rights and Labor Practices

Quality, the Environment, Consumer Issues, Community Involvement and Development

Plan	Results	Evaluation	See Also												
<b>Organization Health &amp; Safety Committee</b>															
1. Companywide Health & Safety Committee—Objectives															
(1) Fatalities for the group: zero (CSR Objectives for 2025) (2) Lost-time injuries for the group: 30 or less (3) Number of work-related accidents for the group: 80 or less (4) Absence rate (non-consolidated): 0.6%	<ul style="list-style-type: none"> <li>Held the company's Health &amp; Safety Committee every quarter and verified statistical data.</li> <li>To prevent the recurrence of accidents, discussed and developed measures to be rolled out horizontally while taking into account the frequency and seriousness of accidents; FY2020: (1) Fatalities: 0, (2) Lost-time injuries: 29, (3) Number of work-related accidents: 94 (4) Absence ratio: 0.580%</li> </ul>	△	P. 09 PP. 86-88												
2. Promote health and safety activities															
<ul style="list-style-type: none"> <li>Group-wide basic safety activities to achieve CSR Objectives for 2025</li> <li>Promote concrete activities to reduce accidents</li> <li>Provide and share information quickly after an accident occurs</li> <li>Horizontal roll-out of countermeasures taken by the business site where an accident occurred</li> <li>Prevent the occurrence of serious or frequent work-related accidents at specific business sites and affiliates</li> </ul>	<ul style="list-style-type: none"> <li>Conducted safety patrols at group companies.</li> <li>Results: (1) Domestic: 3 ready-mixed concrete companies, 2 building materials companies and 2 other companies; (2) Overseas: 1 ready-mixed concrete company and 3 plants</li> <li>Distributed messages about National Safety Week, National Occupational Health Week and the no-accident campaign at year-end and during the New Year holidays, horizontal roll-out of safety and health measures throughout the group</li> <li>Disseminated information and alerts using the company-wide bulletin board, reported on accidents at the committee, and shared information using an accident information database.</li> <li>Supported accident prevention measures implemented by the business site where an accident occurred, sent safety notifications under the chairperson's name, and conducted patrols onsite to prevent recurrence</li> <li>Enhanced management by designating business sites that required special attention in the areas of safety and security, and conducted surveys and provided guidance about safety to business sites and affiliates that were designated as requiring special attention</li> </ul>	○	PP. 86-88												
3. Review the health and safety system															
<ul style="list-style-type: none"> <li>Standardize countermeasures taken after an accident occurs</li> </ul>	<ul style="list-style-type: none"> <li>Although the standardization of countermeasures was carried out, similar or recurrent accidents occurred; it is therefore necessary to sustain the measures going forward</li> </ul>	△	PP. 86-88												
4. Promote compliance															
<ul style="list-style-type: none"> <li>Ensure that the requirements of the central government and administrative bodies are met</li> </ul>	Results: conducted stress checks, performed a risk assessment when handling chemical substances, and established health information management guidelines	○	PP. 82-83												
<b>Organization Quality Control Committee</b>															
1. Quality assurance system															
<ul style="list-style-type: none"> <li>Improve the system: establish an assurance system to reduce risks</li> <li>Ensure the operation of QMS (ISO 9001) related to the cement business and continue external examination and certification</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed and revised each of the regulations on cement and cement-related and mineral resources products</li> <li>Conducted group training to ensure smooth operations of the QMS system in July and September</li> <li>Reviewed and formulated the rules of the method to manage business sites positioned as subcontractors in line with the streamlining of operations</li> </ul>	○	PP. 76-77 P. 76												
2. Quality Risk Management															
<ul style="list-style-type: none"> <li>Establish quality standards that meet customer needs</li> <li>Appropriate response when a serious quality problem occurs</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed the quality standards in Quality Assurance Regulations</li> <li>Reviewed the creation of the Manual for Emergency Response for all products</li> </ul>	○	PP. 76-77 P. 52 P. 76												
3. Quality Compliance Management															
<ul style="list-style-type: none"> <li>Ensure product safety</li> <li>Be sure to comply with revisions to standards, notifications, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Conducted product safety tests and appropriately reviewed test contents to ensure 100% compliance with in-house standards for minor components and radioactivity concentrations</li> <li>Shared information on plans and revised notifications with related departments and promptly responded to revised regulations and new standards</li> </ul>	○	PP. 77-78 PP. 76-78												
4. Countermeasures for quality deficiency and complaints															
<ul style="list-style-type: none"> <li>Initiatives to improve customer satisfaction</li> <li>Quality deficiencies of cement products, cement-related products, and mineral resources products For FY2020 results, *(1) indicates target values.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented thorough corrective and preventive measures and promoted measures to prevent solidification and foreign material contamination in plants, SS and logistics</li> </ul> <table border="1"> <tr> <td>[Cement products]</td> <td>[Mineral resources products]</td> <td>[Cement-related products]</td> </tr> <tr> <td>(1) Serious claims: 0 (0)</td> <td>(1) Serious claims: 0 (0)</td> <td>(1) Serious claims: 0 (0)</td> </tr> <tr> <td>(2) Claims: 11 (10)</td> <td>(2) Claims: 4 (0)</td> <td>(2) Claims: 0 (0)</td> </tr> <tr> <td>(3) Quality deficiency: 16 (15)</td> <td>(3) Quality deficiency: 6 (0)</td> <td>(3) Quality deficiency: 0 (0)</td> </tr> </table>	[Cement products]	[Mineral resources products]	[Cement-related products]	(1) Serious claims: 0 (0)	(1) Serious claims: 0 (0)	(1) Serious claims: 0 (0)	(2) Claims: 11 (10)	(2) Claims: 4 (0)	(2) Claims: 0 (0)	(3) Quality deficiency: 16 (15)	(3) Quality deficiency: 6 (0)	(3) Quality deficiency: 0 (0)	○	PP. 76-78 PP. 76-77 PP. 84-85
[Cement products]	[Mineral resources products]	[Cement-related products]													
(1) Serious claims: 0 (0)	(1) Serious claims: 0 (0)	(1) Serious claims: 0 (0)													
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(3) Quality deficiency: 16 (15)	(3) Quality deficiency: 6 (0)	(3) Quality deficiency: 0 (0)													
5. Response related to group companies															
<ul style="list-style-type: none"> <li>Improve quality assurance system for group companies</li> </ul>	<ul style="list-style-type: none"> <li>Established an appropriate quality data management system through voluntary inspections of group companies and held briefing sessions on data fraud prevention</li> </ul>		PP. 76-78												
<b>Organization Environmental Management Committee</b>															
1. Promote company-wide EMS															
<ul style="list-style-type: none"> <li>Set EMS objectives and targets, and plan, operate and evaluate EMS</li> </ul>	<ul style="list-style-type: none"> <li>Formulated an environmental management policy and company-wide environmental goals</li> <li>Formulated compliance plans and assessed compliance</li> <li>Formulated an internal environmental audit plan and conducted an internal audit</li> <li>Appointed and educated EMS personnel, conducted EMS internal auditor training and follow-up training</li> </ul>	○	PP. 60-61												
2. Countermeasures to mitigate climate change															
<ul style="list-style-type: none"> <li>Reduce greenhouse gas emissions (CSR Objectives for 2025): reduce CO<sub>2</sub> emission intensity by 10% or more from FY2001 levels by FY2026</li> <li>Formulate and publish a long-term climate change vision</li> </ul>	<ul style="list-style-type: none"> <li>Clarified the FY2019 results by dividing domestic and overseas cement manufacturing bases</li> <li>Clarified the actual results of energy consumption per unit of cement production and achieved the budget</li> <li>Introduced energy-saving equipment and supported investment</li> <li>Supported an alternative waste expansion plan for fossil energy</li> <li>Considered a menu and announcement method for further reduction measures</li> </ul>	○	P.09 PP.24-25 PP.62-63 PP.24-25 PP.64-65												
3. Measures for environmental risk (mercury)															
<ul style="list-style-type: none"> <li>Support compliance</li> <li>Start consideration for legal revision</li> </ul>	<ul style="list-style-type: none"> <li>Continued to measure and deal with mercury based on the law and continued to control the amount of mercury input from raw materials</li> <li>Considered and proposed a management method through a long-term evaluation of continuous measurement data</li> </ul>	○	P.70 P.70												
4. Education, awareness raising and information dissemination regarding the environment															
<ul style="list-style-type: none"> <li>Collect and provide information on global environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>Conducted initiatives related to Environmental Month (distributed the president's message; enhanced the environmental portal site; reduced electricity consumption; raised awareness of biodiversity; and reported these initiatives in an in-house newsletter)</li> </ul>	○	P.61												
5. Promote initiatives across the group															
<ul style="list-style-type: none"> <li>Establish and enhance the development of an environmental management group</li> </ul>	<ul style="list-style-type: none"> <li>Promoted the reporting of emergency information, rolled out recurrence prevention measures across the group, and developed the response to legal changes affecting group companies</li> </ul>	○	—												
<b>Organization Stakeholder Communication Committee</b>															
1. Activate communication within the company															
<ul style="list-style-type: none"> <li>Instill the management policy</li> <li>Disseminate company activities</li> </ul>	<ul style="list-style-type: none"> <li>Held discussion sessions with executive officers at all business sites with 1,168 participants; the session at the headquarters was held in a talk format with a freelance announcer</li> <li>Distributed a summary of the CSR Report 2019 to all employees</li> </ul>	○	P. 83 P. 57												
2. Develop and publish the CSR report															
<ul style="list-style-type: none"> <li>Publish CSR Report 2019 in Japanese at the end of September and in English at the end of October</li> </ul>	<ul style="list-style-type: none"> <li>Disclosed the report in accordance with the GRI standards and improved our disclosure based on DSJI results; published the CSR report in Japanese at the end of September and in English at the end of October; received the award for excellence in the Environmental Reports category of the Environmental Communication Awards</li> </ul>	○	P. 01												
3. Response to the SRI Survey, etc.															
<ul style="list-style-type: none"> <li>Respond to principal CSR-related external surveys such as the ESG investment survey</li> </ul>	<ul style="list-style-type: none"> <li>Responded to DJSI, CDP, the Japan Research Institute, Toyo Keizai, the Good Bankers Co., Ltd., etc., and was selected as an excellent company in the Asia Pacific region in the DJSI survey for the sixth consecutive year; and acquired the DBJ environmental rating Grade A for the fifth consecutive year</li> </ul>	○	—												
4. Promote communication with society															
<ul style="list-style-type: none"> <li>Promote activities to communicate with local communities</li> </ul>	<ul style="list-style-type: none"> <li>Participated in volunteer activities for cleaning the Daiba Ward district where the headquarters was located</li> </ul>	○	PP. 89-91												
5. Promote Committee's activities at group companies															
<ul style="list-style-type: none"> <li>Create means to exchange information on group companies' activities.</li> </ul>	<ul style="list-style-type: none"> <li>Created a section for introducing group companies in our in-house newsletter and started to exchange information</li> </ul>	○	—												
<b>Organization Others</b>															
<ul style="list-style-type: none"> <li>Hold a CSR Workshop for group executives</li> <li>Periodically report relevant information about group companies to local communities (twice per year)</li> </ul>	<ul style="list-style-type: none"> <li>Held in November (100 companies participated)</li> <li>Implemented in April and October</li> </ul>	○	P. 57 —												
<ul style="list-style-type: none"> <li>Hold group legal roundtables</li> </ul>	<ul style="list-style-type: none"> <li>Held the 28th roundtable on legal issues related to labor practices in July (19 participants from 11 companies)</li> <li>Held the 29th roundtable on communication with authorities in responding to corporate scandals—criminal plea bargains, antimonopoly leniency and commitment procedures—and provided a practical response to the amendment in November (example of contract clause) (86 participants from 84 companies)</li> </ul>	○	P. 53												

\*The content in the "Results" column has been prepared using information reported by specialized committees as of the end of March 2020.

Messages from Outside Directors and Outside Corporate Auditors

Corporate Governance

Board of Directors and Auditors

Risk Management and Compliance

CSR Management

Main Results of FY2019 CSR Efforts