TAIHEIYO CEMENT REPORT 2023

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Integrated Report

TAIHEIYO CEMENT

Cement for Life

– Protecting our lives and supporting society –

TAIHEIYO CEMENT CORPORATION

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TAIHEIYO CEMENT CORPORATION

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An introduction to the Taiheiyo Cement Group, which contributes to the building of safe and secure social infrastructure through cement production, including the Group's mission and domestic and global networks.

Management that aims for long-term improvement of corporate value

Top Commitment

The president is committed to fulfilling our mission while addressing the transition to carbon neutrality, the most important challenge for our survival

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The officers in charge of the Cement Business (Japan), Cement Business (Overseas), Mineral Resources Business, Environmental Business, Construction Materials Business, Research and Development, and Intellectual Property will provide an overview of each business and their future strategies.

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Scope and Boundaries of this Report

Reporting Period
FY2023
(April 1, 2022 to March 31, 2023)
It is clearly stated where information about events that occurred outside this period are included in the report.

Boundary of Reporting Organizations
The report covers Taiheiyo Cement Corporation (nonconsolidated) and includes our group companies. "The company" refers to Taiheiyo Cement Corporation (nonconsolidated); when information pertains to one of our group companies, the group company's name is explicitly stated.

• Boundary of Reporting Organizations by Quantitative Data
Quantitative data are aggregated on a consolidated basis and under the following categories.

Non-consolidated Taiheiyo Cement Corporation (non-consolidated)
GCCA The scope of data collected for reporting of GCCA* KPIs.
The scope of ESG data is described on p. 118.

* GCCA (Global Cement and Concrete Association)

Disclaimer Regarding Forward-looking Statements
Plans and prospects included in this report are predictions based on information available at the time of publication and are subject to unpredictable risks and uncertainties. Consequently, there are no explicit or implied guarantees as to actual results, which may materially vary from the projected figures or measures cited in this report.

Editorial Policy

In the report we convey to our stakeholders how we conduct activities to address social issues and sustainably increase corporate value. We aim to deepen mutual understanding through constructive dialog and further evolve management while raising the level of disclosure.

Guidelines Used for Reference

- The International Integrated Reporting Framework (IIRC)
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation (Ministry of Economy, Trade and Industry)
- GRI Sustainability Reporting Standards (GRI Standards) 2016/2018
- Environmental Reporting Guidelines 2018 Edition (Ministry of the Environment)
- Environmental Accounting Guidelines 2005 Edition (Ministry of the Environment)
- ISO30414

Publication Dates

November 2023
(Previous report: December 2022, next report: October 2024)

Taiheiyo Cement — Who We Are

1881
Onoda Cement Co., Ltd.

1883
Asano Cement Co., Ltd.

1923
Chichibu Cement Co., Ltd.

1947
Nihon Cement Co., Ltd.

1994
Chichibu Onoda Cement Corporation

1998

TAIHEIYO CEMENT

We were the first private company in Japan
to produce cement.
It began with the production
of one tonne of cement and the mission to

"build the nation using cement".

Primary crusher at Shaft 3 of Garo Quarry (Hokkaido)
Cement production begins with the mining and crushing of limestone.

Mission of the Taiheiyo Cement Group

Our mission is to contribute to social infrastructure development
by providing solutions that are environmentally efficient,
enhance our competitive position and bring value to our stakeholders.

Corporate Mission
[Ideal Form]

To fulfill our responsibility
to supply products needed by society
to "build the nation using cement"

Our future vision and direction

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.

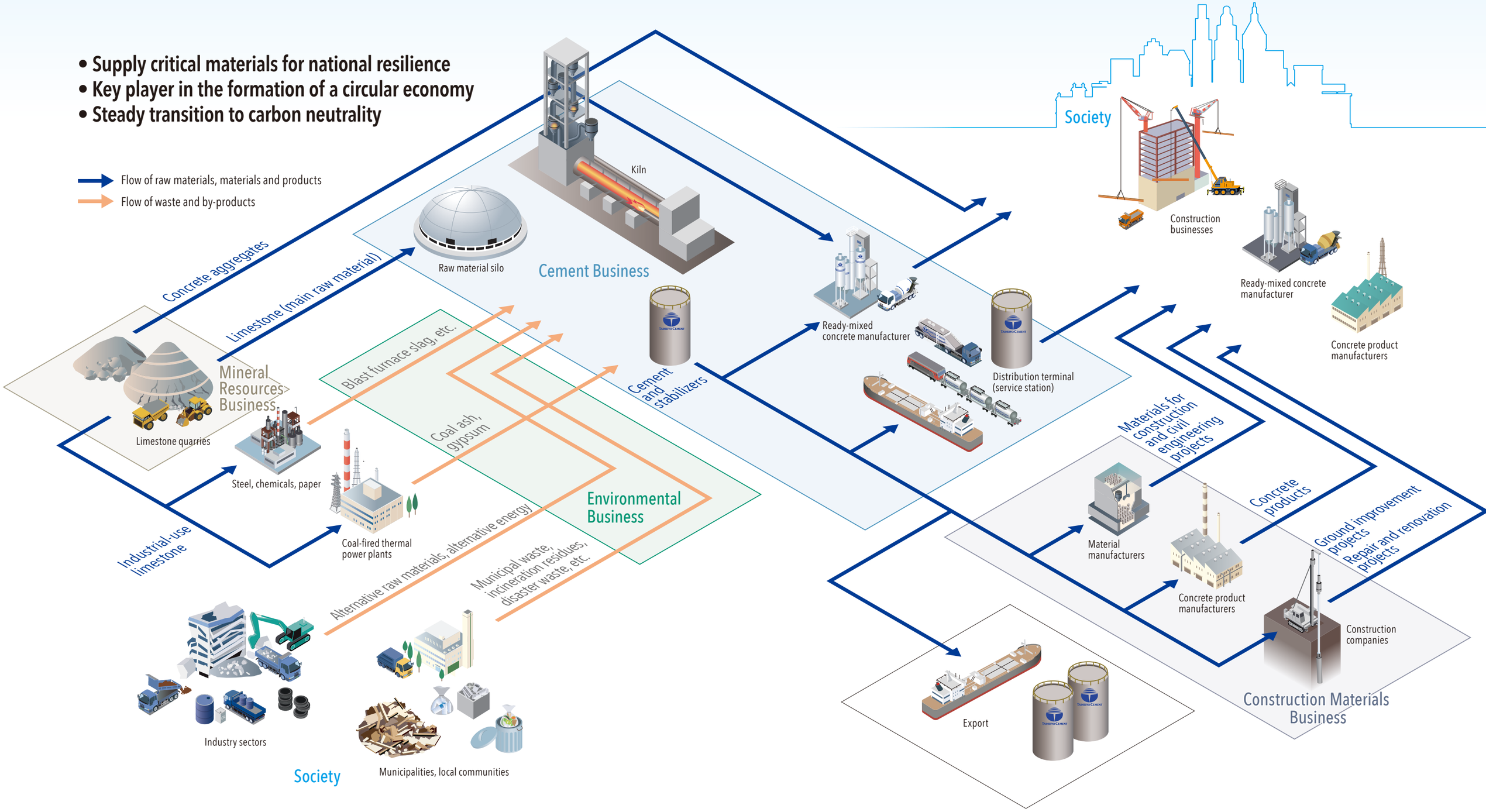
Business Principles
[Governing the Way the Company Conducts Business]

- We are committed to maximizing our corporate value by generating synergies among Taiheiyo Cement Group companies.
- We aim to manage the environmental impact of our operations while supporting the development of a recycling-based society.
- We will act in an ethical manner and abide by the laws and regulations of those countries in which we operate.
- We will openly communicate with our stakeholders and proactively report on our business activities in a transparent manner.
- We are committed to the ongoing development and application of innovative technologies in order to provide products and services that benefit our customers and society.
- We are committed to maintaining an international outlook and conducting our business in accordance with global standards.
- We will strive to anticipate the changing business environment to assess new opportunities for growth.
- We are committed to achieving our full potential through training and self-development.
- We are devoted to providing a safe and healthy working environment where our employees are valued and the human rights of all individuals involved in our business are respected.

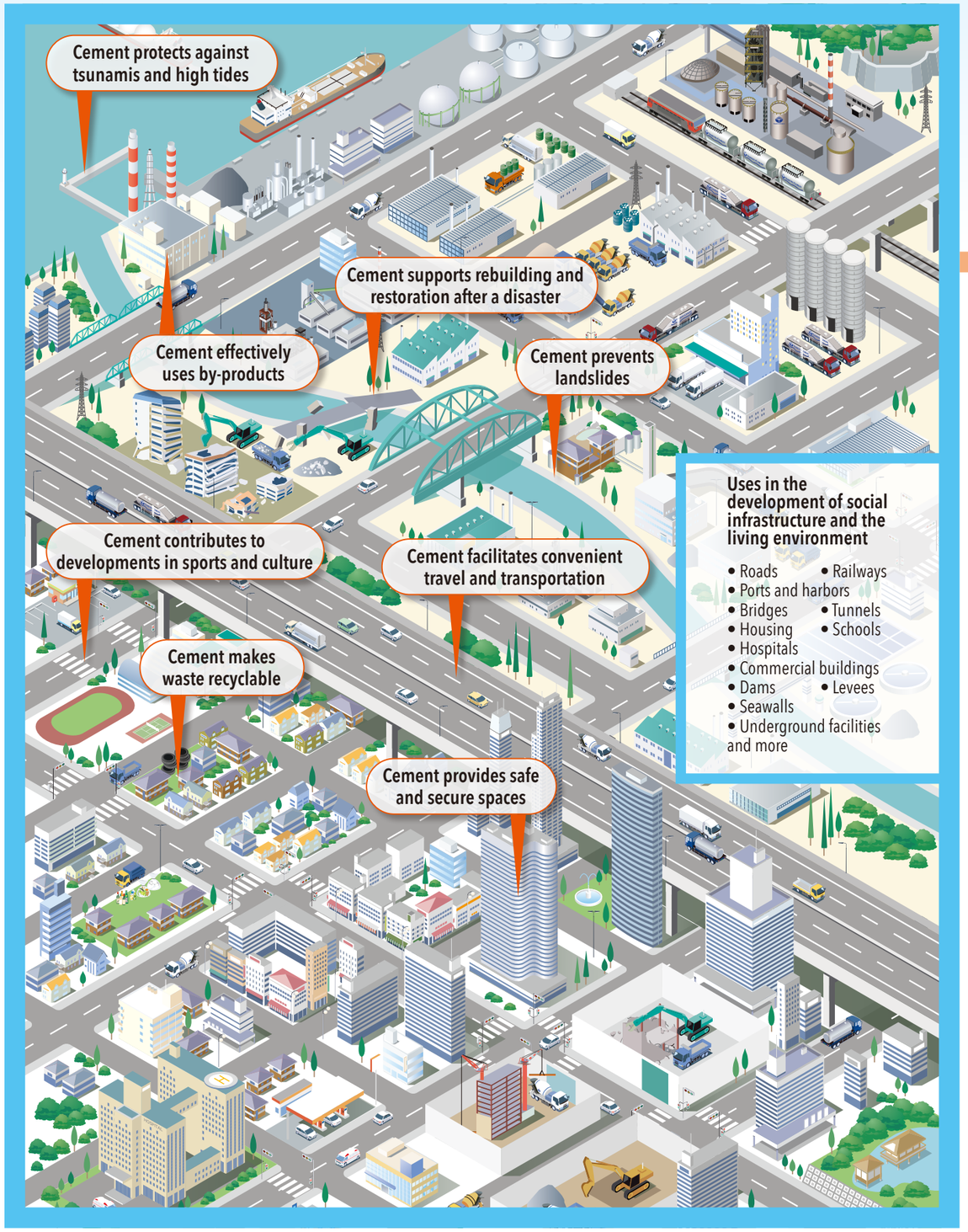
Business Model

The Taiheiyo Cement Group contributes to building safe and secure social infrastructure.

- Supply critical materials for national resilience
- Key player in the formation of a circular economy
- Steady transition to carbon neutrality

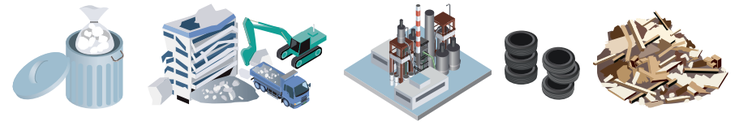


The Social Value of Cement



The Taiheiyo Cement Group will continue to fulfill its role as a supplier of critical materials for national resilience and as a key player in the formation of a circular economy, while progressing with the steady transition to carbon neutrality.

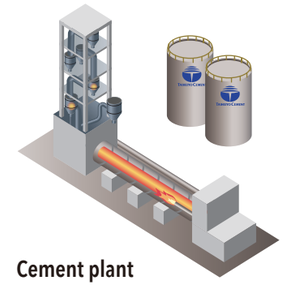
Key player in the formation of a circular economy



Utilization of waste and by-products
- Coal ash
- Blast furnace slag
- Various industrial waste
- Construction soil
- Municipal waste
- Incineration residues
- Household water and sewage sludge

etc.

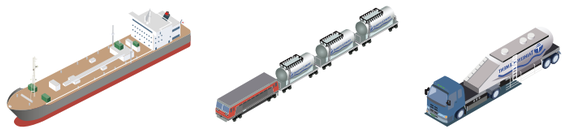
Steady Transition to Carbon Neutrality



Cement plant

Supply of materials and products
- By truck
- By rail
- By sea

etc.



Supply critical materials for national resilience

Global Network of Taiheiyo Cement Group

The Taiheiyo Cement Group operates production and logistics sites in Japan and overseas, and establishes systems to ensure stable supplies of cement and mineral products.
In addition, our cement production process deploys world-leading technologies for the use of alternative raw materials and fuels to contribute to the formation of a circular economy and countermeasures to mitigate climate change.

Taiheiyo Cement Group Profile

Net sales	Consolidated: 809.54 billion yen Non-consolidated: 309.4 billion yen
Employees	Consolidated:12,720 Non-consolidated:1,841 (not including seconded staff)
Subsidiaries	184 (including 111 consolidated subsidiaries and 5 equity-method subsidiaries)
Affiliates	104 (including 38 equity-method affiliates)

● Holding company
◆ Cement plant
◇ Clinker grinding plant
▲ Representative office
△ Distribution terminal

Asia-Pacific

Net sales (FY2023 consolidated) **90.57** billion yen (11.2%)

Number of employees (consolidated, as of March 31, 2023) **1,403** (11.0%)
Male 1,185
Female 218

Clinker production capacity **6,960** thousand tonnes (23.3%)


Dalian Onoda Cement Co., Ltd. (Dalian, China)


Jiangnan-Onoda Cement Co., Ltd. (Nanjing, China)

* Dalian Onoda Cement Co., Ltd. and Jiangnan-Onoda Cement Co., Ltd. ceased operations in December 2022 and February 2023, respectively.


Nghi Son Cement Corporation (Nghi Son, Vietnam)


Taiheiyo Cement Philippines, Inc. (Cebu, Philippines)


PNG-Taiheiyo Cement Limited (Lae, Papua New Guinea)

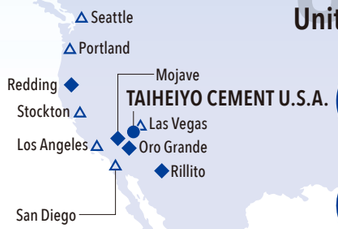

CalPortland Company, Redding Plant (Redding, USA)


CalPortland Company, Mojave Plant (Mojave, USA)


CalPortland Company, Oro Grande Plant (Oro Grande, USA)


CalPortland Company, Rillito Plant (Rillito, USA)

United States



Net sales (FY2023 consolidated) **227.80** billion yen (28.1%)

Number of employees (consolidated, as of March 31, 2023) **3,063** (24.1%)
Male 2,761
Female 302

Clinker production capacity **5,280** thousand tonnes (17.7%)

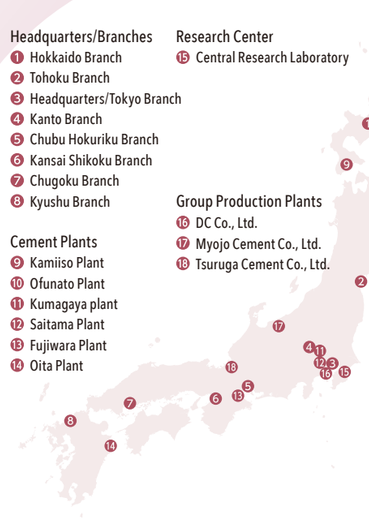
Japan

Headquarters/Branches
1 Hokkaido Branch
2 Tohoku Branch
3 Headquarters/Tokyo Branch
4 Kanto Branch
5 Chubu Hokuriku Branch
6 Kansai Shikoku Branch
7 Chugoku Branch
8 Kyushu Branch

Research Center
15 Central Research Laboratory

Cement Plants
9 Kamiiso Plant
10 Ofunato Plant
11 Kumagaya plant
12 Saitama Plant
13 Fujiwara Plant
14 Oita Plant

Group Production Plants
16 DC Co., Ltd.
17 Myojo Cement Co., Ltd.
18 Tsuruga Cement Co., Ltd.



Net sales (FY2023 consolidated) **491.17** billion yen (60.7%)

Number of employees (consolidated, as of March 31, 2023) **8,254** (64.9%)
Male 7,132
Female 1,122

Clinker production capacity **17,642** thousand tonnes (59.0%)


Taiheiyo Cement Corporation Kamiiso Plant


Taiheiyo Cement Corporation Ofunato Plant


Taiheiyo Cement Corporation Kumagaya Plant


Taiheiyo Cement Corporation Saitama Plant


Taiheiyo Cement Corporation Fujiwara Plant


Taiheiyo Cement Corporation Oita Plant


DC Co., Ltd.


Myojo Cement Co., Ltd.


Tsuruga Cement Co., Ltd.

Message from the President

Since the production of the very first tonne, we have and will continue to produce cement as long as this country needs it.

Cement was first brought to Japan with the introduction of Western architecture during the Meiji era (1868-1912). As it could not be produced domestically at that time, cement was imported from Europe at prices 100 times higher than today. It was exactly 150 years ago, in 1873, that the government-run Cement Manufacturing Plant was established, and eight years later, in 1881, Taiheiyo Cement became the first private company to produce a tonne of cement with the aspiration to "build the nation using cement". Since then, we have contributed to Japan's development by delivering cement to every corner of the country, with the belief of "making cement because Japan needs it," rather than "making cement because it is profitable". The history of cement in Japan, beginning with the very first tonne of cement, mirrors the history of Taiheiyo Cement, which has been involved all along the way.
As it was Taiheiyo Cement that made the first tonne of cement, if the time ever comes for the last tonne to be made, we also want to be the ones who make it. We will continue to make cement for as long as it is needed, while passing on the motto of "build the nation using cement" to the next generation.

Masafumi Fushihara
President and Representative Director

Summary of the 23 Medium-Term Management Plan

Resolutely Implementing Growth Investments in Order to Realize Our Future Vision and Direction, Even in a Difficult Environment.

Related articles:
Progress Summary of the 23 Medium-Term Management Plan
➡ P.32-33

Related articles:
Financial Strategy - Message from the Officer in Charge
➡ P.36-39

The 23 Medium-Term Management Plan is positioned as the third step towards realizing our future vision and direction targeting the mid-2020s. This year is the final year of the 23 Medium-Term Management Plan, which has “becoming an outstanding leading company” as a fundamental policy. During the Medium-Term Management Plan the hurdles to achieving the management targets have become higher due to a decline in domestic demand, which was a precondition for the plan, as well as significant changes in the business environment, including soaring coal prices. However, we have resolutely made growth investments, even in this difficult business environment, and I believe that we have achieved the goals that we set 10 years ago as our future vision to "never stop moving forward" and "become a corporate group with a strong presence in the Pacific Rim."

In addition, "becoming an outstanding leading company", a fundamental policy of the 23 Medium-Term Management Plan, is based on the concept of creating a corporate structure that can withstand even the toughest business environment, in which our core businesses of cement, mineral resources, environment, construction materials are thought of as four mountains, and a “Taiheiyo mountain range” is built by each of the businesses functioning together in an integrated manner. Through the experience of a war occurring in a foreign land, which hit the Japanese economy a month later in the form of soaring energy prices and exchange rate fluctuations, we have become acutely aware of the need to build an even more resilient corporate structure.

Focus on the Growing U.S. and Southeast Asia. Increasing Production and Supply Capacity to Capture Market Share.

Related articles:
Cement Business (Overseas)
➡ P.46-47

In order to become a corporate group with a strong presence in the Pacific Rim, we believe it is of utmost importance to increase our market influence by achieving a market share of at least 10% in the countries and regions where we operate. In order to capture the strong demand in growing markets, we have made investments to increase production and supply capacity.

In the U.S., further asset acquisitions have significantly increased our presence on the west coast, resulting in our local subsidiary, CalPortland Company, expanding its market share in California to 40%. We expect strong demand to continue for about a decade as the U.S. continues its infrastructure investment policy, with public investment of $1.2 trillion commencing in earnest and the 2028 Los Angeles Olympics and Paralympics approaching.

In Asia, we have withdrawn from China, where we had been operating since the second half of the 1980s, and have progressed our southward shift to Southeast Asia, where the economy is growing rapidly. In 2021, we formed a capital and business alliance with the Indonesian government-owned Semen Indonesia Group, and have built a new logistics network in the Pacific Rim. This has already yielded benefits in the trading business, and we plan to supply one million tonnes of cement per year to our U.S. subsidiary starting in 2024. Meanwhile, the renovation of the production line at our subsidiary in the Philippines will be completed in May 2024. In addition, we have also decided to build a new terminal to supply cement to the area around Manila, the country's largest market, in order to capture the strong demand.

Carbon Neutrality is Our Important Growth Strategy. Making Our Independently Developed Kiln the Global Standard.

Related articles:
Carbon neutrality Strategy 2050
➡ P.26-27

We see carbon neutrality as the greatest challenge to the survival of the cement industry, as well as important growth strategy for our company. We have launched our "Carbon Neutral Strategy 2050" and have set targets to reduce our CO_2 emissions by 2030. Thereafter, as well as achieving the interim target, we plan to complete the development of innovative technologies that are effective in achieving carbon neutrality and gradually deploy them to the Group’s cement plants. In particular, we are working on the development of our own "C2SP Kiln," which is world-first compact equipment that enables the separation and capture of CO_2, with the aim of it becoming the global standard, and are also considering licensing the technology as business development that actively utilizes the intellectual property rights.

Formulation of the Next Medium-Term Management Plan has Begun Based on the Achievements and Challenges under the 23 Medium-Term Management Plan.

Related articles:
Direction of the Next Medium-Term Management Plan
➡ P.34-35

We will formulate the next Medium-Term Management Plan by backcasting from the long-term "future vision and ideal form" to depict the vision we are aiming for 10 years from now. How quickly we can recover the growth investments made under the 23 Medium-Term Management Plan is important, and the asset acquisitions on the west coast of the U.S. have already started to produce results from the second half of the previous year. In addition, we will expand our overseas businesses in Indonesia and the Philippines while capturing the strong demand. Our discussions will also focus on what needs to accelerated to achieve the interim goals of our carbon neutral strategy, which have been set for 2030.

Medium- to Long-Term Strategy

Create a Strong Corporate Structure that is Unaffected by Changes in the External Environment.

The net sales ratio of the Taiheiyo Cement Group is very well balanced, with the domestic cement business, the overseas cement business, and the mineral resources, environmental, and construction materials businesses each accounting for one third. However, our businesses have been hit hard by changes in the external environment, such as the spread of COVID-19 followed by soaring coal and fuel prices due to Russia's invasion of Ukraine. To become an outstanding leading company, we believe it is essential to build a strong corporate structure that will not be affected by such changes in the external environment, and accordingly we will work on the following.

1. Firm pricing policies

Related articles:
Cement Business (Japan)
➡ P.44-45

In response to soaring coal and fuel prices, we announced unprecedented drastic price increases totaling 5,000 yen per tonne. But this was still not sufficient to absorb the cost increases, and the domestic cement business ended the previous year with an operating loss. The Taiheiyo Cement Group's mission is to deliver safety and security to society, and we must have a business structure that can continue stable operations in order to do so.

In addition to coal prices, cement manufacturers are facing a variety of other cost-increasing factors, such as carbon neutrality and the logistics industry's response to the shortage of drivers under the revision of regulations in 2024. In the future, we must have the pricing power to develop pricing policies based on the cost of products and the resources for necessary future investments, and to sell products at the prices they should be sold at. Also, from the standpoint of co-existence and co-prosperity, we believe it is necessary to create an environment in which the entire supply chain, including not only cement manufacturers but also users, can pass on cost increases to product prices and secure profits.

2. Become leaders in decarbonization

Related articles:
Environmental Business
➡ P.50-51

We will invest a total of 300 billion yen by 2030 to develop our quarries and strengthen plant facilities for the next 100 years, and to achieve carbon neutrality. This is an opportunity for our plants to evolve into truly leading decarbonization facilities that will guide cement production and the decarbonization of local communities. The goal is to utilize our plants, which are located in a well-balanced manner throughout the country, to create decarbonization hubs for the use and storage of CO_2 that is separated and captured in each region, as well as the advancement of waste treatment

and digitalization using DX to meet the characteristics and needs of each region. In addition, we will optimize our limestone supply network by application according to the characteristics of the limestone produced from our 13 quarries in Japan, and aim to become leading facilities in decarbonization that cannot be found anywhere else.

3. Reducing risk through diverse and multifaceted businesses

A significant recovery in domestic demand for cement is not expected in the future due to the declining population in Japan. Therefore, not only are we aiming to expand our overseas businesses, but also to develop a new core business in Japan that is not dependent upon cement production.

In the Mineral Resources Business we are working to commercialize functional materials and new materials that fully utilize our accumulated knowledge of minerals. In the Environmental Business we are expanding businesses that are less dependent on kilns, such as recovering useful materials from lithium-ion batteries for automobiles and sewage sludge.

At the same time, we plan to participate in the Namie Town Reconstruction Farm Project to support the reconstruction of Fukushima, utilizing our waste and by-product processing technologies.

Related articles:
Mineral Resources Business
➡ P.48-49

Related articles:
Environmental Business
➡ P.50-51

4. Committed to human capital

To this day, I continue to believe that "people are the greatest asset that does not appear on a balance sheet." I believe that top management must focus their greatest effort on how to activate our human capital. In order for us to be chosen by young people and for them to want to continue working for us for a long time, it is important that we become a company with appeal. To this end, we will further proceed in creating a workplace where employees with diverse personalities and values can feel fulfilled and thrive, regardless of their nationality, gender, or other traits, and develop a personnel system that emphasizes work-life balance. In addition, we will improve the vitality and productivity of each and every employee by promoting "Kenkokeiei" health management that maintains the health and safety of employees. Furthermore, we will commit to developing global human resources who can work overseas and those who can pass on the core cement manufacturing technologies.

Related articles:
Human Capital
➡ P.78-89

Continuing to produce cement and forming a circular economy. That is our sustainability.

Following on from the contract production for Hitachi Cement Co., Ltd. that started in 2019, we took over the cement sales business of Denka Co., Ltd. in April of this year, and plan to take over its cement business from 2025 onward by optimizing the production and supply system. Currently, there are more than 10 cement manufacturing companies in Japan and, as domestic cement demand is not expected to significantly recover in the future, we believe that the structure of the cement industry is likely to change as a result of business restructuring.

However, as the top specialist manufacturer that produced the first private-sector cement 140 years ago, we are determined to continue to produce cement based on our belief that "the cement Japan requires should be made in Japan," and we will work to strengthen our mining and production systems with an eye to the next 100 years.

On the other hand, in addition to its mission to deliver critical materials that are indispensable for infrastructure development, the cement industry has an important role as a key player in the formation of a circular economy with local communities and industries. The cement industry effectively uses waste and by-products as alternative raw materials and fuels for cement production. More than 25 million tonnes of waste and by-products is received annually, which is more than 10% of the total amount of waste and by-products recycled in Japan. In addition, we contribute to local communities by accepting municipal waste and incineration residues.

The Taiheiyo Cement Group also mines limestone from 13 limestone quarries in Japan, half of which is used for cement production and the other half for ready-mixed concrete aggregates and in many other industries such as electric power, steel and paper manufacturing. Furthermore, the waste and by-products generated by the electric power and steel industries can be effectively used as alternative raw materials for cement, forming a circular economy with these industries, which is also a characteristic of the cement industry and a truly sustainable model.

We believe that the state of the cement industry needs to be viewed as a challenge for Japanese industry as a whole in order to form and develop a sustainable society in the future.

Related articles:
Strengthening Production Systems
➡ P.28-29

Related articles:
The Social Value of Cement
➡ P.6-7

Related articles:
The Wonders of Cement
➡ P.137

To Our Stakeholders

Contributing to local communities. Aiming for co-existence and co-prosperity is important.

We are aiming for co-existence and co-prosperity with the local and regional communities where our plants and quarries are situated, giving maximum consideration to the environment in terms of biodiversity and water resources, while keeping in mind at all times that the cement industry exists due to being allowed to mine the nation's land.

The cement industry has also contributed to the early recovery of areas affected by natural disasters by receiving debris and other waste that is generated by a disaster for use as alternative raw materials and fuels for cement. We began receiving and processing disaster waste after the Niigata Chuetsu Earthquake in 2004 and, since then, we have concluded several comprehensive partnership agreements with local governments where our plants are located as disaster preparation. Furthermore, from 2019 onward, we have also concluded comprehensive partnership agreements with local governments where we do not have a cement plant, and have established a system to receive and process disaster waste at all of our cement plants located throughout Japan via regional transportation and processing.

Striving to build closer relationships with our stakeholders so they can understand our business more.

Cement is the foundation of our business and we will continue to grow with the cement business as a keystone, pursue further possibilities for cement and concrete, and build a corporate group with a strong presence in the Pacific Rim. At the same time, as mentioned earlier, the cement industry exists due to being allowed to mine the nation's land, so we recognize the importance of co-existence and co-prosperity with the people in the areas where our plants and quarries are located. Through our business activities we will strive to resolve social issues on a global scale, not only by protecting the environment, creating a circular economy and combating climate change, but also by helping to build a sustainable society, including efforts to protect human rights, water resources and biodiversity, which have been identified as common global goals set out in the SDGs.

We believe that our stakeholders need to know more about our business and our approach. We will also make every effort to increase the opportunities to listen to the opinions of our stakeholders and build closer relationships with them.

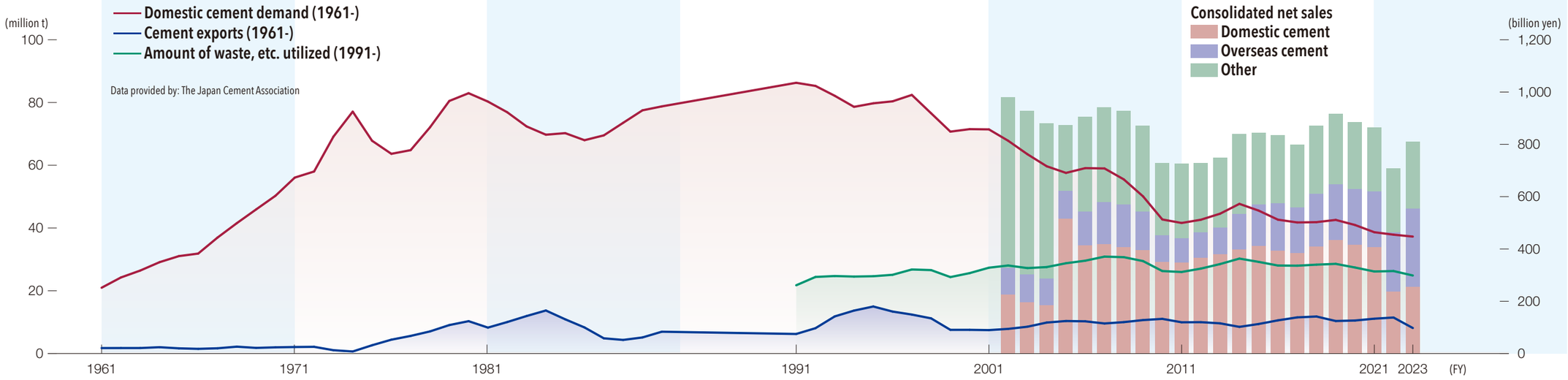
This year marks 150 years since cement was first made in Japan. Since that time, we have continued to produce cement. As the first private company to make a tonne of cement we will continue to make it as long as it is needed.

Taiheiyo Cement's DNA

Taiheiyo Cement is continuing to support economic development and social infrastructure while being environmentally conscious.

	1960	1970	1980	1990	2000	2010	2020
Social Conditions	Rapid economic growth	Soaring oil prices	Rapid increase in construction investment and the bubble economy	Bursting of the bubble economy	Rapid economic recession	Increased frequency of natural disasters	National CO_2 emission reduction targets established
Events	Surge in demand	Oil crisis	Increase in demand	Peak demand	The 2008 global financial crisis	Frequent torrential rains and the Great East Japan Earthquake	United Nations Climate Change Conferences (CoP)
Taiheiyo Cement's Major Initiatives	Increased production through development of and conversion to SP and NSP kilns	Energy source converted to coal	Responding to further increases in production and strengthening energy conservation	Improved earnings through waste processing	Overseas expansion of cement business	Improve earnings through structural reforms and cooperation in disaster recovery	Strengthening initiatives to achieve carbon neutrality
	Conventional wet long kilns were converted to dry SP and NSP kilns with high thermal efficiency and mass production efficiency.	The oil crisis of 1973 was a turning point in our efforts to reduce energy costs by converting from heavy oil to coal for cement calcination.	In addition to further adopting the use of NSP kilns to meet rapidly increasing public and private sector demand, we progressed our energy conservation by introducing waste heat recovery power generation.	We began full-scale waste processing using cement kilns as a measure to improve profitability. In 1998, the industry went through reorganization and Taiheiyo Cement Corporation was established.	In addition to existing sites in the U.S. and China, we accelerated investment in Southeast Asia to build our cement business in the Pacific Rim.	We conducted business restructuring and improved profitability. We received disaster waste and assisted in the early recovery of areas affected by disaster.	We have formulated the "Carbon Neutral Strategy 2050" and are working on the development of innovative technologies that are positioned as a new growth strategy.
							

Trends in demand, exports, amount of waste, etc. utilized, and consolidated net sales



* The figures for the volume of waste, etc. used are from when the Japan Cement Association started collecting statistics, and consolidated net sales are from when the disclosure of information on overseas business was started.
* Changes to segments, etc. were made in FY2005.
* The "Accounting Standard for Revenue Recognition" (ASBJ Standard No. 29), etc. was applied from FY2022.

Five Cultivated Strengths

The Taiheiyo Cement Group will fulfill its mission to build safe and secure social infrastructure and living environment through the effective utilization of waste and by-products, with cement production and supply as the cornerstone.

A leading supplier of cement that supports the living environment and infrastructure

The Taiheiyo Cement Group has a total of 16 cement plants in Japan and overseas, with an annual clinker production capacity of approximately 30 million tonnes. In Japan, we are investing 100 billion yen by 2030 to strengthen our production system by upgrading our main facilities and building a solid supply system. Meanwhile, a new production line at Taiheiyo Cement Philippines, Inc. will start operation in May 2024.

Cement production process that boasts world-leading use of alternative raw materials and fuels

In addition to waste and by-products, municipal waste and incineration residues, in recent years we have been contributing to the formation of a circular economy by also using waste and debris from natural disasters as raw materials and fuels for cement. Furthermore, based on the recognition that carbon neutrality is the most important issue for the cement industry, we have published our "Carbon Neutral Strategy 2050" and are accelerating our efforts towards achieving carbon neutrality.

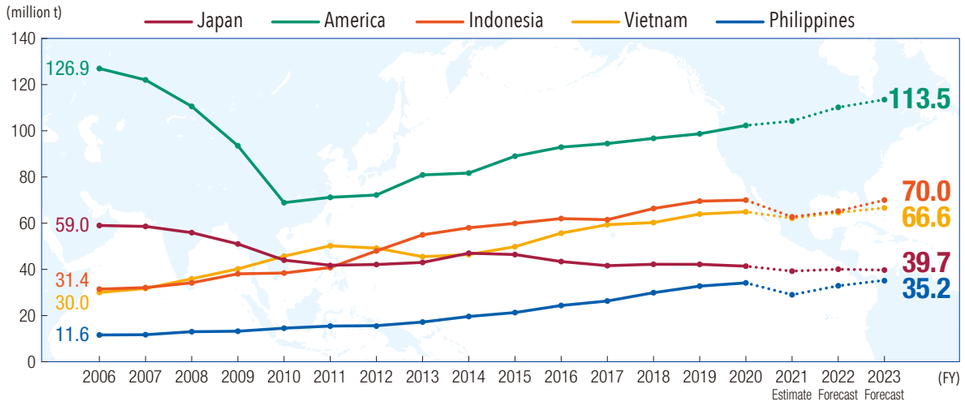
Highly diverse human capital

Based on the idea that people are a company's greatest asset, we are creating a workplace that gives highest priority to the safety and health of our employees. In addition, we consider diversity and inclusion to be initiatives that integrate our human resources and are linked to the creation of new value, and are promoting human resource development that enables each employee to play an active role through various measures, including the promotion of the active participation of women.

Business portfolio that incorporates the Pacific Rim's growth markets

We continue to support infrastructure and the living environment by supplying high quality cement and construction materials, and applying advanced technologies at our nine cement plants in Japan and seven in the United States and Asia-Pacific region. Going forward, we aim to enhance our networks by building a new business portfolio that incorporates growth markets and expanding our trading business.

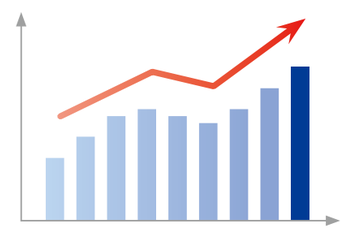
Cement Consumption



Data source: The Global Cement Report 2020, 14th Edition

Stable financial footing that enables continued growth investments

Although the group had a weak financial structure at the time of the merger in 1998, we have improved our profitability to the extent of recording operating income of 60 billion yen or more for eight consecutive years from FY2014 to FY2021. In addition, we have maintained a net debt/equity ratio (DER) of 0.7 times or lower and the issuer credit rating of A that we acquired in 2018.



Materiality

The Taiheiyo Cement Group has worked to solve social issues through cement production for more than 140 years. We recognize that these initiatives themselves are both our social mission and material to our business.

Identifying Risks and Opportunities

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

The Taiheiyo Cement Group conducts "collection, evaluation and identification of company-wide risks" every three years. This time (FY2023) the initiative was conducted with the purpose of identifying company-wide risks that could have a significant impact on uncertainty of Group management in light of the significantly changed business environment and risks.

Process of Collection, Evaluation and Identification of Company-wide Risks

Step 1 Conduct a comprehensive inventory of risks at our 38 business sites and identify risks that could hinder the achievement of the goals of the 23 Medium-Term Management Plan and key sustainability issues that were reviewed in FY2023.

Step 2 Gather and analyze information related to the situation of and concerns about the identified risks, and identify company-wide risks that could have a significant impact on uncertainty of Group management

Step 3 Review company-wide risks (Risk Management & Compliance Committee)

Step 4 Determine company-wide risks (Sustainability Management Committee)

● Identified "company-wide risks," business opportunities and business strategies

Company-wide risks	Business opportunities	Business Strategies
Risk of increase in the number and severity of natural disasters and aging facilities and equipment	• Increasing demand for environmentally sound products (with low CO_2 emissions) • Measures to strengthen urban areas and prevent and mitigate natural disasters	• Steady transition to carbon neutrality • Supply critical materials for national resilience • Key player in the formation of a circular economy
Risk of business fluctuations in the supply chain	• Transition to a circular economy • Reorganization of supply chain, succession of businesses from other companies	
Human resource-related risks	• Acceleration of DX and digitalization • Acquisition of human resources as a leading sustainability company	

Third-party opinion

Your materiality selection process is orthodox and the KPIs and timeline, as well as the associated guidelines, are sensible. "Carbon neutrality" and "circular economy" are your two most important themes, and a "circular economy" will lead to CO_2 emission reductions while bringing growth and profitability at the same time. This is truly a business that has proven its strategic characteristics in the era of SX (Sustainability Transformation). On the other hand, the new business model of expanding CO_2 capture and utilization under the CO_2 recovery kiln commercialization concept with mechanical plant companies and gas companies is a step up to a European-style circular economy. I am confident that your company's historic corporate mission to "build the nation using cement" will continue with its unifying force and brilliance in the future.

Toshio Arima
Chairman of the Board
Global Compact Network Japan

Materiality

For more than 140 years the Taiheiyo Cement Group has supported the development of infrastructure and living environments by supplying society with high quality cement and construction materials, while conducting our business in consideration of the global environment. Based on these experiences, we have identified the materiality of sustainability issues in order to organize the form and direction we should aim for when addressing the various environmental and social challenges we face, beginning with climate change.

Materiality Identification Process

The process was conducted in three steps, from identification of issues to validation. As a result, a total of 12 materialities were identified from financial aspects, environmental aspects and social aspects.

Step 1

Identification of issues and categorization into themes

Issues specific to our businesses were identified and categorized into themes, using various disclosure guidelines and evaluation tools from ESG evaluation organizations as references*, as well as the opinions and information received from stakeholders through ESG interviews, opinions from third parties, our company's history and strengths, and exchanges of opinions with each relevant department.

Step 2

Prioritization and organization of themes

- Candidate themes were mapped with the importance to stakeholders and the importance to our Group on separate axes.
- Regarding importance to stakeholders, issues that are of interest or importance were evaluated, with reference to opinions and information obtained from ESG interviews with investors and other stakeholders.
- Regarding importance to our Group, issues were evaluated in accordance with the principle of double materiality, taking into account the medium- to long-term impact of the Company on the environment and society.

Step 3

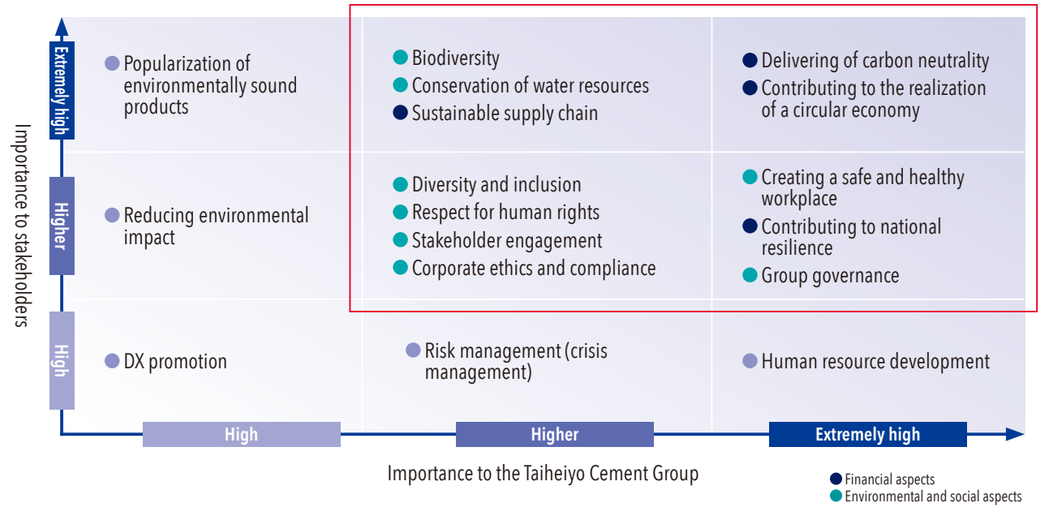
Verification

The identified materialities were finally discussed and verified by the Sustainability Management Committee and the Executive Committee.

* SDGs, ISO 26000, GRI Standards, ESG assessment agency evaluation items, GCCA Sustainability Framework, etc.

Identified materialities

Twelve themes of "higher" and "extremely high" importance were designated as material.



List of Materialities and main KPIs

Aspect	Materiality	Themes to be addressed		Targets, KPIs, etc.	Relevant standards, targets, guidelines, etc.	Relevant SDGs
Financial Aspects	**Delivering of carbon neutrality**	CO_2 emissions reduction		• Delivering of carbon neutrality (by 2050) • Reduce specific CO_2 emissions by at least 20% (by 2030, compared with 2000) • Reduce domestic CO_2 emissions by at least 40% (by 2030, compared with 2000)	Carbon Neutral Strategy 2050	
	Contributing to the realization of a circular economy	Promote the use of alternative raw materials and fuels Waste emissions reduction		• Maintain waste usage intensity of 400kg/tonne-cement or more • Maintain volume of waste to landfill at or below 40 tonnes	GCCA guidelines on alternative raw materials and fuels	
	Sustainable supply chain	Sustainability assessment		• Assessment rate of major suppliers: 75% (2030)	GCCA guidelines on supply chains	
	Contributing to national resilience	Maintaining a stable product supply system		• Upgrade of plant facilities to maintain stable supply • Serious quality complaints: 0	ISO 9001	
Environmental and Social Aspects	**Biodiversity**	Develop quarry rehabilitation plans		• Quarries with rehabilitation plans: 90% or more	GCCA guidelines on biodiversity	
	Conservation of water resources	Management of water resources		• Promote management of fresh water usage intensity	GCCA Sustainability Framework Guidelines	
	Creating a safe and healthy workplace	Accident prevention Promotion of Health and Productivity Management (H&PM)		• Zero fatalities • Ratio of employees receiving periodic health examinations: 100%	CSR Objectives for 2025 Internal environment improvement policy	
	Diversity and inclusion	Promotion of the active participation of women		• Ratio of female recruits: At least 30% • Ratio of female employees: At least 10% • Ratio of newly appointed female managers: At least 10%	CSR Objectives for 2025	
	Respect for human rights	Promotion of human rights due diligence		• Conduct steady human rights due diligence and take corrective action	United Nations and government, etc. standards	
	Stakeholder engagement	Engagement with shareholders, investors Communication with local communities		• Engagement with shareholders, investors: 150/year or more • Engagement with local communities: 1,500/year or more	GCCA Sustainability Framework Guidelines	
	Group governance	Globalization of Whistleblower Program		• Coverage of the Whistleblower Program: 90% or more (by FY2031)	* Coverage = number of companies who have introduced program and subsidiaries that are covered	
	Corporate ethics and compliance	Compliance education		• Standards of Conduct training (e-learning) participation rate: maintain at 90% or more	GCCA Sustainability Framework Guidelines	

Value Creation Process

[Our future vision and direction]
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.

[Management Capital]

Financial Capital
Credit rating (as of August 2023)
JCR | A
R&I | A−

Manufacturing Capital
Domestic clinker production capacity (FY2023)
17,642 thousand tonnes
Overseas clinker production capacity (FY2023)
12,240 thousand tonnes

Intellectual Capital
Patents held (as of the end of FY2023)
1,439 in Japan
287 overseas

Human Capital
Number of employees (as of the end of FY2023)
12,720

Social and Relationship Capital
Engagement with communities (FY2023)
2,538
IR Activities (FY2023)
164

Natural Resources Capital
Limestone quarries of the group (as of the end of FY2023)
19
Utilization of waste and by-products (FY2023)
409.6 kg/t-cement

Business model

Taiheiyo Cement's Strengths

- Cement production process that boasts world-leading use of alternative raw materials and fuels
- A leading supplier of cement that supports the living environment and infrastructure
- Business portfolio that incorporates the Pacific Rim's growth markets
- Highly diverse human capital
- Stable financial footing that enables continued growth investments

Fundamental Policies of the 23 Medium-Term Management Plan
Aiming to become an Outstanding Leading Company

Materiality

Financial Aspects
- ◎Delivering of carbon neutrality
- ◎Contributing to the realization of a circular economy
- ◎Sustainable supply chain
- ◎Contributing to national resilience

Environmental and Social Aspects
- ◎Biodiversity
- ◎Conservation of water resources
- ◎Creating a safe and healthy workplace
- ◎Diversity and inclusion
- ◎Respect for human rights
- ◎Stakeholder engagement
- ◎Group governance
- ◎Corporate ethics and compliance

Group Governance / Compliance

Output

Taiheiyo Cement Group's Main Products

[Cement Business]
- Cement: **30.93** million tonnes
- Stabilizers: **2.22** million tonnes
- Ready-mixed concrete: **8.16** million m³

[Mineral Resources Business]
- Limestone for cement raw material: **20.20** million tonnes
- Limestone for concrete aggregates: **9.80** million tonnes
- Limestone for industrial use (steelmaking, etc.): **8.20** million tonnes

[Environmental Business]
- Amount of waste and by-products processed: **7.27** million tonnes
- Limestone for industrial use (power plants): **0.72** million tonnes

[Construction Materials Business]
- Construction-related materials: **0.21** million tonnes
- Concrete products: **0.31** million tonnes
- Ground Improvement, repair and renovation projects (Cement and stabilizers): **0.27** million tonnes

Outcome

- **Supply critical materials for national resilience**
- **Key player in the formation of a circular economy**
- **Steady transition to carbon neutrality**

[Economic Value (FY2023)]
- Net sales: **809.5** billion yen (up YoY)
- Operating income: **4.4** billion yen (down YoY)
- Total amount of dividends: **8.2** billion yen (shareholder returns, steady dividends)
- Capital expenditure: **75.9** billion yen (maintenance and growth areas)
- R&D expenses: **5.9** billion yen (research and intellectual property areas)

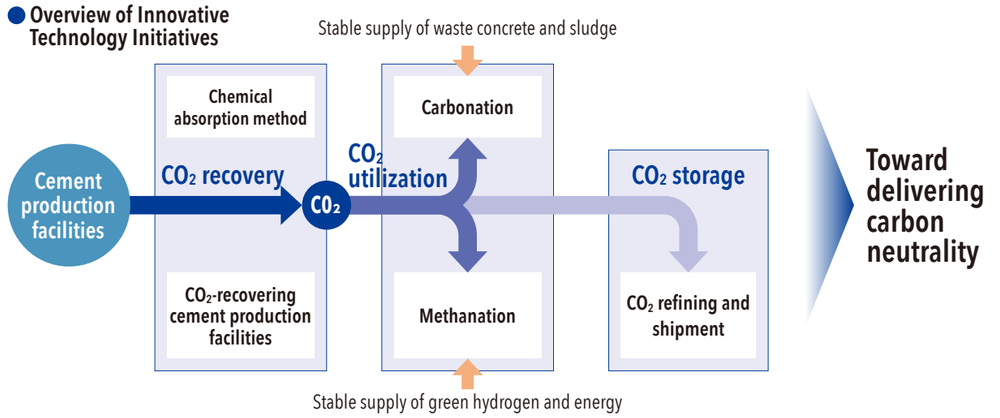
[Social Value (FY2023)]
- **Supply critical materials for national resilience**
  Cement, aggregates, etc.: **43.74** million tonnes
  Ready-mixed concrete: **8.16** million m³
- **Key player in the formation of a circular economy** (resolving social issues)
  Waste and by-products processed: **7.27** million tonnes
  External economic benefit (EEB) (non-consolidated): **87.2** billion yen
- **Steady transition to carbon neutrality** (reduction of environmental impact)
  CO_2 specific emissions: **10.2**% reduction (compared with 2000)
  Alternative energy usage rate: **19.9**% (Contribute to reduction of fossil energy use)
- **Highly diverse human capital** (permanent employees, non-consolidated)
  Overall employee engagement score: **66**%
  Ratio of newly appointed female managers: **13.6**%

Carbon Neutral Strategy 2050

Taking on the challenge to develop innovative technologies and aiming to become a leader in CO_2 capture and utilization.

Yuuichi Kitabayashi
Vice President and Representative Director

● **Overview of Innovative Technology Initiatives**



Toward delivering carbon neutrality

The Taiheiyo Cement Corporation has established the "Carbon Neutral Strategy 2050" to achieve carbon neutrality throughout our supply chain by 2050, and have released a transition plan to reduce CO_2 specific emissions by 20% or more and to complete the development of innovative technologies for CO_2 capture and utilization by 2030. In December this year, we started demonstration testing of the "Carbon Capture Suspension Preheater Kiln" (C2SP Kiln), a CO_2-recovering cement production process, and also started a study of a "carbon neutral model plant" at the Kawasaki Plant of our Group company DC Co., Ltd., which will demonstrate CO_2 capture, utilization and storage at the actual plant level.

Carbon neutrality is our significant growth strategy

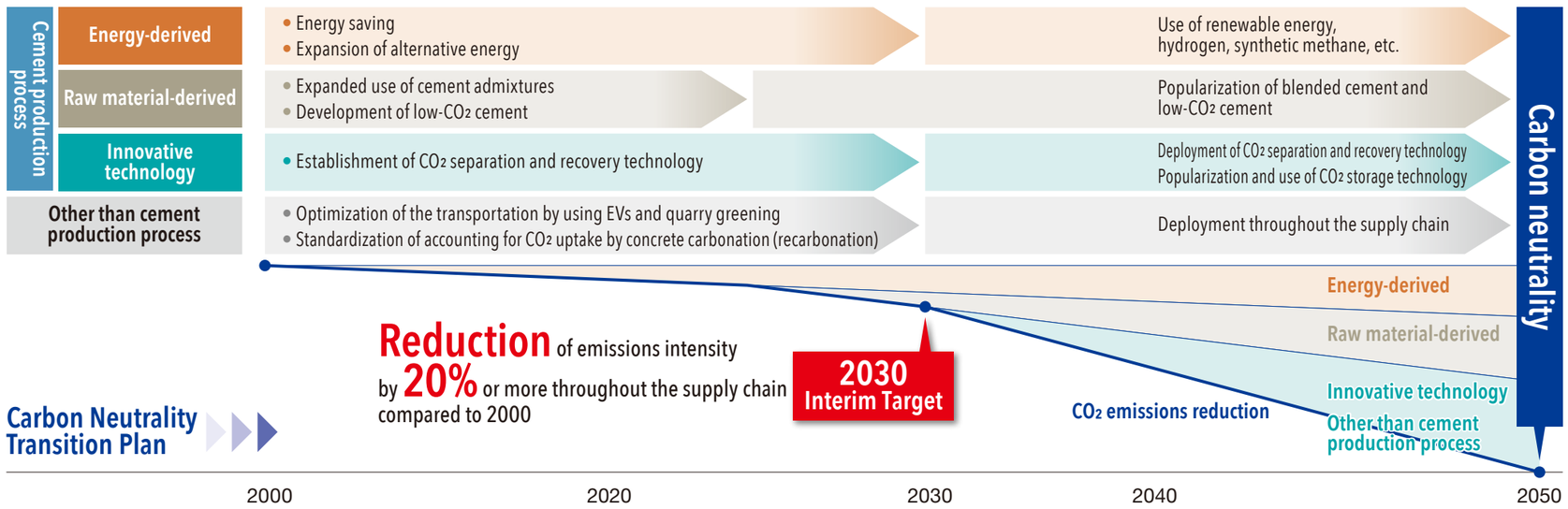
We are aiming for our world-first, independently developed C2SP Kiln, which can efficiently capture CO_2 in a compact facility, to become the global standard. There are currently about 4,000 cement kilns worldwide, and we expect that there will be a great need for C2SP Kiln as the achievement of carbon neutrality is aimed for around the world. Further, regarding methanation, which is the use of separated and recovered CO_2 as energy, we are working with mechanical plant companies and gas companies with the aim of not only reusing it in cement production, but also using it widely in society.

Post-2030 transition plan

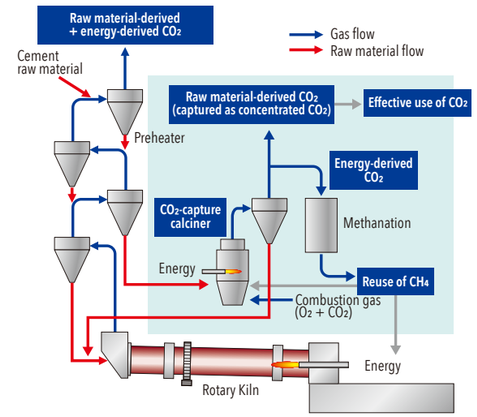
From 2030 onwards we will sequentially deploy CO_2 utilization technologies such as CO_2 separation and capture in C2SP Kiln, CO_2 mineralization by carbonation and CO_2 utilization through methanation throughout the Group. We estimate that the cost of implementing C2SP Kiln and CO_2 utilization facilities will exceed 100 billion yen per kiln based on the current technology, or 2 trillion yen for the entire domestic Group. Although the cost of equipment will decline as the technology evolves, there is a limit to how much capital expenditure can be borne by a single private company. It is therefore necessary for the government and industry as a whole to consider a mechanism for shifting the transition costs of carbon neutrality to cement prices and introducing appropriate carbon pricing to ensure the burden is shared fairly.

Challenges in the delivery of carbon neutrality

We believe that our "Carbon Neutral Strategy 2050" is consistent with the Paris Agreement. This is evident from the fact that in March 2023 the Development Bank of Japan extended a transition-linked loan to the Company, based on the Technology Roadmap for Transition Finance in the Cement Sector published by the Ministry of Economy, Trade and Industry as part of its efforts to align with the Paris Agreement. On the other hand, immediately effective measures such as the use of blended cement are necessary to achieve recognition as a Science Based Target, but rapid deployment is not easy due to market and product standard constraints in Japan. In addition to the development and commercialization of various innovative technologies, we will also accelerate our efforts regarding establishing standards.



● **Gas flow of a C2SP Kiln**



By concentrating the calcination reaction of raw limestone in an oxygen-fired calciner, highly concentrated CO_2 can be recovered directly from the cement process.

Strengthening Production Systems

We will strengthen our production system with "safety, maintaining quality and environmental preservation" as our top priorities.

Koshiro Hidaka Managing Executive Officer

Fujiwara Plant No. 5 Kiln (installation of high-efficiency clinker coolers)

Inspection of kiln tires using a drone

Our production system: Strengthening facilities, systems and engineers

The Taiheiyo Cement Group's domestic plants have been in operation for more than 60 years and their deterioration is advancing. We have determined that drastic measures are necessary to ensure stable production for the decades to come, and we are proceeding with the upgrade of major facilities with a plan to invest approximately 100 billion yen over the next 10 years, including the period of the 23 Medium-Term Management Plan. By introducing the latest facilities and digitalizing production and facility management, we are aiming to reduce our CO_2 emissions and environmental impact, as well as progressing energy saving and manpower conservation. We are also aiming to ensure that the core technologies required for cement production and facility management are passed on to the next generation and that human resources are developed through education and practical training.

Initiatives to reduce CO_2 emissions

The most significant feature of our cement production is the efficient use of various waste and by-products as alternative raw materials and fuels on a scale of approximately six million tonnes per year, while at the same time possessing quality control and facility operation technologies to maintain consistent quality. Recently, we have been working to expand the use of alternative fuels in response to soaring coal prices. With the installation of a waste heat recovery power generation system at the Saitama Plant, the installation of such equipment at all domestic plants has been completed. At the same time, we will continue to upgrade aging power generation facilities with gas turbines, with a view to using methanation, which is planned as a carbon neutrality initiative. We will continue our efforts to further reduce our CO_2 emissions.

Realization of smart factories

In view of the labor shortages that are foreseeable due to the declining birthrate, we are working to realize smart factories that utilize digital technology. Equipment inspections can detect signs of breakdown and end of service life by using AI to analyze data collected by sensors and cameras installed throughout the plant. In addition, the development of a fully automated system for operation management via AI is expected to be completed by the end of FY2024. Furthermore, in the near future, we aim to establish a support system for the operation and management of all plants through remote operation from the headquarters, which is to eventually include overseas plants too.

Safety — aiming for zero fatalities

We are committed to promoting safety, security and health activities as a Group, keeping in mind that "safety is the highest priority." However, it is very regrettable that fatalities have occurred since FY2022 and the number of accidents is also on the rise, and we recognize that we are in a critical situation. We believe that to eliminate occupational accidents the most important thing is for everyone from top management to the workers on site to share a high awareness of safety and to always follow the basic rules that have been communicated at all times. We will strengthen our initiatives to achieve zero fatalities through more thorough activities.

● Main facility upgrade work performed from FY2023 to FY2024

Environmental measures	• Switching from electrostatic precipitators to bag filters (Of all 12 of our kilns, 11 are scheduled to be completed by FY2025) **Switching to a dust collection system that uses filters will improve the rate of dust collection from exhaust gas generated in the cement production process**
Energy-saving measures	• Introduction of high-efficiency clinker coolers (to be introduced sequentially) **Will improve the recovery efficiency of the heat used for calcination in the clinker (an intermediate product of cement) production process and realize energy saving**
Coal replacement ratio improvement measures	• Installation of storage facilities to increase receipt of waste plastic (Kamiiso Plant, Saitama Plant), installation of new burners (Kamiiso Plant) • Recycled oil processing capacity expansion work (Kumagaya Plant) **Will reduce coal use by using waste as an energy substitute**
CO_2 reduction and energy cost reduction measures	• Waste heat recovery power generation systems at the Saitama Plant (Operation started in October 2022, completing the introduction of waste heat recovery power generation systems at all domestic plants) • Gas turbine power generation facility at Saitama Plant (in operation from September 2023) **Will realize the reduction of CO_2 emissions and energy costs**

Promotion of engineer development

We are progressing the development of engineers based on the belief that "people are at the foundation of production." In order to pass on the core technologies related to cement manufacturing that we have inherited from our predecessors, we have established "Techno Schools" for mid-career engineers at each plant to intensively learn specialized knowledge, and "Maintenance Dojo" where facility maintenance skills are learnt, with eligibility expanded to include engineers from contractors. In addition to improving cement-related skills, we have established an "Overseas Trainee Program" in which young permanent employees are sent to an overseas Group company for about one month to hone their language skills and gain experience living overseas. On the other hand, the renovation of the production line at Taiheiyo Cement Philippines, Inc., in which a state-of-the-art production line is being built, starting from the preparation of the land and foundation work, is a unique and valuable training opportunity and we are actively sending young permanent employees to this project.

Maintenance Dojo Program (surface finishing of bearing metal)

Medium-Term Management Plan

Step 1

17 Medium-Term Management Plan
(FY2016 to FY2018)

The 17 Medium-Term Management Plan covered the three years from FY2016 to FY2018 and is regarded as the first step towards realizing our future vision and direction. It aimed to maximize our corporate value.

Fundamental Policies

❶ To become a corporate group that preempts future changes in the environment and seeks innovations in all fronts, thereby progressing on a growth path
❷ To contribute to the establishment of a sense of safety and security in society through the provision of materials and technological development, furthering national resilience as a member of the social infrastructure industry.
❸ To vigorously push ahead with further strengthening our earnings base and financial structure aiming at sustainable development by strengthening businesses through exhaustive cost-cutting

Performance

Profitability

- **Operating income on net sales: 7.5%**
- **Return on assets (ROA): 6.3%**
- **Growth investments: 100 billion yen**
  - Acquisition of the Oro Grande plant (U.S.A.) and construction of its new mill
  - Establishment of Ofunato Power Inc. (biomass power plant)
  - DC Co., Ltd. made a wholly owned subsidiary

Financial Structure

- **Net debt/equity ratio (DER): 0.6 times**
  - Net interest-bearing debt of 234.8 billion yen (end of FY2018)

Shareholder Returns

- **Increased dividends and purchased treasury shares.**
  - Payout ratio: 18% (3-year average)
  - Total return ratio: 26% (3-year average)
  - Treasury shares purchased: 10 billion yen

Step 2

20 Medium-Term Management Plan
(FY2019 to FY2021)

We built on the results of the business and financial strategies implemented in the first step, the 17 Medium-Term Management Plan, and continued addressing the remaining issues to open up a path on which we could move on to the next step by ensuring the implementation of new initiatives and establishing a solid business foundation for future sustainable growth.

Fundamental Policies

❶ To become a corporate group that anticipates future changes in the business environment and seeks innovation on all fronts, thereby advancing along a pathway of growth.
❷ To contribute to the establishment of a sense of safety and security in society through the stable provision of high quality products, solutions and advanced technology development, in order to build national resilience as a member of the social infrastructure industry.
❸ To push ahead with the strengthening of our earnings foundation for businesses and further improve our financial structure through cost reductions as well as by actively executing investments in promising fields that will contribute to the group's sustainable growth.

Performance

Profitability

- **Operating income on net sales: 7.4%**
- **Return on assets (ROA): 6.3%**
- **Growth investments: 100 billion yen**
  - Investment in the Semen Indonesia Group
  - Renovation of Taiheiyo Cement Philippines, Inc.'s production line
  - Construction of new waste heat recovery power generation system (Saitama Plant)

Financial Structure

- **Net debt/equity ratio (DER): 0.4 times**
  - Net interest-bearing debt: 175 billion yen (end of FY2021)

Shareholder Returns

- **Steady dividend payments and purchase of treasury shares**
  - Payout ratio: 19% (3-year average)
  - Total return ratio: 30% (3-year average)
  - Treasury shares purchased: 15 billion yen

Summary up to Step 2

Achievements

- **Although domestic demand for cement is decreasing, operating income stayed in the 60 billion of yen range.**
- **Maintained shareholder returns (total return ratio) of 30%.**
- **Achieved our target of a net DER of 0.4 times or less ahead of schedule.**
- **Growth investments proceeding according to plan.**

Challenges

- **Sustained growth investment**
- **Initiatives to deliver Carbon Neutrality**
- **Strengthening of plant facilities and quarry development**
- **Restructuring our businesses in Japan**

Step 3 23 Medium-Term Management Plan (FY2022 to FY2024)

Aiming to become an outstanding leading company

We aim to construct a business model unique to us, where all businesses in our group function together comprehensively and integrally. In other words, to become an outstanding leading company.

Fundamental Policies

❶ Strive for sustainable growth.
❷ As part of the social infrastructure industry, contribute to the establishment of a safe and stable society.
❸ Strengthen our earnings base for businesses and steadily carry out growth investments.

Investment Strategy and Shareholder Returns

Cash flow from operating activities and assignment of assets etc. (3-year cumulative total): **330 billion yen**

- New investment aimed at sustainable growth: Capital expenditure, and investment and financing: 280 billion yen (including growth investment: 120 billion yen)
- Shareholder returns: Total return ratio around 33% (one third of the net profit for the year attributable to parent company shareholders)
- Maintain and improve financial soundness: Maintain a net DER of around 0.4

Profitability

Operating income on net sales: **11% or more**
Return on equity (ROE): **10% or more**

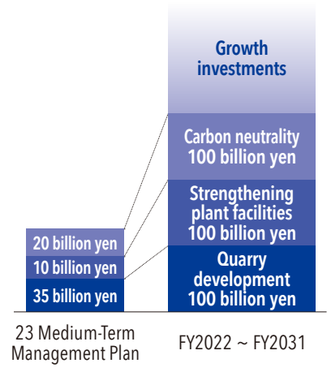
Targets for FY2024

Net sales*1: **750 billion yen or more**
Operating income: **85 billion yen or more**
EBITDA*2: **145 billion yen or more**
Net debt/equity ratio (DER): **Around 0.4**
Net interest-bearing debt/EBITDA: **1.5 or less**

*1 Since we have adopted the Accounting Standard for Revenue Recognition (ASBJ Standard No. 29) etc. from FY2022, the net sales in the FY2024 plan show the amount after adoption of the new standard. (The adoption of the new standard has a negative impact of -210 billion yen.)
*2 EBITDA = Operating income + depreciation (including goodwill amortization)

Key Strategies

1. **Initiatives to deliver carbon neutrality**
2. **Sustained growth investment**
3. **Strengthening plant facilities**
4. **Quarry Development**



Progress Summary of the 23 Medium-Term Management Plan

	Indicators	Targets	Initiatives	This year's evaluation and challenges
1 **Initiatives to deliver carbon neutrality**	2050 Delivering carbon neutrality	● 2030 Interim Target Reduce CO_2 emissions intensity by 20% or more throughout the supply chain (compared with 2000) Reduce domestic CO_2 emissions by 40% or more (compared with 2000)	● Introduction of high-efficiency coolers and operation of waste heat power generation aimed at energy saving and improved efficiency ● Development of the C2SP Kiln, an innovative CO_2-Recovering cement production process ● Development of technology for the effective use of CO_2, CCS project feasibility study ● Commencement of a study of the carbon neutral model plant concept	In addition to waste heat power generation at the Saitama Plant and the introduction of high-efficiency coolers at two plants in Japan, the use of alternative fuels has expanded and CO_2 emissions have been reduced. In addition to starting construction of the C2SP Kiln test facility as an innovative technology for carbon neutrality and developing CO_2 utilization technologies, we participated in JOGMEC's CCS research project. Furthermore, we have commenced studying the concept of a carbon-neutral model plant at DC Co., Ltd.'s Kawasaki Plant.
2 **Sustained growth investment** **Reconstructing the overseas business portfolio**	Capturing growth markets	● Expand our business area in the U.S. and Asia-Pacific where demand for cement is strong, and proceed with business development that is rooted in the region	● Completion of the acquisition by CalPortland Company of a portion of the west coast cement and ready-mixed concrete business assets of Martin Marietta Materials, Inc. ● The renovation of the production line at Taiheiyo Cement Philippines, Inc. ● Withdrawal from the cement business in China	CalPortland Company now has four plants and has expanded its market share in California to 40%. The renovation of the production line at Taiheiyo Cement Philippines, Inc. is progressing well and is scheduled to begin commercial operation in May 2024. The company's annual production capacity will be 3 million tonnes.
3 **Strengthening plant facilities**	In order to establish a production and supply system with long-term stability, we will renew key machinery, upgrade production and equipment management, and deploy AI	● Implement measures to address aging cement plants and modernize production and facility management by 2030	● Conversion of electrostatic precipitators to bag filters ● Upgrade of electric motors and control equipment ● Upgrade of specified high-voltage cables and transformers ● Modernization of facility management systems ● Development of technology for automated kiln operation that utilizes AI	In addition to replacing electrostatic precipitators with bag filters, work to restore the health of electrical equipment such as electric motors, transformers and cables was performed. We will not only upgrade aging facilities, but also promote the digitalization of plants and the increased sophistication of production and facility management.
4 **Quarry Development**	We will establish a system aimed at the long-term stable supply of limestone resources	● Establish a long-term stable supply system for limestone resources, the foundation of the cement business	● Commencement of development of the Yato area of the Shin-Tsukumi Quarry ● Commencement of development of the summit of Mount Kurohime at the Toumi Quarry ● Environmental assessment and post-development survey of the Yato quarry area ● Installation of a stockyard at the Horoshi area of the Ofunato Quarry	Development work was initiated at the Shin-Tsukumi Quarry and the Toumi Quarry to ensure stable operations over the long term. Development work commenced in the Yato area of the Shin-Tsukumi Quarry in May 2023 and the Mount Kurohime summit of the Toumi Quarry in September 2023, with the aim of commencing ore production in 2029.

Direction of the Next Medium-Term Management Plan

We will backcast from the 2050 Vision to formulate the next Medium-Term Management Plan from both financial and non-financial perspectives.

Hideaki Asakura
Director and Senior Executive Officer

Long-term vision and next Medium-Term Management Plan

Aiming for sustainable growth and increased corporate value over the medium to long term, we are in the process of formulating our "2050 Vision", with sustainability positioned as one of our top priorities and climate change, safety and inclusiveness, the circular economy and resilience, and biodiversity as the main pillars.

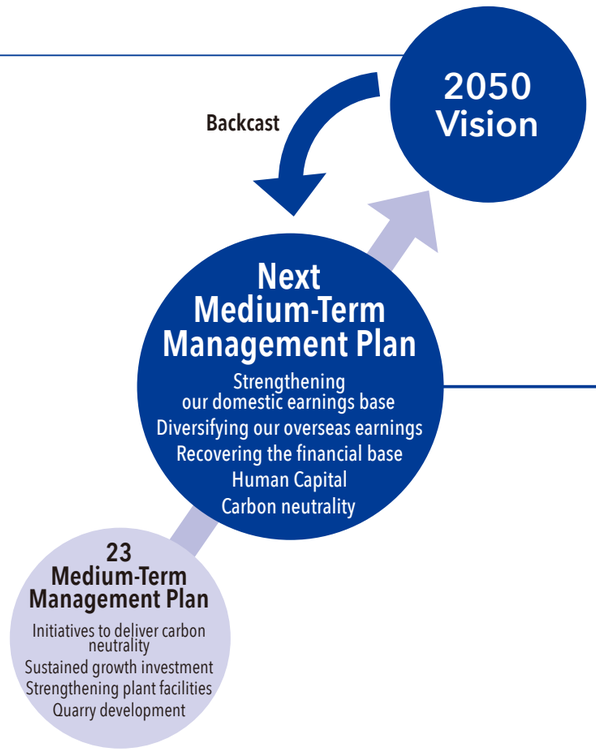
We will spend the entire current fiscal year formulating the next Medium-Term Management Plan, which will start in FY2025 and will backcast from this 2050 Vision with a view to resolving current issues as well as the medium- to long-term perspective, and will focus on five key issues: "strengthening our domestic earnings base," "diversifying our overseas earnings," "recovering the financial base and reviewing investment recovery criteria," "approach to human capital," and "realization of carbon neutrality."

Climate change
1. Delivering carbon neutrality
2. Reducing environmental impact
3. Popularization of environmentally sound products

Safety and Inclusiveness
1. Workplace diversity, gender equality
2. Occupational health and safety
3. Engagement with local communities
4. Sustainable supply chain

Circular Economy and Resilience
1. Key player in the formation of a circular economy
2. Contributing to national resilience

Biodiversity
1. Nature Positive
2. Conservation of water resources



Next Medium-Term Management Plan

Strengthening our domestic earnings base

First, in our main domestic cement business, we believe that our top priority is to have a firm pricing policy and create an environment and system in which the entire supply chain, including users, can pass on cost increases to prices and secure profits. Currently, most users have accepted energy price fluctuation in the form of an increase in cement prices, but we will continue to discuss a surcharge system with users as another option and work toward achieving appropriate prices.

Diversifying our overseas earnings

While our U.S. business has grown to become the Group's main source of income, we will also strengthen our business in the growth market of Southeast Asia. As the annual production capacity of Taiheiyo Cement Philippines, Inc. will increase to 3 million tonnes when the new production line is completed in May 2024, we will also launch measures to steadily capture the strong demand. We believe that an EBITDA margin of around 25% is desirable for our overseas cement business and we will work closely with our domestic cement business to achieve high profitability across the Group.

Recovering the financial base and reviewing investment recovery criteria

Although we posted a net loss in FY2023, interest-bearing debt increased as a result of the growth investments set forth in the 23 Medium-Term Management Plan, which were generally implemented as planned. We will continue investing to expand our overseas business, develop our quarries and strengthen our production systems, and we will strive to quickly recover our financial base so that these investments can be funded by cash flow from operating activities. In addition, as cement is mainly an equipment-based industry and the scale of investment is large and requires a long time to recover the investment, we will also incorporate indicators such as ROIC and discuss investment recovery criteria.

Approach to human capital

Regarding human capital, above all else the most important issue is to nurture the younger generation, and we will promote investment in education and the creation of systems for career advancement. It is also important to create a system that allows for a balance between work and life while incorporating challenging work, for example, by transferring employees to Group companies, including overseas companies, in order to gain experience in work that exceeds their job level. In addition to salary and benefits, we believe that a company can only be attractive if it is an organization that rewards effort.

Toward the Delivery of Carbon Neutrality

Regarding carbon neutrality, in addition to revising investment criteria in line with carbon price trends, we will continue to discuss the transfer of investments to cement prices. Also, the Global Cement and Concrete Association, of which we are a member, is studying a method to quantitatively evaluate the characteristics of atmospheric CO_2 absorption by concrete buildings during service, which is a very supportive move for the cement industry. We will promote our initiatives toward carbon neutrality while also taking into account such global trends.

The renovation of the production line (Taiheiyo Cement Philippines, Inc.)

Financial Strategy – Message from the Officer in Charge

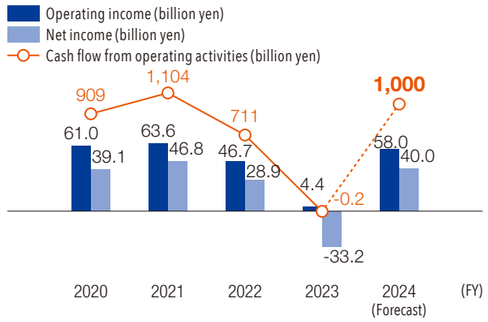
We will build a solid earnings base and steadily execute investments for growth and strengthening production lines.

Masahiro Ban Managing Executive Officer

Looking back at FY2023

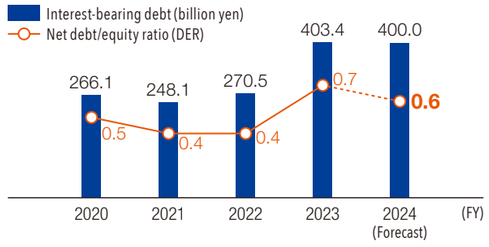
In FY2023, both operating income and ordinary income declined, with major factor being the worsening profitability of our main domestic cement business due to higher production costs caused by soaring coal prices. In addition, due to recording the expense of our Chinese subsidiaries withdrawing from their business as extraordinary losses, the ultimate result was a very severe net loss of 33.2 billion yen for the fiscal year.

● Operating income, net income and cash flow from operating activities



The domestic Cement Business posted an operating loss of 36.9 billion yen due to being unable to absorb cost increases during the fiscal year, despite efforts to raise cement prices. As for overall operating income, we were able to secure a profit of 4.4 billion yen, contributed by CalPortland Company Inc.,. We believe this is the result of our global strategy functioning well. As we made growth investments and investments to strengthen our earnings base, including the acquisition of assets in the U.S., renovation of the production line at Taiheiyo Cement Philippines, Inc. and strengthening of plant and quarry facilities, under a situation where we were not able to generate the cash flow from operating activities that we had initially planned, interest-bearing debt increased 132.8 billion yen on the previous fiscal year to 403.4 billion yen.

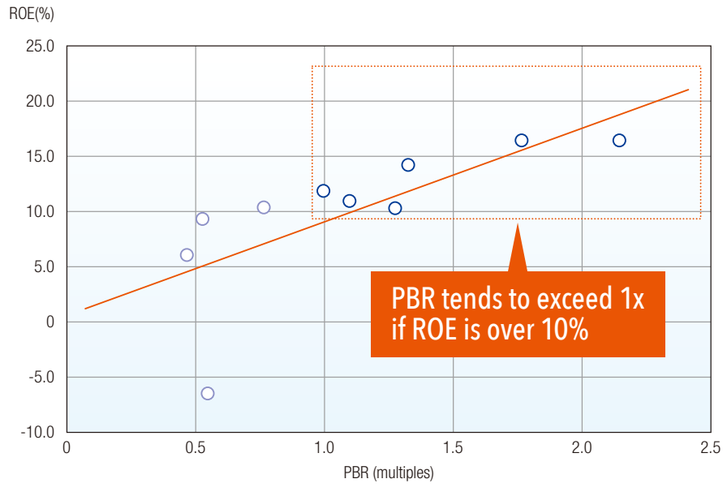
● Interest-bearing Debt and Net Debt/Equity Ratio (DER)



Forecast for FY2024

For FY2024, we forecast a 110.5 billion yen increase in net sales to 920.0 billion yen, a 53.6 billion yen increase in operating income to 58.0 billion yen, a 55.0 billion yen increase in ordinary income to 56.0 billion yen, and a 73.2 billion yen improvement in profit to 40.0 billion yen compared to the previous fiscal year. We expect a significant improvement in earnings due to factors including the increase in domestic cement prices and earnings in the U.S. We recently announced our first quarter results, and although domestic cement demand is on a downward trend, cement price increases are progressing as expected. Meanwhile, U.S. earnings were weak in the first quarter from January to March due to heavy rains on the west coast, but have been favorable since the second quarter starting in April. Coal prices have also stabilized since the beginning of this year, and we believe that the figures in our earnings forecast are achievable.

● Correlation of PBR and ROE (based on FY2014-FY2023 results)



PBR (Price to Book Value Ratio)
The ratio used to compare a company's current market value to its book value.

Progress of the 23 Medium-Term Management Plan

This fiscal year is the final year of the 23 Medium-Term Management Plan, and although we had set management targets of an operating income on net sales of 11% or higher and ROE of 10% or higher, it will be difficult to achieve these targets given the current fiscal year's forecasts. The same applies to the financial indicators that have been set as guidelines for achieving the management targets; the net debt/equity ratio (DER) of 0.41x that was achieved in FY2022 was 0.65x at the end of the previous fiscal year and is expected to remain flat in the current fiscal year. This fiscal year is the final year of the 23 Medium-Term Management Plan and, at the same time, it will also be an important year as a launching pad for the next Medium-Term Management Plan. It will be important to ensure the implementation of any unfinished elements of the plan, including increases to cement prices, achieving a V-shaped recovery and linking these to the next Medium-Term Management Plan. Despite the challenging profit and loss results in FY2023, we are steadily implementing the growth investments set forth in the 23 Medium-Term Management Plan. In the overseas cement business, we have acquired assets on the west coast of the U.S., and the results of these acquisitions are already being seen from the second half of FY2023. In addition, the renovation of the production line at Taiheiyo Cement Philippines, Inc. is scheduled to be completed in May 2024 as planned, and the annual production capacity will increase from 2.2 million tonnes to 3 million tonnes. By increasing production capacity we will steadily capture an increased market share, which will lead to further revenue growth in the overseas business.

Toward the Next Medium-Term Management Plan

Analysis of PBR below 1x

Regarding the issue of PBR being below 1x, it has remained at this low level since falling below 1x before 2021 when coal prices began to soar, and this will be discussed during the formulation of the next Medium-Term Management Plan. In the case of our company, we can calculate from past data that PBR will exceed 1x if ROE exceeds 10%, so it is important to recover ROE as soon as possible. We believe that the expected rate of return (cost of capital) sought by our shareholders is around 8%, but our feeling is that it is becoming higher than before. While this is an industry-wide problem, we surmise that it is also due to a sense of unease and uncertainty about the transition to carbon neutrality, as cement is an industry that emits a considerable amount of CO_2. In addition, there may be inadequate disclosure of our non-financial strategy initiatives such as human capital investment and intellectual capital investment. The Investor Relations and Communications Group, General Affairs Department, will work with the Sustainability Promotion Department which was established this fiscal year to disseminate information on these matters. Another factor that

may have contributed to the higher cost of capital is the high volatility of the domestic cement business' profits relative to the external environment, that is, the inability to immediately pass higher coal and fuel prices on to cement prices. This is the primary challenge in increasing ROE, but it will also be a challenge in lowering the cost of capital. The key will be the domestic cement business' pricing policy. We worked hard to raise the price by a total of 5,000 yen per tonne since last year, but rather than just discussing whether the 5,000 yen is a reasonable amount or whether we should simply pass cost increases on to cement prices in the future, we would like to clarify the approach to the appropriate price of cement throughout the entire supply chain. On top of that, I believe it is necessary to once again demonstrate to institutional investors and our shareholders that the domestic cement business is a cash cow that can generate stable earnings.

Continuing the strengthening of our earnings base and growth investments

We are implementing the strengthening of our plant and quarry facilities as an important investment that is fundamental to our domestic cement business, and will proceed in a planned manner to ensure long-term stable supply. We will also continue to invest in the steady transition to carbon neutrality. We have launched our "Carbon Neutral Strategy 2050" and plan to achieve interim CO_2 emission reduction targets by 2030, as well as complete the development of innovative technologies such as CO_2 capture and utilization at the actual plant level. These initiatives will require 100 billion yen by 2030. From 2030 onward, we will sequentially deploy the innovative technologies at each of our plants.

We will continue to expand our overseas business while capturing growth markets, and we will not hesitate to make growth investments if we determine there is an opportunity from a medium- to long-term perspective of five to ten years. More than 30 years have passed since our initial investment in our U.S. business, which has grown to become the Group's largest earner. I think this is a classic example of why investments related to the cement business must not be judged in the short term. In the future, in order to continue stable growth as the domestic population declines and a significant recovery in cement demand is not expected, we would like our overseas sales as a proportion of the Group's overall net sales to increase to 50%, but it is important not to focus solely on the U.S. business, but to grow our existing businesses in the Philippines and Vietnam, as well as Indonesia and the rest of Southeast Asia, in a well-balanced manner.

Our investment in human capital will also accelerate. Currently, the Group is under pressure to respond to labor shortages, including the shortage of drivers under the revision of regulation in 2024. Domestically, our first priority is to increase labor productivity and we are working to improve individual skills not only in production and sales, but also in the administrative departments. The basic strategy of our group from now on is to generate stable earnings with a minimum number of employees in Japan and to generate new cash flow overseas where growth can be expected. We believe that the fundamental element of this is human resources who can be active on the global stage, and we will build mechanisms that enable these individual abilities to be utilized.

Introduction of ROIC

As businesses related to cement are mainly equipment intensive industries, the scale of investment is large and requires a long time to recover the investment. Solid management and decision-making are needed based on an unbiased, long-term perspective at the business level, regional level and company level. We are considering making ROIC, the concept of how much profit is produced from invested capital, one of our target indicators in the future. While ROE uses net income as the numerator, ROIC uses after-tax operating income as the numerator and total investment plus interest-bearing debt as the denominator, thus making earning power visible in its true sense. As the three core segments of our group, namely the Domestic Cement Business, Mineral Resources Business and Environmental Business, are closely related in terms of human capital and non-current assets, including internal transactions, ROIC will be used as an indicator of overall management, and a KPI tree will be developed for each segment. We believe that its introduction into each of our overseas subsidiaries, the Construction Materials Business segment and the other business segments that operate their respective businesses independently will particularly significant.

Financial Strategy

JCR | A　　R&I | A-

A stable financial footing is necessary for the continued execution of investment and policies. For this purpose the company must maintain an A issuer credit rating at a minimum. In the current fiscal year we received a JCR issuer rating of A and an R&I rating of A-. In order to maintain this A rating in the future, we will first improve the profitability of the domestic cement business and return cash flow from operating activities to over 100 billion yen as soon as possible. In addition, approximately 35 billion yen of Group companies' surplus funds are circulating within the Group under our financial subsidiary's cash management system, and we will strengthen this system with the aim of further improving capital efficiency. Regarding the delivering of carbon neutrality, we will consider the procurement of funds in a manner that is consistent with the "Technology Roadmap for Transition Finance in the Cement Sector" formulated by the Ministry of Economy, Trade and Industry. As a start, in March of this year we procured funds through a transition-linked loan that was a first for the domestic cement industry. In the future, this ratio will be increased in line with our gradual decarbonization.

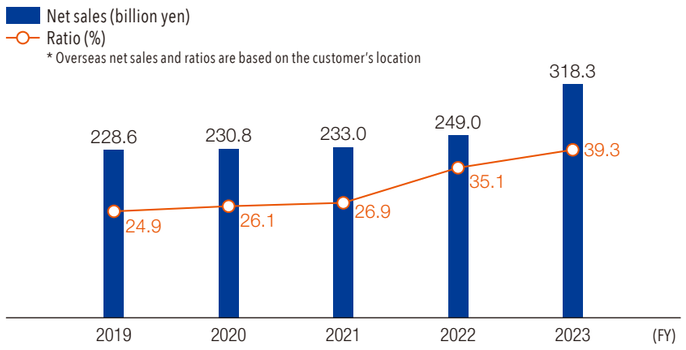
Shareholder Returns

Under the 23 Medium-Term Management Plan, our plan for shareholder returns is a total return ratio of 33%. Despite the net loss in FY2023, we paid the same amount in dividends as the previous fiscal year, in line with our basic stance of providing stable and continuous dividends. In the next Medium-Term Management Plan, we will develop a returns policy that will provide institutional investors and our shareholders with even greater peace of mind. We will strive to increase corporate value with an awareness of TSR (Total Shareholder Return), which takes into account not only dividends and treasury share purchases but also stock price fluctuations.

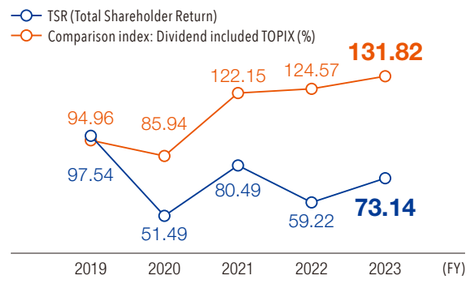
Dialogue with stakeholders

In terms of dialogue with institutional investors and other stakeholders, each year the opportunities to discuss not only financial data, such as financial results and forecasts, but also non-financial data are increasing. The opinions and suggestions which we receive are reported to management in a timely manner, and we intend to increase the opportunities for management to engage in direct dialogue with stakeholders in the future.

● Overseas net sales and ratio



● TSR (Total Shareholder Return)



TSR (Total Shareholder Return)
The ratio of the return (mainly dividends and capital gains) earned on a stock investment divided by the stock price (investment amount), which represents the overall investment return for the shareholder. Calculated using the closing price at the end of each fiscal year (last day of March) and based on an investment having been made at the closing price on the last day of March 2018.

DX Strategy

Providing safety and security to our internal and external stakeholders by utilizing increasingly sophisticated digital technology and data.

Hideaki Asakura
Director and Senior Executive Officer

Current environment and objectives

In recent years, it has become important to rapidly advance DX in corporate activities in order to maintain and strengthen competitiveness and to develop new business areas. We recognize the importance of organizational and business transformation, as well as the promotion of our core businesses of cement production and sales, and research and development, through the use of increasingly sophisticated digital technology and data in order to materialize "our future vision and direction" for the mid-2020s. We believe that DX promotion will be one of the key drivers of these efforts.

Implementation system

Based on the results of the IT environment survey conducted in the previous fiscal year when formulating the DX strategy, we have decided to promote stable production through advanced control and automation of cement production processes, as well as promote management from a new perspective, improve operations and enhance services such as information provision to customers. In June 2022, we launched the "DX Promotion Team" in order to strongly promote these initiatives. The DX Promotion Team will handle, on a company-wide, cross-sectional basis, the individual DX projects that have been promoted by each department until now, and is working to materialize new services by making maximum use of the latest digital technology.

Roadmap

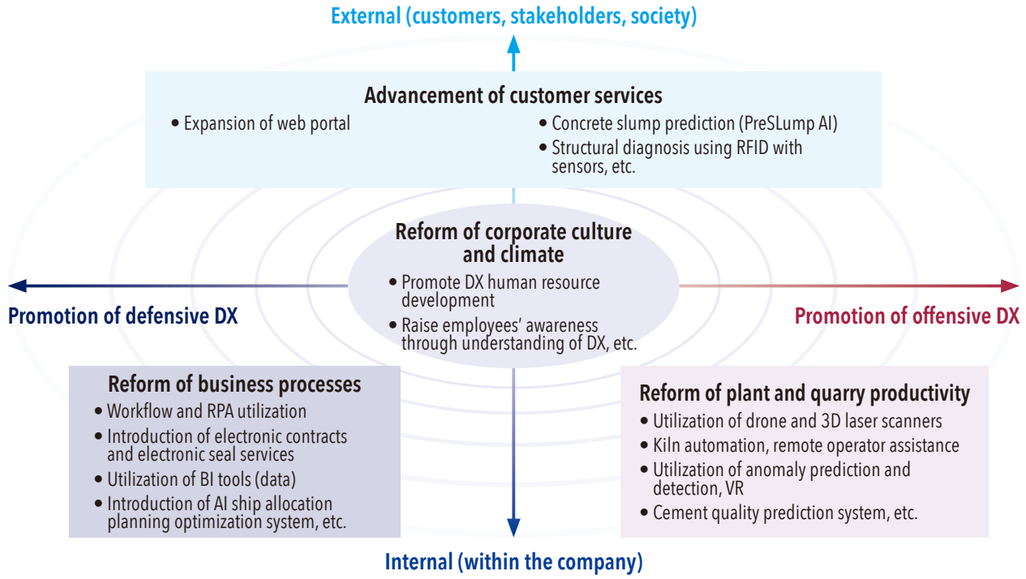
Step 1
Digital infrastructure

- Establishment of an information sharing platform with group companies to create group synergy and resolve issues
- Provision of an electronic transaction system through a web portal site for business partners
- Cultivation of "DX human resources" with both business knowledge and advanced digital skills

Step 2
Utilization of the latest digital technology

- Advanced facility maintenance through operation monitoring of cement production facilities using digital technologies
- Rapid detection of facility abnormalities through periodic inspection of cement production facilities using drones
- Development of a remote support system for cement production facility operation
- AI learning aimed at fully automated operation of cement production facilities
- Improved operational efficiency and optimization of logistics by using AI in ship allocation planning
- Development of a slump forecasting system using AI image recognition in concrete production

DX initiatives will contribute as a key driver of our future vision and direction



DX promotion

Initiatives will be progressed to realize measures that have been promoted in each business division, such as the restructuring of business systems, development of communication infrastructure, strengthening of plant facilities and quarry development, the smart factory concept, and optimization of the allocation of cement distribution vessels through AI. We also recognize that acquiring and developing DX human resources is essential for DX promotion. From these perspectives, we are working on the themes shown in the diagram as new business development that utilizes digital technology.

Example: Web Portal

This service digitalizes information including shipment records, invoices and payment information, and provides it online. Service provision commenced in the Cement Business in 2019 and in the Mineral Resources and Environmental Businesses in July 2023. For business partners, digitalization eliminates the time lag in the transmission of information, and the downloading of text data enables the contents of statements to be reused, thereby improving operational efficiency and saving labor. Orders and applications can also be submitted through this service, eliminating mistakes and double entries, thereby improving accuracy and speeding up procedures.

Benefits for business partners	• Documents such as shipment records and invoices are at hand instantly • Electronic data can be used for shipping and invoicing statements • Online ordering simplifies the process • Prevents typographical errors, improves operational efficiency and progresses labor saving
Benefits to our company	• The process of sending invoices, etc. is eliminated • Transcription errors in inquiry information, vehicle information, etc. are eliminated • Information can be shared with business partners in real time • Prevents typographical errors, improves operational efficiency and progresses labor saving

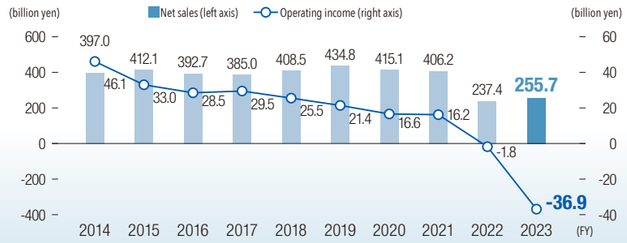
Business At a Glance

Cement Business (Japan)

Net sales

255.7 billion yen

10-year net sales and operating income



Business Overview

Based on a solid foundation for manufacturing, transportation and supply, our cement business in Japan reliably provides cement and ready-mixed concrete to users nationwide. As well as expanding our product lineup that includes special cements, blended cement and cement-based soil stabilizers, we are building a sales system that can accurately respond to changes in construction methods and the diverse needs of users, such as by deploying user meeting activities for each industry.

FY2023 Achievements

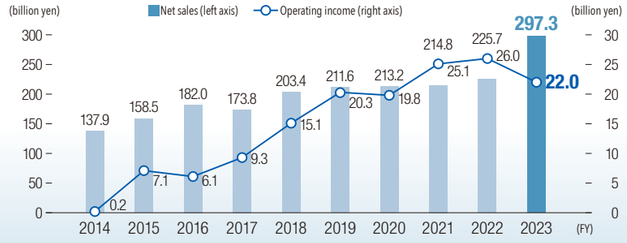
In response to cost increases due to soaring coal prices, we implemented a price increase of 2,000 yen per tonne for shipments from January 2022 and an additional 3,000 yen per tonne for shipments from October of the same year. Although the 2,000 yen price increase was achieved in the third quarter, the delay in the progress of implementing the price increase resulted in net sales of 255.7 billion yen (an increase of 18.2 billion yen from the previous fiscal year) and an operating loss of 36.9 billion yen (a decrease of 35.0 billion yen from the previous fiscal year).

P.44

Cement Business (Overseas)

Net sales

297.3 billion yen



Business Overview

In the overseas cement business, we produce and sell cement at nine plants in the Pacific Rim, including four on the west coast of the United States, two in China, and one each in Vietnam, the Philippines, and Papua New Guinea.* In addition, we are developing a variety of other businesses, including the export of cement and clinker and trilateral trade, as well as increasing our handling of bulk materials.

FY2023 Achievements

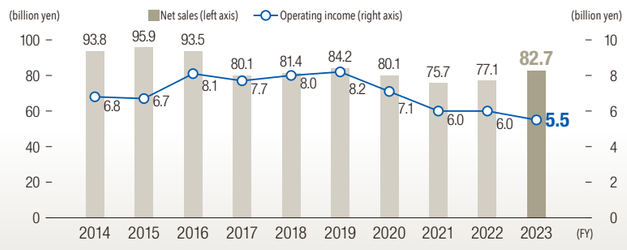
In the U.S. business, although progress was made in passing on higher costs to customers, effects were felt from some technical issues at plants and other factors. A decrease in sales volume in the China business due to the effect of COVID-19, a decrease in export volume from the Vietnam business, and higher clinker import costs for the Philippine business, resulted in net sales of 297.3 billion yen (an increase of 71.5 billion yen from the previous fiscal year) and operating income of 22.0 billion yen (a decrease of 4.0 billion yen from the previous fiscal year).

P.46

Mineral Resources Business

Net sales

82.7 billion yen



Business Overview

In addition to our main businesses of the aggregates business that handles products for ready-mixed concrete and our mineral products business that handles products for steel and chemical manufacturers, the Mineral Resources Business is also engaged in developing our geo-solutions business that processes construction soil and contaminated soil, as well as the sale of new products developed by the group, such as functional hollow particles and ultra-pure silicon carbide.

FY2023 Achievements

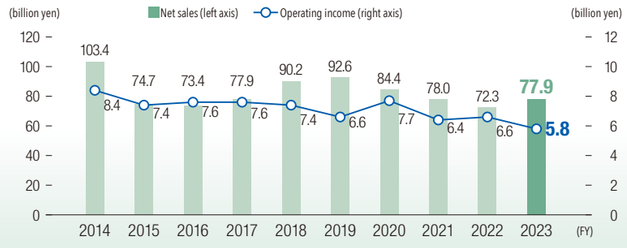
The aggregates business remained strong, especially in the Kanto and Chubu regions. In addition, price increases were implemented in response to various cost increases, such as electric power and fuel costs, and although they had partial penetration they could not be fully passed on to prices, which resulted in net sales of 82.7 billion yen (an increase of 5.5 billion yen from the previous fiscal year) and operating income of 5.5 billion yen (a decrease of 0.4 billion yen from the previous fiscal year).

P.48

Environmental Business

Net sales

77.9 billion yen



Business Overview

In the Environmental Business, our core business is recycling waste and by-products generated at thermal power plants, steelmakers and chemicals manufacturers, as well as recycling materials such as municipal waste incineration residues and household water and sewage sludge at the request of municipalities. In recent years we have also been developing the aquatics business via products such as water purification materials, which also contributes to the formation of a circular economy.

FY2023 Achievements

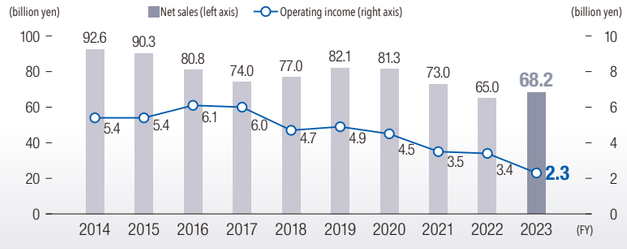
Sales of calcium carbonate for desulfurization, gypsum and coal remained strong. On the other hand, the biomass fuel business, which sells PKS (palm kernel shells), was affected by exchange rate fluctuations, resulting in net sales of 77.9 billion yen (an increase 5.5 billion yen from the previous fiscal year) and operating income of 5.8 billion yen (a decrease of 0.7 billion yen from the previous fiscal year).

P.50

Construction Materials Business

Net sales

68.2 billion yen



Business Overview

The Construction Materials Business consists of the construction materials business, which manufactures and sells products including premix products, concrete admixtures, ALC (autoclaved lightweight concrete) and interlocking blocks, and the construction and civil engineering business which is involved in ground improvement projects, sales of materials for shield tunnels, and repair and renovation work for concrete structures.

FY2023 Achievements

Although sales of building materials such as ALC remained strong, the partial failure to pass on the sharp rise in raw material prices and delays in various construction orders resulted in net sales of 68.2 billion yen (an increase of 3.1 billion yen from the previous fiscal year) and operating income of 2.3 billion yen (a decrease of 1.1 billion yen from the previous fiscal year).

P.52

* The "Accounting Standard for Revenue Recognition" (ASBJ Standard No. 29), etc. was applied from FY2022.

* Dalian Onoda Cement Co., Ltd. and Jiangnan-Onoda Cement Co., Ltd. ceased operations in December 2022 and February 2023, respectively.

Cement Business (Japan)

We aim to achieve a V-shaped recovery by generating profits through optimization of cement prices.

Naoyuki Kira Managing Executive Officer, Senior General Manager of Cement Business Division

Our coastal cement tanker, Hokuyumaru

Concrete mixer truck (Harumi Onoda Remicon Co., Ltd.)

Profit projections for FY2023 and price optimization initiatives

In response to the sharp rise in coal prices, in October 2022 we implemented a second increase to cement prices, following the previous increase in January, and the increase was accepted by almost all users. Price increases for cement-based soil stabilizers also steadily penetrated the market in the same manner as those for cement. Although we expect the price of coal to be purchased this fiscal year to settle down, due to remaining inventory from the previous fiscal year's contracts in the first half of the year, as well as higher raw material prices, we expect operating income to improve by 44.2 billion yen to 7.3 billion yen. Learning from these price increases, we will consider cement price optimization in the next Medium-Term Management Plan.

Inheritance of cement business from Denka Company Limited

In April of this year, we began purchasing cement produced at Denka Co., Ltd.'s Omi Plant and selling it under the Taiheiyo Cement brand. Since the company has decided to withdraw from the cement business in FY2026, we plan to take over their business by optimizing the production and supply system within our group. As the population of Japan is declining and demand for cement is not expected to recover significantly in the future, as a company dedicated to the cement industry, we would like to consider whether there is anything we can do to help, with an eye to possible business alliances or acquisitions.

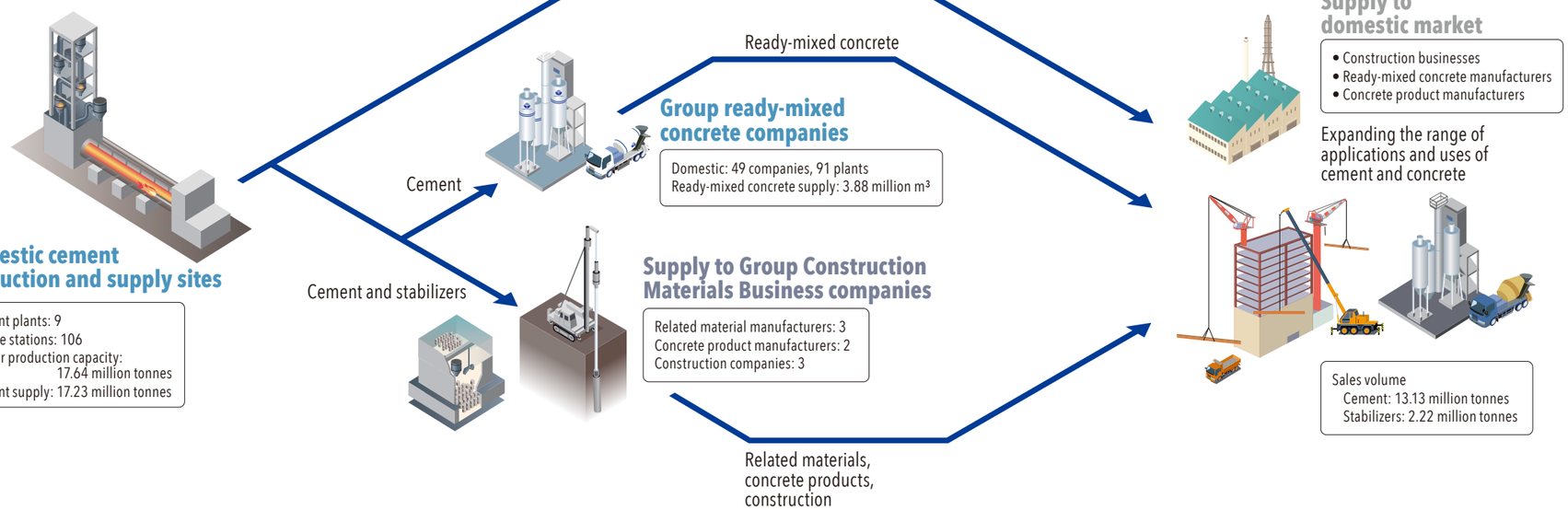
Improving logistics efficiency

In order to respond to the shortage of drivers under the revision of regulation in 2024. we have begun to develop systems using digital technology for both domestic marine and land transportation. Until now, ship and truck allocation has relied heavily on human experience, and the fact that only veterans are able to perform the work accurately has become a challenge. The development of a system for vessel and truck allocation cannot be achieved overnight and requires repeated trial and error to improve its accuracy. However, we will continue to work diligently to improve logistics efficiency, which will also lead to labor savings and energy cost reductions.

The future of the domestic cement business

Cement is an indispensable basic material that supports infrastructure. While we will continue to produce the cement needed in Japan as a dedicated manufacturer, we will also fulfill our social responsibility by accepting waste and by-products as raw materials and fuel for cement production. In order to do so the business must be profitable in order to survive, and we recognize that the future sales price policy is the most important challenge for the domestic cement business. We will also actively work to develop the human resources that support our business and to develop new applications for stabilizers that will contribute to national resilience.

Business scheme



Strengths Ability to handle, transport, and supply special products by utilizing the group's comprehensive strength

Challenges

Long-term:
Decrease in domestic demand

Short- to medium-term:
Decrease in demand due to a drop in consumer confidence

Cement Business (Overseas)

We Will Steadily Achieve Results from Our Growth Investments in the U.S. and Southeast Asia.

Yoshifumi Taura Director and Senior Executive Officer, Senior General Manager of International Business Division

Renovation of production line (Taiheiyo Cement Philippines, Inc.)

Semen Indonesia Group visiting Taiheiyo Cement

Reconstructing the overseas business portfolio

We have withdrawn from China where we had been operating cement businesses since the second half of the 1980s, and have progressed the southward shift of our business portfolio to Southeast Asia. In addition to the capital and business alliance with Semen Indonesia Group in 2021, Taiheiyo Cement Philippines, Inc. has started construction of a new production line and plans to begin commercial operation in May 2024. Furthermore, in the U.S., CalPortland Company's acquisition of the assets of Martin Marietta Materials, Inc., including its cement plants, significantly increased its presence on the west coast of the U.S., particularly in California.

Profit forecast for FY2024

In the current fiscal year, we will steadily make good on the investments made under the 23 Medium-Term Management Plan. Sales in the U.S. will increase by $194 million due to the effect of asset acquisitions, and sales in China will decrease by $122 million due to the lack of sales from the current term. As a result, net sales of our overseas subsidiaries, etc. will increase by 24.7 billion yen to 322.0 billion yen, and operating income will increase by 6.7 billion yen to 28.7 billion yen. In the U.S., in addition to continued strong housing demand, we expect public investment based on the $1.2 trillion infrastructure investment bill to be implemented in earnest in the future, which will lead to strong cement demand.

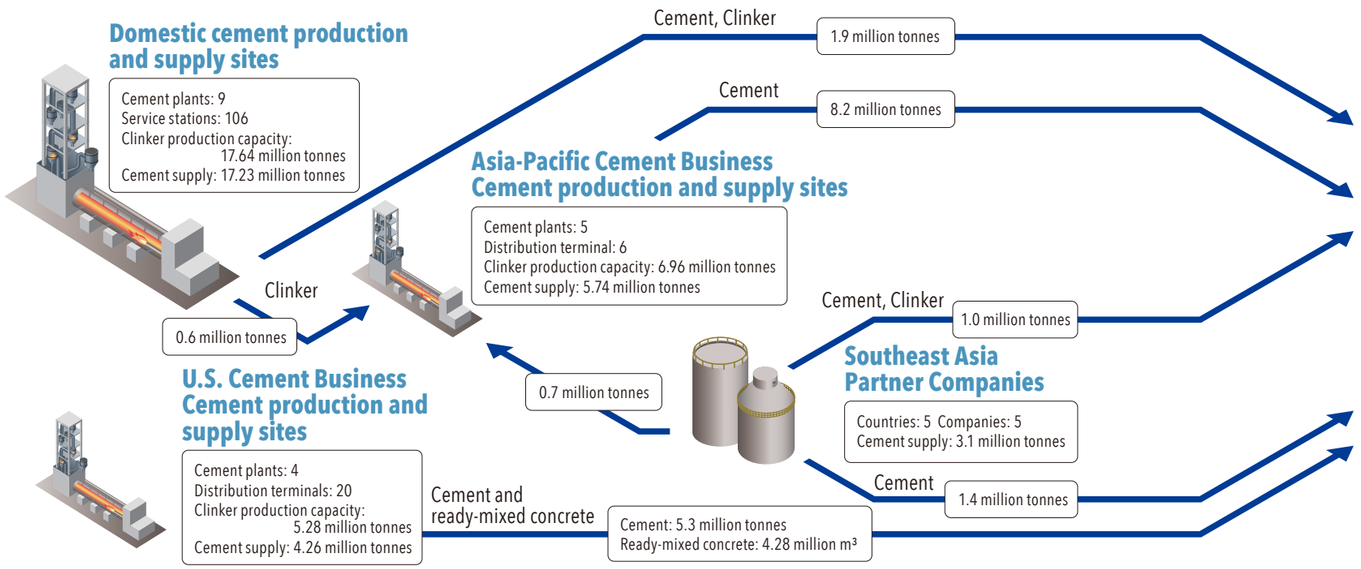
Carbon neutrality transition in overseas business

We will promote energy conservation and the use of blended cement at our overseas production sites, aimed at the steady transition to carbon neutrality. CalPortland Company has switched all of its agitator trucks at its ready-mixed concrete plants in central Los Angeles to natural gas-powered vehicles, and Nghi Son Cement Corporation in Vietnam plans to install a waste heat recovery power generation system. Regarding our initiative to shift to blended cement which can reduce CO_2 emissions from cement production, CalPortland Company's plan to expand the sale of its limestone cement and our TAIHEIYO GREEN CEMENT aimed at the Singapore market have received high acclaim. We also plan to double the percentage of blended cement exports from Japan to about 10%.

Human resource development for overseas business

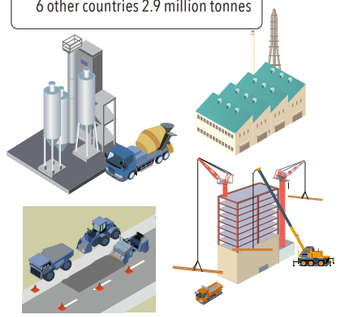
As our overseas business expands, the governance of the overseas Group companies will be a challenge. In order to develop human resources with skills in auditing, business management and operation, it is essential to send employees abroad to gain experience early in their careers. At the same time, we believe that as a truly global company, it is necessary for us to develop the foreign permanent employees within the group and instill the Taiheiyo ethic in them. We will continue to diversify our workforce by actively recruiting foreign permanent employees at our headquarters.

Business scheme



Cement clinker supply to the Asia-Pacific market

Total 11.1 million tonnes
Vietnam 4.8 million tonnes
China 1.9 million tonnes
Philippines 1.5 million tonnes
6 other countries 2.9 million tonnes



Cement and ready-mixed concrete supply to the U.S. market

Cement: total 6.7 million tonnes
Ready-mixed concrete: 4.28 million m³

Strengths Overseas business portfolio that incorporates the Pacific Rim's growth markets

Challenges Hedging the risk of a drop in demand on the U.S. west coast and expansion of the Southeast Asian business

Mineral Resources Business

We will build a solid supply chain through quarry development with a view to the next 100 years.

Kunihiro Ando Vice President and Director

Shin-Tsukumi Quarry (panoramic view)

Quarry site Greening (Buko Quarry)

Quarry development

To ensure the long-term stable supply of limestone, we will invest 100 billion yen in quarry development over 10 years, including the period of the 23 Medium-Term Management Plan. The core of the project is the development of the Yato area of the Shin-Tsukumi Quarry in Oita, which will secure 100 years' worth of limestone for the Oita Plant. Our Group currently owns 13 limestone quarries in Japan, quarrying a total of 38.2 million tonnes of limestone per year. Half of this is used for cement production and the other half is supplied as aggregates for ready-mixed concrete as well as for other industries such as steel and electric power. We will further strengthen our logistics sites and transportation systems to build a solid supply chain.

Profit forecast for FY2024

In response to soaring fuel prices, we have passed on higher production and logistics costs to our sales prices, and in FY2023 we raised prices to record highs. However, investments are needed to secure limestone resources from a long-term perspective in order to ensure a stable supply of high-grade limestone in the future. We will implement price increases this fiscal year that exceed those of the previous year, while gaining users' comprehensive understanding of these factors. We will also focus on improving profitability of the geo-solutions business, and forecast net sales of 92.0 billion yen, an increase of 9.3 billion yen from the previous fiscal year, and operating income of 7.6 billion yen, an increase of 2.1 billion yen from the previous fiscal year.

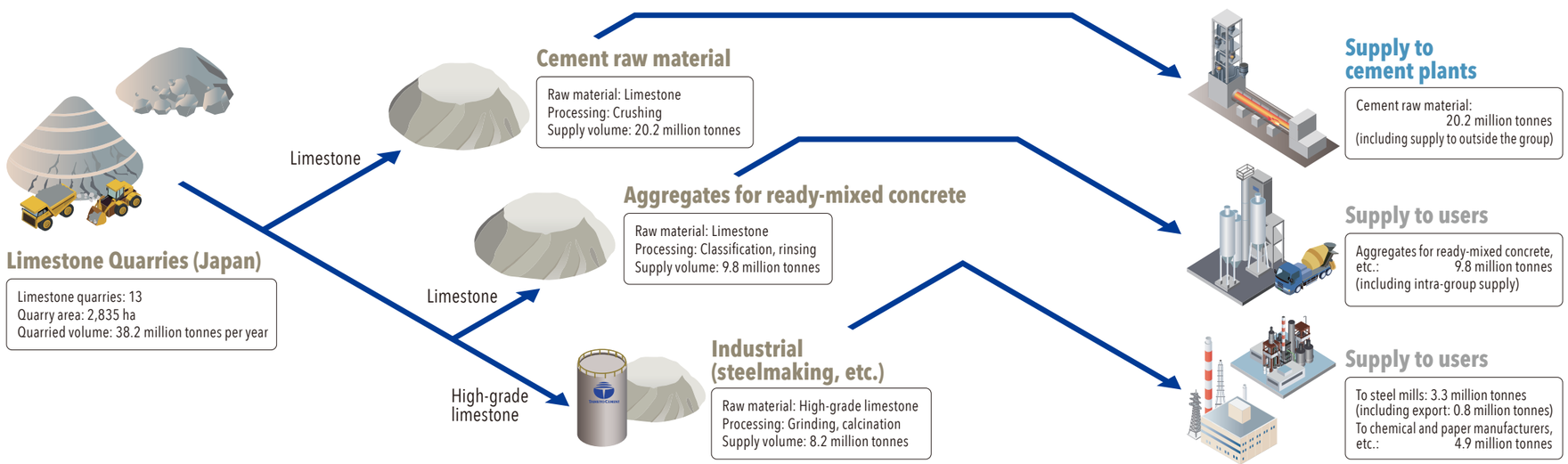
Fostering new businesses – functional materials

We are working to develop flexible products that meet user needs by fully utilizing our accumulated knowledge of minerals. Functional hollow particles "CellSpheres" are highly versatile products that can enhance the dielectric properties and heat resistance of paints and resin-molded parts due to their high level of hollowness. In addition, we have begun supplying ultra-pure silicon carbide (SiC) as a material for power semiconductors. These will require time for user evaluation, but we will develop them into core businesses in alignment with our intellectual property strategy.

Medium- to long-term strategy of mineral resources business

Limestone is said to be the only natural resource in which Japan is self-sufficient, but the development of new quarry areas is essential to ensure stable a supply over the long term. In addition, we are optimizing our supply network of limestone for cement production, aggregates for ready-mixed concrete, and other industries such as steel and electric power in accordance with the characteristics of the limestone produced from our 13 quarries in Japan. We recognize biodiversity initiatives as an important issue and joined the 30by30 Alliance for Biodiversity in July 2023. We will make further efforts toward being nature positive, including conservation of rare plants and animals, revegetation of former quarries, and conservation of water resources.

Business scheme



Strengths **The 13 quarries in well-balanced locations across the country can provide a stable, long-term supply of high-quality limestone**

Challenges **Strengthen synergies with group companies**

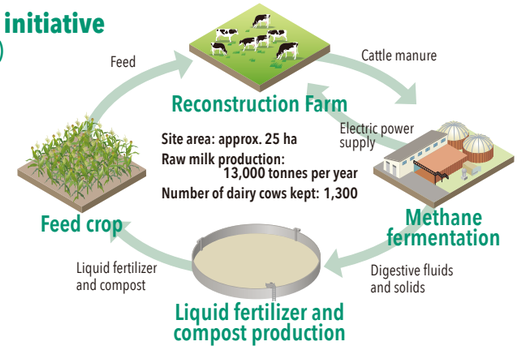
Environmental Business

We will expand businesses that contribute to the circular economy based on the effective use of waste and by-products.

Shinji Fukami Managing Executive Officer

Participation in the Reconstruction Farm initiative
(Namie Town, Futaba District, Fukushima Prefecture)

We have decided to participate in the large-scale dairy farm (Reconstruction Farm) initiative in Namie Town, Futaba District, which is being led by the Fukushima Prefectural Dairy Cooperative Association. The Reconstruction Farm is scheduled to commence business in FY2027 with the aim of not only revitalizing the livestock and agriculture industries in Namie Town, but also establish new recycling-based farm operations. By applying the waste and by-product processing technologies we have cultivated over the years, we aim to contribute to the Restoration Farm by supporting the development of technologies to produce liquid fertilizer and compost through the effective use of cattle manure and to utilize methane gas, a by-product of liquid manure production, and work together with the local community to achieve sustainable development.



Profit forecast for FY2024

This fiscal year, in addition to properly reflecting foreign exchange fluctuations and higher transportation costs in our prices, we are focusing on increasing the volume of wastes processed as alternative fuels such as waste plastic and waste oil, in response to the soaring price of coal. The current fossil fuel substitution rate in cement production is approximately 30%, and we are studying specific measures to increase this rate to 50% by 2030. In addition, sales of gypsum and other products that are less dependent on kilns are expected to remain strong, and we forecast net sales of 81.0 billion yen, an increase of 3.1 billion yen from the previous fiscal year, and operating income of 6.9 billion yen, an increase of 1.1 billion yen from the previous fiscal year.

Maximization of environmental business using cement kilns

The cement industry's greatest feature is that it produces and supplies to society cement with stable quality without emitting dioxins or generating waste. At the same time, it uses waste and by-products as alternative raw materials and fuels in extremely efficient kilns with an energy efficiency of over 80%. In addition to various industrial wastes and by-products, our Environmental Business can also make effective use of municipal waste and incineration residue. In addition, agreements have been signed between all of our plants and local governments to facilitate waste disposal in the event of a natural disaster. In the future we will continue to be a key player in the circular economy.

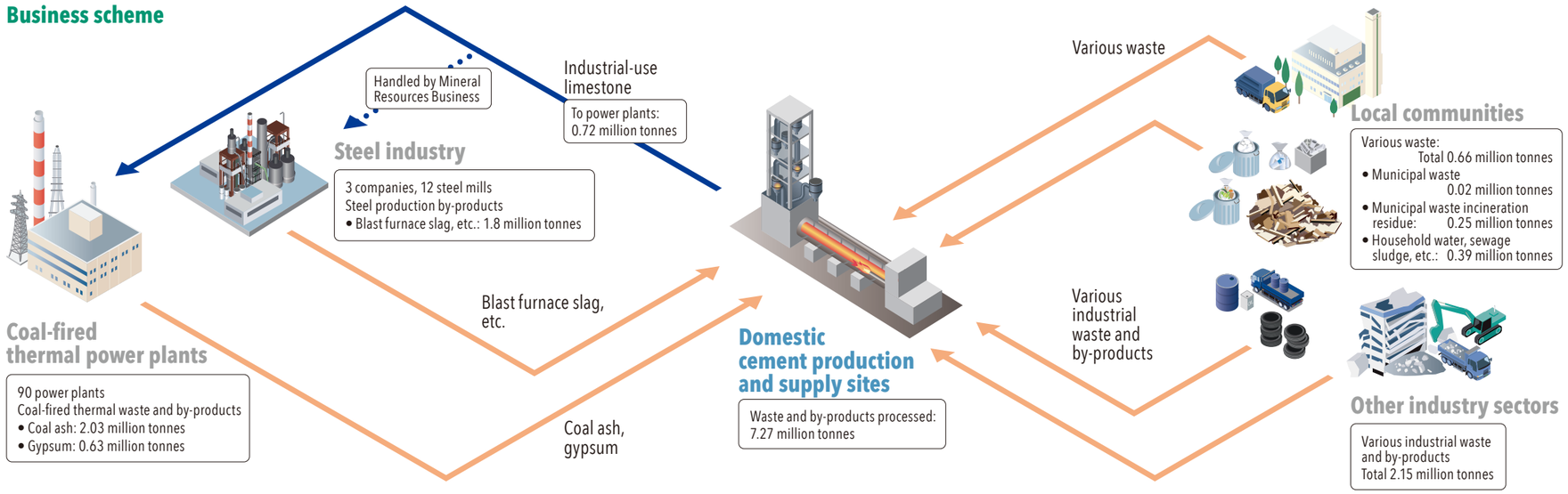
Cultivation of businesses that are not affected by cement production

While fulfilling the role of a venous industry that effectively uses waste and by-products, we are cultivating businesses that are not affected by cement production volumes. We are expanding the recycling of vehicle lithium-ion batteries that applies the cement production process, developing technology to recover phosphorus from dehydrated sewage sludge separation liquid, working on reconstruction farms, and working on the early commercialization of technology to reduce the volume of contaminated soil and other materials containing radioactive substances. In addition, because automobile shredder residue, which is considered a difficult waste to dispose of, can be easily separated into metals and plastics using our proprietary low-temperature embrittlement technology, we will expand it as a business that contributes to the circular economy.

Value creation compatible with carbon neutrality

We aim to contribute to the circular economy and make a steady transition to carbon neutrality by 2050, by effectively utilizing waste and by-products as alternative raw materials and fuels for cement. The goal is to fully utilize our plants which are located in a well-balanced manner throughout the country, and transition finance and government support in collaboration with governments, municipalities and leading companies in order to create CCS and CCU decarbonization hubs for the CO_2 that is separated and captured in each region, as well as the advancement of waste treatment to meet the characteristics and needs of each region.

Business scheme



Strengths Cement production process that boasts world-leading use of alternative raw materials and fuels

Challenges Cultivation of businesses that are not affected by cement production

Construction Materials Business

We aim to realize appropriate pricing and develop products and construction methods that contribute to labor saving and reducing labor demand.

Isao Matsui　Managing Executive Officer

Ground improvement project for road construction (Onoda Chemico Co., Ltd.)

Thermalbarrier ILB and blocks for guiding visually impaired persons (Taiheiyo Precast Concrete Industry Co., Ltd.)

Profit forecast for FY2024

We will continue to pursue the realization of appropriate prices for building materials and construction and civil engineering projects, not to mention passing on increases in raw material and fuel prices. In addition, as labor shortages at construction and production sites are becoming more serious, as a pressing issue we are working on the development of products and construction methods that are effective in saving labor and reducing labor demand, which will lead to shorter construction periods and lower costs. As a result, we forecast net sales of 77.0 billion yen, an increase of 8.8 billion yen from the previous fiscal year, and operating income of 3.2 billion yen, an increase of 0.9 billion yen from the previous fiscal year.

Development of labor-saving and labor-demand reducing products and construction methods

In the Construction Materials Business, which manufactures and sells products that include premix products, concrete products and ALC (autoclaved lightweight concrete), we consider responding to labor shortages at construction sites as a key issue, and are working together with our related group companies to develop products and construction methods that are effective in saving labor and reducing labor demand. In the construction and civil engineering business, which carries out ground improvement projects, repair and renovation of concrete structures and seismic reinforcement work, we are proposing labor-saving and labor demand-reducing solutions that combine materials and construction methods to address increasingly serious labor shortages, and introducing digital technology to construction work sites.

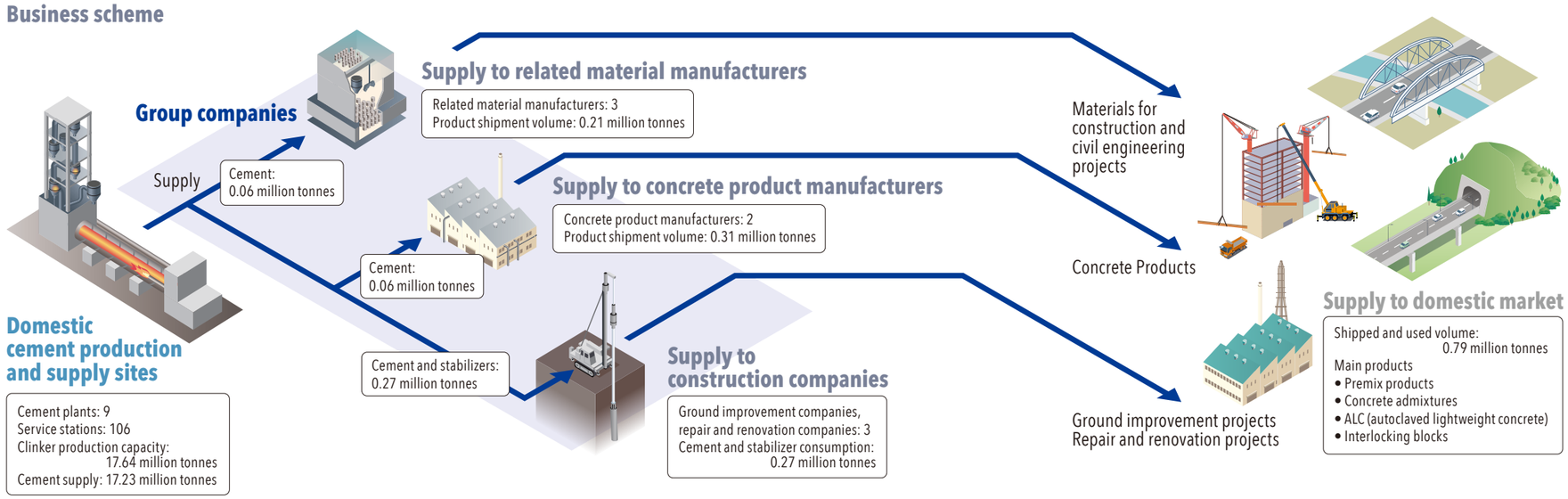
Overseas deployment

In Southeast Asia, which is experiencing remarkable economic development, the performance requirements for construction materials are increasing rapidly, and we expect that our group's products and construction methods, with their high technological capabilities, will provide significant business opportunities. In Indonesia, in particular, there are plans to relocate the capital to the eastern part of Kalimantan in 2024, and as there are many peat bogs in the relocation area, significant demand for stabilizers and ground improvement projects is expected. We will consider the overseas expansion of the ground improvement business while maximizing the effects of the capital and business alliance with Semen Indonesia Group.

Initiatives to reduce environmental impact

In addition to maintenance and repair services to ensure the continued safe use of existing concrete buildings and structures, we are also working on the manufacture of products with reducing environmental impact in mind. A familiar product is paving blocks, which are often used in locations such as sidewalks because of their heat shielding, water permeability and water retention properties. We will also cooperate in the research and development of CCU technology to utilize in the production of concrete products the CO_2 that is generated and captured during cement production, with the aim for a steady transition to carbon neutrality by 2050.

Business scheme



Strengths　Development and sales expansion of diverse products and construction methods through synergy with group companies

Challenges　Addressing labor shortages and the aging workforce at construction sites

Research and Development

Takayoshi Okamura Managing Executive Officer

We will support the sustainable development of our group through our research and development capabilities and intellectual property strategy.

Key Strategies for FY2024

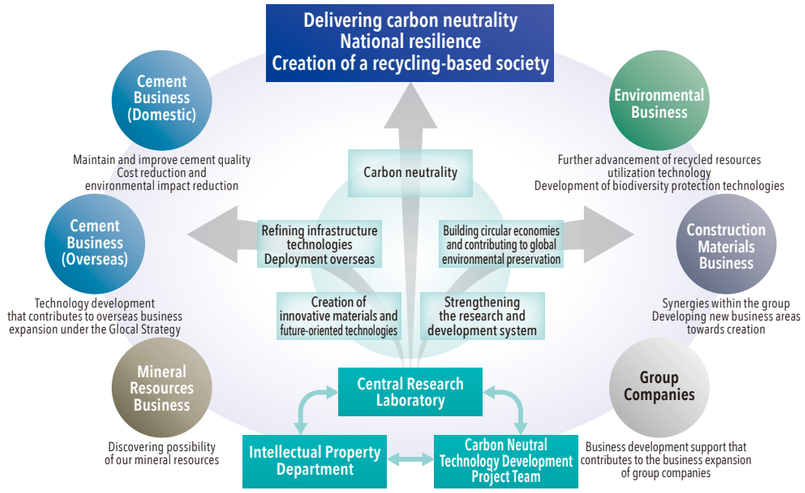
(1) Delivering carbon neutrality
- Technology development to achieve the 2030 targets
- Development of innovative technologies related to CCUS

(2) Refine infrastructure technologies and expand overseas
- Cement: Maintain and improve quality, cost reductions
- Concrete: Enhance functionality and expand applications
- Stabilizer/insolubilizing agent: Business expansion

(3) Building circular economies and contributing to global environmental preservation
- Develop combustion and de-chlorination technologies
- Research and development on biodiversity protection

(4) Creation of innovative materials and future-oriented technologies
- Functional materials
- Utilization of AI and the IoT to boost productivity and reduce labor demand

(5) Strengthening the research and development system
- Promoting early commercialization by strengthening cooperation with business divisions and group companies, etc.
- Conduct 'market in' based theme exploration



Direction and role of the Research and Development Department

In the Research and Development Department, the Central Research Laboratory, the Intellectual Property Department and the Carbon-Neutral Technology Development Project Team work in unison and conduct activities in collaboration with the business divisions. With the sustainable development of the group in mind, we are progressing research and development on technological development aimed at the resolution of social issues such as delivering carbon neutrality and building a recycling-based society, and on R&D strategies to contribute to the group's sustainable growth.

Among our five key strategies, the first is delivering carbon neutrality, which is the most important issue for the cement industry, and we are progressing the establishment of innovative technologies aimed at this goal and development to achieve social implementation. In addition, in order to maintain and develop "Taiheiyo quality," we are pursuing the further refinement of our infrastructure technologies and working to advance our recycling resource utilization technologies to contribute to the establishment of a circular economy and conservation of the global environment. We are also focusing on the development of innovative functional materials and the creation of future-oriented technologies. We have strengthened our R&D system by accepting specialist engineers from group companies as researchers, and we are also focusing on 'market in' based theme exploration.

In addition, we are prioritizing themes that can contribute to our business as soon as possible, and have established an "Overseas Technical Team" to respond to the strong overseas demand for cement, and have strengthened our research and development of carbon neutrality related materials in addition to cement, concrete and stabilizers for overseas markets.

In conjunction with this research and development, we will promote our intellectual property strategy to enhance the brand value and competitiveness of the Taiheiyo Cement Group and support the group's aim to become an outstanding leading company with our technological capabilities.

Major R&D initiatives and results

(1) Delivering of carbon neutrality and a circular economy

We are progressing the development of CCUS technology, of which the innovative technology of the C2SP Kiln as a key pillar, with the aim of delivering carbon neutrality in 2050. On the other hand, in order to achieve the 2030 Interim Target of reducings specific CO_2 emissions by 20% or more throughout the supply chain, we are working to revise specifications to enable a reduction in the amount of clinker in ordinary cement, and we are also considering new type of blended cement. We have also developed CO_2-absorbing/cured CARBOFIX cement and "CARBOCATCH", an efficient system to fix CO_2 into fresh concrete. In addition, we aim to expand the use of combustible waste as fossil fuel substitutes by promoting the advancement of burner combustion technology, etc., in order to deliver carbon neutrality and fulfil our role as a key player in the circular economy.

(2) Prioritizing themes that can quickly contribute to the business

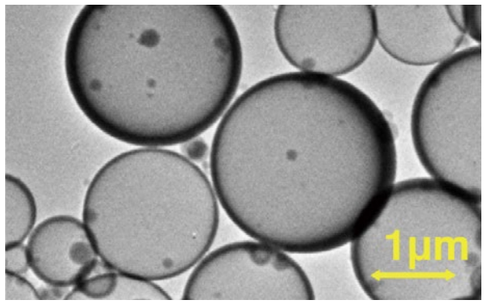
In order to meet the strong overseas demand for cement, we are focusing on the development of cement that meets local needs. We are resolutely supporting development by our US subsidiary, CalPortland Company, of new types of blended cement that utilize limestone and natural pozzolans, and the supply of these cements to the market has already begun. We are also working to demonstrate and disseminate the quality and performance of TAIHEIYO GREEN CEMENT, a fly ash-based blended cement that we are exporting to Singapore, and to standardize it in Singapore, while building up a track record of applications of low-heat cement to large concrete structures. We will prioritize research and development that will contribute to the expansion of our business, including overseas business.

(3) New business development and future-oriented technologies

We are promoting the development of functional materials for the generation of new profits. In particular, "CellSpheres", which are functional hollow particles, and "Nanolitia" cathode materials for lithium-ion batteries, are innovative materials that we expect to expand as a core business in the future, and we have already secured intellectual property rights and established stable production technologies in Japan and overseas. We are also focusing on technological development that will lead to innovation of production processes, such as 3D laser measurement technology for cement plant facilities utilizing AI/IoT, and "PreSLump AI", a system that uses AI to instantly and accurately predict the slump of concrete after mixing.

Trial laying of interlocking blocks manufactured with CARBOFIX cement

Interlocking blocks manufactured with CARBOFIX cement were laid in a parking lot to confirm their applicability as paving blocks. Technology development is in progress to further expand their CO_2 reduction effect.



Transmission electron microscope (TEM) image of "CellSpheres" functional hollow particles

A revolutionary material that achieves both a hollowness ratio of 75% or higher in the microscopic range of 1 to 10 μm particle size. It has excellent heat insulation and low dielectric properties, and is being developed for applications including in the electronic materials field.

Monitor display of the post-mix slump prediction system "PreSLump AI"

Using AI-based image recognition, slump can be predicted instantly and with high accuracy from images of the concrete mix inside the mixer. Sales by Pacific Systems Corporation began in April 2023.

Intellectual Property

Aiming to improve brand value and strengthen competitiveness through "offensive" and "defensive" intellectual property strategies.

Our intellectual property strategy aims to improve our brand value and strengthen our competitiveness through “defensive” measures to acquire intellectual property rights and manage the risk of infringing on third-party rights, and “offensive” measures to proactively deploy our intellectual property to our business. In particular, we are working on the development of our own "C2SP Kiln," which will be the world’s first kiln that enables the separation and capture of CO_2 directly from the cement production process, with the aim of it becoming the global standard model, and also position it as an important pillar of our intellectual property strategy.

Takayoshi Okamura
Managing Executive Officer

Fundamental Intellectual Property Policy

We are promoting activities that support the sustainable growth of the Group based on our fundamental policy of boosting the competitiveness and brand value of the Taiheiyo Cement Group via business-oriented intellectual property activities. We have defined three key policy initiatives of building an inventory of intellectual property rights with a view to future businesses, deepening and expanding information analysis based on intellectual property, and strengthening the intellectual property capabilities of the entire Group.

Intellectual Property Management

Intellectual Property Management System

We have established "Rules for Handling Intellectual Property Rights" to encourage permanent employees to create inventions and to promote the acquisition and use of intellectual property rights. We have also established and are implementing "Taiheiyo Cement Group Intellectual Property Management Guidelines" to contribute to the reduction of intellectual property risks and the utilization of intellectual property throughout the group.

The Intellectual Property Department has established an "Intellectual Property Strategy Meeting" with the Research and Development Department, which is at the core of invention creation, to deliberate on applications and rights acquisition, and "Intellectual Property Promotion Committee Meetings" with business divisions and major group companies to promote intellectual property activities according to their needs. In addition, the Intellectual Property Rights Management Committee (chaired by the officer in charge of the Intellectual Property Department), which is attended by the managers at business sites of relevant divisions, deliberates on the awarding of performance rewards and company-wide intellectual property activities.

Securing intellectual property rights

In order to maintain and secure our business areas in the future, we are promoting the construction of a patent portfolio while also using means to protect the secrecy of our know-how. The development of the "Carbon Neutral Strategy 2050" has stimulated the development of related technologies and patent applications in the relevant fields have increased rapidly. At the same time, we are promoting patent applications related to innovative materials and future-oriented technologies, in addition to our cement and concrete infrastructure technologies related to national resilience and recycling technologies related to the formation of a circular economy. Overseas, we are proactively progressing with patent and trademark applications in the Southeast Asian countries where we are expanding our business. We are also focusing on brand building through trademarks, and have registered several trademark rights that are mainly related to carbon neutrality. As of March 31, 2023, we held 276 trademarks in Japan and 147 trademarks overseas, an increase of 8 from the end of the previous fiscal year.

IP Consulting

We are developing IP landscape activities that comprehensively analyze various types of information, mainly patent information, and utilize it for R&D and business development. We use IP landscapes primarily in the exploration of applications for developed technologies, the quantification of the value of patents, and the consideration of the directionality of development. Quantitative visualization of the distribution of patent clusters for developed technologies is used in the determination of the feasibility of technologies and products.

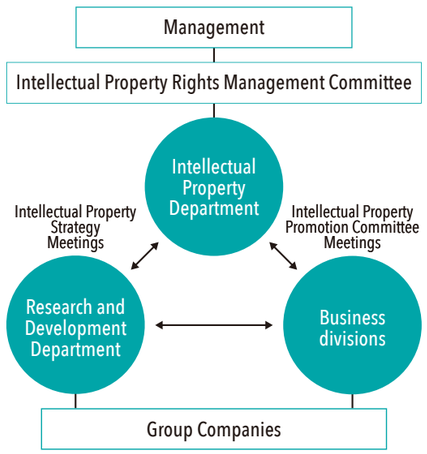
For example, the figure below displays the frequency of functional material patent clusters as a topographic map with contour lines and color tones (from blue increasing to yellow at the peaks), with our technologies indicated by ● and prior technologies by ●. This shows that our technology forms a high-density area that does not overlap with prior technologies, making it a differentiating technology and a high barrier to entry (which prevents later entrants).

Boosting awareness of intellectual property

We are conducting various training programs to improve the intellectual property literacy of the group's employees. We also regularly review our education system and are promoting education at each job level according to years of experience and expertise. As an incentive related to intellectual property, we have awards for employees who have created outstanding inventions, discovered infringements or made other achievements, in addition to rewarding inventors for filing patents and other applications.

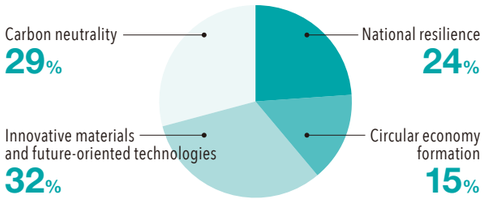
Our in-house training program includes sessions for newly hired employees, basic training for employees who have little experience dealing with intellectual property, patent description training for young inventors, and training for newly appointed managers, each of which are held annually, as well as patent research skills training which is held regularly. We are also incorporating training by external organizations such as the Japan Intellectual Property Association, to ensure that trainees acquire knowledge appropriate to their level and expertise.

● Tripartite intellectual property action promotion system



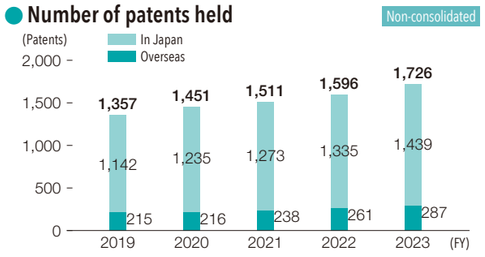
Group Intellectual Property Promotion Committee Meetings

● Patent application ratio by technical field (FY2023)

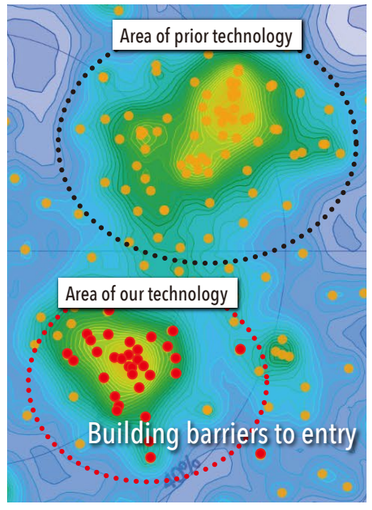


● Number of patents held

Non-consolidated



● Example of analysis of functional material patent clusters



● In-house attendance at intellectual property training sessions (FY2023)

(Unit: Persons)

Training Content	Taiheiyo Cement Corporation	Group Companies	Total
Basic Training	50	41	91
Patent Description Training	12	13	25
External Training	46	9	55
Total	108	63	171

Recipients of the FY2023 Outstanding Invention Awards

Drivers and Boosters of Value Creation

Sustainability

Management

Environment

Occupational health and safety

Human Capital

Social and Relationship Capital

Our future vision and direction

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.

Basic Policy for Promoting Sustainability Management

1. Based on our Mission and Business Principles, the company will clarify the ideal form of sustainability management to be pursued and strive to advance operations based on sustainability.
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 autonomous decisions.
3. We will manage the company in the awareness that contributing to global environmental issues and communities, as well as respecting human rights are conductive to our group sustainability.
4. We will proactively engage with key sustainability issues and undertake the most appropriate prioritization and resource allocation.
5. We will practice appropriate information disclosure and communication with stakeholders, based on the state of our sustainability management, and build relationships of trust.
6. We will treat the promotion of sustainability management as a group-wide activity.

Sustainability / CSR Objectives for 2025

1. Prevention of accidents
- Zero fatalities

2. Reduction of greenhouse gas emissions
- Reduce specific net CO_2 emissions by at least 10% or more (compared with 2000)

3. Diversity
- Ratio of female recruits: At least 30%
- Ratio of female employees: At least 10%
- Ratio of newly appointed female managers: At least 10%

Mojave Plant (California, United States)
Blessed with a good location for wind power generation, it owns some of the wind turbines seen in the background, which supplement the electricity used for cement production.

Environmental Management System

We are working to improve our environmental performance by formulating strategies across the company and proactively working to solve problems based on our Environmental Management Policy.

Basic Approach

Our environmental management policy declares an active commitment to environmental issues facing society, including not only preventing environmental pollution but also building circular economies, delivering carbon neutrality, reducing environmental impacts, protecting water resources and conserving biodiversity as key management challenges. Under this policy we are striving to improve our environmental performance.

Environmental Management Policy

In January 2006 we formulated our Environmental Management Policy, reflecting the fact that we consider an active commitment to the environmental issues facing society to be key management challenges. In addition to initiatives emphasizing the six items in all business operations, we strive to communicate with a wide range of stakeholders, from international society to local communities, and to seek the ideal form for a sustainable cement industry as a member of the GCCA (Global Cement and Concrete Association) and the UNGC (United Nations Global Compact).

1. Pursuing Environmentally Conscious Business Activities
2. Compliance with Environmental Laws and Regulations
3. Contribution to the creation of Circular Economy
4. Efforts to achieve Carbon Neutrality
5. Promoting Global Technology Transfer
6. Ecosystem Conservation

Formulated in January 2006
Revised in April 2023

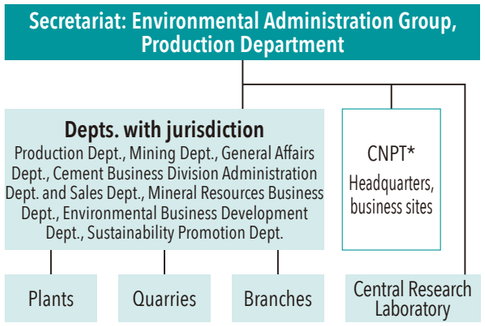
Structure and Operation

We have established an Environmental Management Committee chaired by the officer in charge of the Production Department as one of the specialized committees under the Sustainability Management Committee, which reports directly to the Board of Directors, to promote environmental management and implement the Environmental Management System (EMS).

Company-wide EMS Readiness

In June 1997, we initiated ISO 14001 certification of each of our plants and attained certification of all six of our directly operated plants by 1999. In April 2009, we established a company-wide EMS that extends the scope of application not only to plants but also to the headquarters, branch offices, and central research laboratory, and received ISO 14001 certification registration from the Japan Testing Center for Construction Materials. The company-wide system underwent a renewal audit for the fourth time in March 2021, and from April 2021 the certification was renewed with the Tosa Office added to the scope.

● Company-wide EMS Readiness



* The Carbon Neutral Technology Development Project Team

All of our cement plants in Japan, including those of group companies, have obtained ISO 14001 certification. Furthermore, all of our overseas cement plants in countries that adopt ISO have obtained ISO 14001 certification and are actively committed to environmental conservation. Cement plants in countries where ISO is not adopted as the mainstream standard operate their own EMS.

Internal Environmental Audits

We conducted internal environmental audits at all our sites in FY2023.

As priority items from this year's audit, confirmation of compliance reviews regarding environmental laws and other requirements, external communications and corrective actions for unachieved items were identified. The status of a follow-up, including corrective and preventive actions for nonconformity with environmental requirements, and the status of responses to emergencies were identified as items that plants must deal with. Verifying the compliance status of service stations was implemented as an item that must be dealt with by branches. The audit identified 29 findings, and corrective actions were taken for all three findings for which improvements were requested.

Environmental Education

During Environment Month each June we deliver a message from the president and provide educational materials on the environment page of our portal site to increase awareness and encourage learning about the environment, and about environmental preservation activities throughout Taiheiyo Cement Corporation and group companies. Each workplace also engages in a number of different activities, such as conducting training sessions related to accident response, viewing environment-related videos, holding lectures and taking part in local cleanup activities. In FY2023, more than 340 activities took place.

Training to respond to environmental accidents (Kumagaya Plant)

Status of Compliance with Environmental Laws

Environmental Accidents

In FY2023, we had four minor accidents and have taken measures to prevent their recurrence. There were no violations of environmental laws that could result in fines or penalties, nor were there any major accidents that would have an effect on the environment or ecosystems.

Response to Environmental Accidents

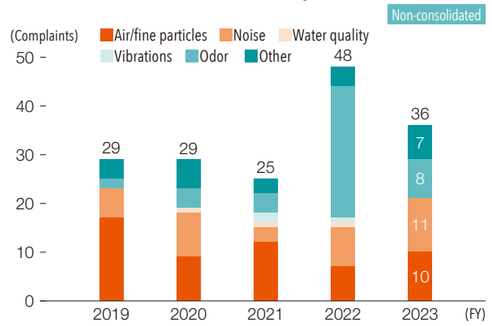
Each plant maintains emergency response plans in preparation for possible environmental accidents. They also conduct periodic fire-fighting drills in cooperation with local fire departments. Other training includes how to reduce environmental impact when an environmental accident occurs, and how to report it to a government entity.

Environmental Complaints

As we increasingly utilize ever more diverse forms of waste and by-products the number of environmental issues we need to consider also increases. Therefore, we are ramping up our efforts to reduce environmental impact through activities such as introducing indoor storage and sealed containers for waste and by-products, and improving our flue gas stacks. On receiving an environmental complaint, whenever possible we quickly travel to the site in question to check the situation, investigate the cause and provide an explanation. If we find that our activities are the cause we implement improvements.

In FY2023, we received 109 environmental complaints, including those from outside sources. We responded to 36 of these, which were associated with our operations.

● Number of Environmental Complaints Received



Mitigating Climate Change

Promoting measures to reduce CO_2 emissions from a medium- to long-term perspective to contribute to the prevention of global warming and for sustainable growth.

Basic Approach

A significant amount of CO_2 is generated during cement production. This is because the production process requires a high temperature of 1,450°C and limestone, used as a raw material, is decarbonated through a chemical reaction during the calcination process ($CaCO_3 \rightarrow CaO + CO_2$). In 2015, we therefore set in the CSR Objectives for 2025 a target for Taiheiyo Cement Corporation and our group companies of reducing specific net CO_2 emissions by 10% or more from 2000 levels. In March 2022, we announced "2030 Interim Targets" towards carbon neutrality, and set targets of reducing emissions intensity by 20% or more throughout the supply chain and reducing total (domestic) CO_2 emissions by 40% or more (each compared to 2000).

Efforts Related to CO_2 Emissions Reduction in the Cement Production Process

Progress of the Group's CO_2 Emissions Reduction Targets

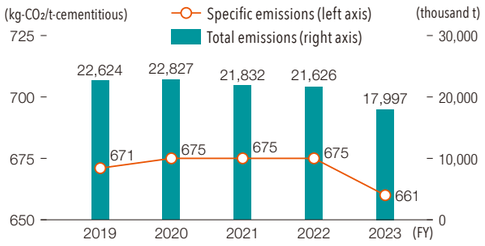
Indicators		Target (compared to 2000)	Performance FY2022	Performance FY2023	Progress and Evaluation
CSR Objectives for 2025 Reduction rate of specific net CO_2 emissions*1:		**10% or more**	8.3%	10.2%	Improved by 1.9% from FY2022 due to increased ratio of alternative fuels use
2030 Interim Target	Reduction rate of specific CO_2 emissions across the supply chain*2:	**20% or more**	9.6%	9.2%	Decreased by 0.4% from FY2022 due to an increase in Scope 2 and Scope 3 specific emissions due to clinker purchases, as a result of the renovation of the production line at Taiheiyo Cement Philippines, Inc.
	Reduction rate of total (domestic)* CO_2 emissions*3:	**40% or more**	36.0%	42.7%	Emissions decreased due to an increase in the ratio of alternative fuels used and decreased cement production, resulting in a 6.7% improvement from FY2022.

*1 Scope 1 (excluding alternative fossil energy and CO_2 resulting from on-site power generation)
*2 Scope 1 (excluding alternative fossil energy) + Scope 2 + Scope 3 (Category 1,3)
*3 Scope 1 (excluding alternative fossil energy) + Scope 2

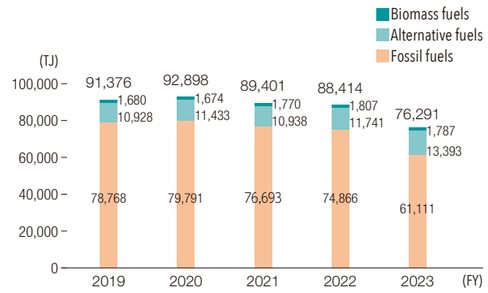
Trend in CSR Objectives for 2025

In order to reduce CO_2 emissions, we have been working to conserve energy by installing energy-efficient equipment and improving the stability and efficiency of our kiln operations. We have also been implementing measures such as expanded use of waste- and biomass-derived energy sources to decrease our rate of use of fossil fuels. As a result of these efforts, specific net CO_2 emissions in FY 2023 were 661 kg/t-cementitious product, achieving our FY2026 specific emissions target of 662 kg/t-cementitious product.

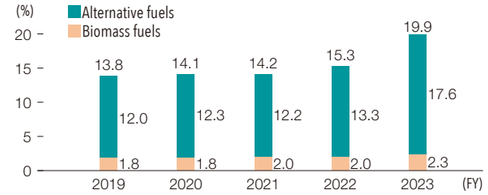
Specific Net CO_2 Emissions GCCA



Total Heat Consumption for Clinker Production GCCA



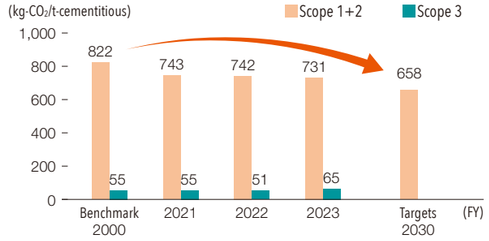
Ratio of Alternative Fuels and Biomass Fuels GCCA



Trend in direct specific CO_2 emissions across the supply chain

Scope 3 (category 1) specific emissions increased due to the renovation of the production line at Taiheiyo Cement Philippines, Inc. and due to clinker purchases. There was a steady decline in Scope 1+2 emissions, with an 11.0% reduction from 2000 levels.

Specific CO_2 emissions in the supply chain GCCA

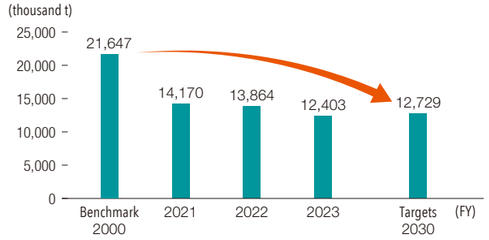


Trend in Total Domestic CO_2 Emissions

Total CO_2 emissions from cement plants (Scope 1+2, but excluding alternative fuels) have decreased significantly compared to 2000 (our benchmark year). This is due to decreased coal use via an increase in alternative fuels and a decrease in cement production.

Regarding the reduction of total domestic CO_2 emissions by 40% or more (compared to 2000), which is one of our 2030 Interim Targets, the reduction rate was 42% in FY2023, exceeding the interim target.

Total Domestic CO_2 Emissions GCCA



Reducing CO_2 Emissions during Transportation

We contract the delivery of our raw materials, fuels and products to transportation companies, and are striving to reduce CO_2 emissions as a specified consigner designated under the Act on Rationalizing Energy Use. In trucking, we encourage not only the installation of digital tachometers on vehicles, but also the planning of transporting goods on return trips, eco-driving and energy efficient devices such as digital eco-tires. In shipping, we operate new ships that are equipped with various energy-saving features. We are also supporting energy-saving operations for conventionally powered ships.

Our FY2023 CO_2 emissions were roughly 3% lower than in FY2022.

CO_2 Emissions by Mode of Transportation (FY2023)

Non-consolidated

Mode of Transportation	Tonnage transported (thousand t)	Average distance transported (km)	Transported tonne-kilometers (thousand tkm)	CO_2 emissions (thousand t)
Ship	17,726	447	7,920,429	105
Truck	14,879	56	828,317	47
Railway	4,877	26	127,505	3
Total	37,482	252	8,876,251	155

Improving Resource Efficiency

Promoting the recycling of waste and by-products into alternative raw materials and fuels for cement. Through this, we are promoting the formation of a circular economy from the perspective of prolonging the life of landfills and preventing the depletion of natural resources.

Resource Recycling with Industries

Electric power utilities

We accept coal ash produced at coal-fired power plants and use it as a substitute for clay as a raw material in cement. In addition, we operate ash centers to use more ash effectively. We also supply power plants with limestone powder which is used to scrub the harmful sulfur oxides from the exhaust produced by the burning of coal. The reaction of the limestone powder with sulfur oxides forms by-product gypsum, which we make effective use of as a raw material for cement.

Steelmakers

In the iron and steelmaking process, impurities are removed from iron ore to make iron. We supply the limestone and quicklime used in the refining process. We also use blast furnace slag, a by-product that remains after the refining process, as raw materials for cement and as cement admixtures.

Resource Recycling with Local Communities

In addition to industrial waste, we also use general waste generated by local governments, municipal waste incineration residues, water purification sludge and sewage sludge as raw materials and fuel to manufacture cement. The total amount of waste generated in Japan in FY2022 was 40.95 million tonnes, of which approximately 77% was incinerated, and 3.62 million tonnes of unused incineration residues were buried in landfill sites.

The Group's systems for recycling municipal waste that meet the needs of society include the Incineration Residues Recycling System, the AK System and the Ecocement System. We use the set of these three technologies related to systems for recycling municipal waste and strive to make effective use of such resources and resolve environmental issues.

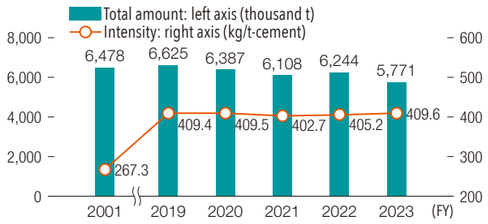
Recycled-Waste-to-Cement System

All of our directly operated cement plants in Japan recycle waste and by-products into alternative raw materials and fuels for cement. This helps to prolong the life of landfills, prevent the depletion of natural mineral resources, limit greenhouse gas emissions and reduce emissions of pollutants into the atmosphere.

In FY2023, the amount of waste and by-products used decreased by 473 thousand tonnes from the previous fiscal year due to a decrease in cement production, but the amount of dirt, sludge, waste plastic and municipal waste incineration residues that was accepted increased.

Trends in Amount and Intensity of Waste and By-products Used

Non-consolidated



Amount and Intensity of Main Waste and By-products Used (FY2023)

Non-consolidated

Waste and By-products	Amount used (thousand t)	Intensity (kg/t-cement)
Coal ash	1,820	129.2
Blast furnace slag	991	70.3
By-product gypsum	514	36.4
Unburned ash, dust	471	33.4
Dirt and sludge	367	26.0
Construction waste	148	10.5
Waste oil	148	10.5
Wood chips	19	1.4
Waste plastic	221	15.7
Water treatment plant sewage sludge and ash	350	24.8
Incineration residues from municipal waste	147	10.4
Municipal waste	19	1.3
Other	557	39.5
Total	5,771	409.6
Raw material-related	5,212	369.9
Fuel-related	559	39.7
Total	5,771	409.6

Waste and By-products Used in Cement Manufacturing Processes

Examples of Waste and By-products Used

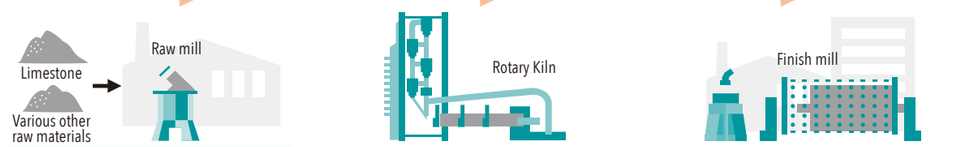
Raw materials
Coal ash, blast furnace slag
Dirt and sludge
Non-ferrous slag
Steelmaking slag
Construction soil
Molding sand

Raw materials
Incineration residues from municipal waste
Household water and sewage treatment sludge

Fuels
Waste oil, waste plastic
Waste tires, wood chips
RDF (municipal waste pellets)
Recycled oil

By-product gypsum
FGD gypsum
Chemically derived gypsum

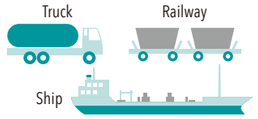
Admixtures
Slag powder
Fly ash



Raw Material Preparation Process
Limestone, iron waste, etc. are mixed together, dried and ground in a raw mill.

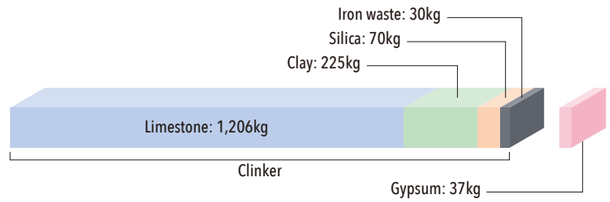
Burning Process
After preheating, the materials are burned in a rotary kiln. The resultant material is then rapidly cooled to form an intermediate product called clinker.

Finishing Process
A small amount of gypsum is added to the clinker and ground in the finish mill to produce cement.



Transportation
The cement is then transported by ship, truck or railway.

Reference: Resources required to produce one tonne of cement



Data source: The Japan Cement Association

Reducing Environmental Impact

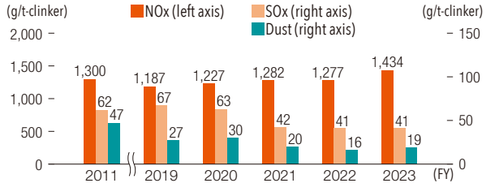
Air pollutants generated from cement production are primarily NOx, SOx and dust in combustion gases emitted from cement kilns.
To ensure the appropriate management of these substances, we are striving to ensure proper operations through measures such as continuous monitoring of emission concentrations in exhaust gases.

Preventing Environmental Pollution

Air Pollution

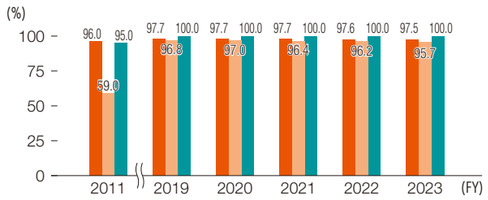
Air pollutants generated from cement production are primarily NOx, SOx and dust in combustion gases emitted from cement kilns. To ensure the appropriate management of these substances we strive to reduce air pollutant emissions through measures such as installing equipment to continuously monitor emission concentrations, improving NOx reduction systems and installing bag filter equipment to capture dust emissions. Our target is to maintain our FY2011 emissions levels. The details regarding emissions are provided in ESG Data (p. 118).

Specific Emissions of Clinker for Main Pollutants GCCA



* Calculation results were reviewed and retroactively revised.

Monitoring Rate GCCA



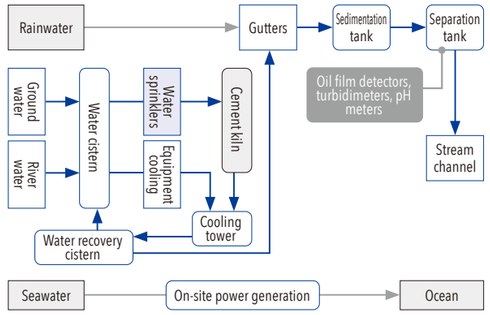
Percentage of clinker volume manufactured in a kiln equipped with continuous NOx measurement
Percentage of clinker volume manufactured in a kiln equipped with continuous SOx measurement
Percentage of clinker volume manufactured in a kiln equipped with continuous dust measurement

* Calculation results were reviewed and retroactively revised.

Water Contamination

Most of the water discharged from our plants to public watercourses is cooling water and not polluted as defined in the Water Pollution Control Act. At our cement plants all water resources are reused as circulation water to minimize water discharge into public watercourses. Moreover, we are taking measures to prevent the leakage of contaminants by installing bunds around oil tanks and acid/alkali tanks, as well as installing sedimentation tanks, water-oil separation tanks, oil film detectors, pH meters and suspended solid sensors on water discharge routes that connect to public waters.

Example of Water Circulation Flow at a Cement Plant



Soil Contamination

Across FY2008 and FY2009, we evaluated the risks associated with cement plants that may be sited on contaminated ground by appointing an expert consultant to undertake a soil history survey, conducted drilling surveys, and verified whether or not the soil is contaminated. Actions have been taken as necessary based on the findings, such as the installation of observation wells to monitor ground water contamination and the removal of contaminated soil.

We are also working to eliminate the possibility of soil contamination via measures to prevent the leakage of wastewater from scrapyards or fluid from oil tanks, acid/alkali tanks, pipes and so forth.

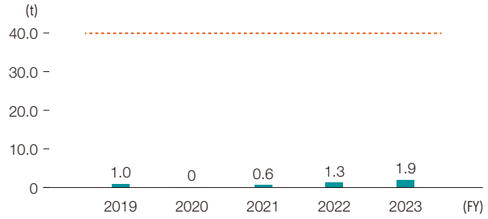
Reducing Waste

Initiatives at Plants

Our cement plants reduce the amount of waste handled by disposal contractors by reusing waste from operations as raw material for cement production. We also endeavor to reduce waste that ultimately ends up in landfill via measures such as the use of chromium-free kiln bricks.

In FY2023, there was 1.9 tonnes of waste, compared to the target of 40 tonnes or less.

Volume of Waste to Landfill at Plants Non-consolidated

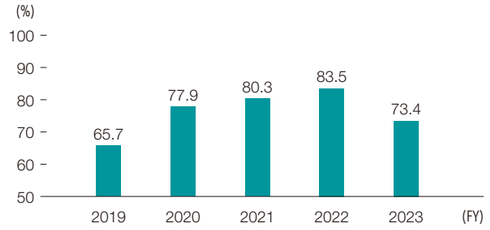


Initiatives at Service Stations

Service stations (SS) reduce the waste handled by waste disposal contractors by returning any residual cement that remains in silos after switching the cement products. Returned cement is recycled as raw material.

In FY2023, the recycling rate was 73.4%, compared to the target of 50%.

Recycling Ratio Non-consolidated



Appropriate management of chemicals

Pollutant Release and Transfer Register (PRTR)

The PRTR Law requires that we report on equipment installed at our Kumagaya plant for the washing of municipal waste incineration residues. This washing process uses water, and our total discharge of dioxins and ferric chloride into public waterways in FY2023 are as shown below.

Reported Levels of Dioxins and Ferric Chloride Emissions Non-consolidated

Emissions	Reported Levels		
	FY2021	FY2022	FY2023
Dioxins (mg-TEQ)	0.0	0.0	0.0
Ferric chloride (kg)	170	198	186

Management of PCB Waste

We properly store and dispose of high and low concentrations of PCB waste in accordance with the Amendment to the Law concerning Special Measures for Promotion of Proper Treatment of PCB Wastes (hereinafter referred to as the PCB Special Measures Law).

For high-concentration PCB waste with an early disposal deadline as stipulated by the PCB Special Measures Law, we signed a processing contract with the Japan Environmental Safety Corporation (JESCO) in 2006 and have prioritized processing.

In FY2023, one capacitor, one transformer and 1,110 electrical ballasts stored at the Kamiiso Plant, Ofunato Plant, Kumagaya Plant, Saitama Plant, Fujiwara Plant, former Chichibu Plant, former Kawara Plant, Garo Quarry and branch office service stations were processed, as well as three unprocessed capacitors that were in the Kyushu, Chugoku and Shikoku area.

Pollutants such as electrical ballasts stored at the former Osaka Plant and former Kawara Plant are planned for processing in FY2024, and we are scheduled to complete the processing of all high-concentration PCB waste.

Treatment of High-concentration PCB Waste Non-consolidated

(Unit: No. of machines)

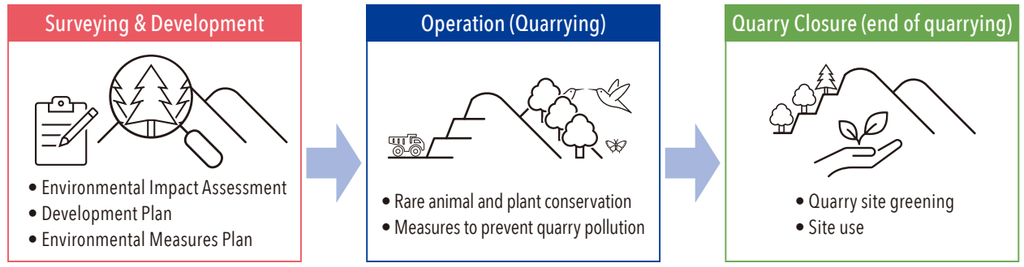
Waste	Stored in FY2022 (as of March 31, 2022)	New Targets for FY2023	FY2022 processing results	Treated in FY2023	Treatment Scheduled for FY2024
Capacitors	4	0	4	0	0
Transformers	1	0	1	0	0
Electrical ballasts	948	168	1,110	6	6
Total	953	168	1,115	6	6

Conserving and Restoring biodiversity

**We recognize that our quarrying activities are most closely related to biodiversity.
We are aiming to achieve nature positive by working with local communities, from the development and operation of quarries through to the use of old quarry sites.**

Environmental Impact of Quarry Operations

Throughout the group we believe that balancing the conservation of ecosystems in local communities and development of the communities themselves are important in quarry operations. With this belief, we hold discussions with local governments, local communities and academics while operating quarries. This helps to ensure we not only prevent pollution but also conserve biodiversity and water resources while minimizing our environmental impact.



Reducing Environmental Impact

Cement production starts with quarrying limestone, the primary raw material for cement. We also quarry many mineral resource products used as aggregates and industrial raw materials. Because forests are cleared, topsoil is excavated and limestone is extracted at a quarry, it inevitably affects the environment and ecosystem of the quarry's area. However, because the limestone, sand and other materials that we quarry only require crushing for particle size adjustment and sorting, our operations are unlikely to cause chemical contamination to surrounding areas. In addition, we minimize the amount of waste stones generated during our limestone quarrying by using them as construction materials.

Kanamaru-Maimai (provided by Mie Prefecture Environmental Conservation Agency)
One of the rare species of wild animals and plants designated by Mie Prefecture for which conservation activities are being promoted at Fujiwara Quarry.

Limestone Quarries of the Group

The group operates 19 major limestone quarries around the world, which are located near to our cement plants, with a total site area of 5,355 ha.

Based on the GCCA guidelines, and using the Integrated Biodiversity Assessment Tool (IBAT) provided by BirdLife International, we checked if any of our group's limestone quarries are in any of the protected areas defined by the International Union for Conservation of Nature (IUCN) and conducted a biodiversity assessment.

Two quarries in Japan are included in areas of biodiversity value*, and none overseas. All these quarries have obtained the necessary licenses from their local governments and conduct environmentally sound quarrying operations. Greening at former quarry sites is being implemented in accordance with plans for environmental restoration. They have no pending litigation concerning biodiversity or other environmental issues.

● Limestone Quarries of the Group GCCA

Region	Quarries	Site area (ha)	Applicable* quarries
Japan	13	2,835	2
United States	4	1,903	0
Asia-Pacific	2	617	0
Ratio of quarries with rehabilitation plans (%)			95

* A protected area whose purpose is to conserve habitat mainly through management activities. Includes IUCN Category IV (habitat or species management area) Protected Areas.

Activities to Reduce Environmental Impact

Environmental Impact Assessment

Throughout the group we believe that balancing the conservation of ecosystems in local communities and development of the communities themselves are important in quarry operations. In developing quarries, we conduct ex-ante assessments of environmental impact of quarry developments with the cooperation of experts, based on environmental research of the development area such as on biodiversity and water resources. We then discuss the results of the research with stakeholders before finalizing a development plan. Moreover, we regularly monitor the surrounding environment during the development and operations of quarries, and report to our stakeholders on the environmental impact that the quarries have in their areas.

Participation in the 30by30 Alliance

We contribute to the realization of Nature Positive as advocated by TNFD*1 through biodiversity initiatives, conduct our business activities based on our management philosophy, and promote the conservation of rare flora and fauna in limestone quarries related to biodiversity and the greening of quarrying areas and former sites.

From FY2024, we will participate in the "30 by 30 Alliance for Biodiversity" established by the Ministry of the Environment, aiming to be registered in the OECM*2 database.

30by30 refers to the target of preserving at least 30% of terrestrial and marine areas as healthy ecosystems by 2030. Achieving this target in each country was promised at the 2021 G7 Summit.

*1 Abbreviation for Taskforce on Nature-related Financial Disclosures.
*2 Abbreviation for Other Effective area-based Conservation Measures. It refers to areas that are being conserved through private and other initiatives, and areas where management that is not aimed at conservation also results in contributing to the protection of the natural environment.

Biodiversity Protection

When environmental impact assessments determine that protection is required at a limestone quarry that we own, we protect rare species via measures such as installing protective equipment, transplanting and restricting development work.

Chichibu Taiheiyo Cement Corporation is actively involved in the conservation of rare plants. At Kanouyama Quarry located in Kanna Town, Tano District, Gunma Prefecture, 38 rare plants native to the quarry have been transplanted into a botanical garden set up in the mine with the cooperation of a local nature conservation group. At the same company's Miwa Quarry, which is conducting quarrying on Mt. Buko, located in Chichibu City and Yokoze Town in Saitama Prefecture, we are preserving and increasing the population of 68 native plant species together with local experts and using the Central Research Laboratory's biotechnology.

At the Fujiwara Quarry of Mie Taiheiyo Mining Company (formerly Ishizaki Co., Ltd.), we have been engaged in conservation activities since 2012, including transplantation and post-event surveys, in cooperation with experts, for the Kanamaru-Maimai, a Mie Prefecture-designated rare animal species that is found in the limestone area around Mt. Fujiwara.

Iwakinbai
(Kanouyama Quarry)

Oobiranji
(Kanouyama Quarry)

Appropriate use of water resources

In our use of water resources we are striving to analyze water risks and understand the status of water use as issues that may emerge in the future, and are working to ensure the proper use of water resources.

Appropriate use of water resources

Water Risk Analysis

According to the results of the water risk analysis conducted using the Water Risk Filter*, the average score for the total basin risk for all our plants (weighted average taking into account the cement production volume) was 2.4. The highest total basin risk score was 2.8, which was 0.4 lower than that of the previous year. The volume of cement produced at the plant in question accounted for about 17.6% of the production volume of all the plants. However, when we analyzed conditions at that plant, no urgent issues were identified.

* A water risk mapping tool developed by the World Wide Fund for Nature (WWF). It is used to evaluate business impacts related to physical risks such as water scarcity and water quality. The maximum score is 5.0, and the higher the score, the greater the risk.

Water Consumption

Most of the water used at our cement plants is for the cooling of production equipment, exhaust gas and on-site power generators. Therefore, the water discharged from the plants is mostly cooling water, which is not polluted as defined in the Water Pollution Control Act. All the fresh water used at the plants is circulated and reused, except for the household wastewater, as we strive to reduce our water withdrawal and lessen the impact of wastewater on bodies of water. Seawater is used to cool on-site power generation facilities at our plants near the ocean and then released back into the sea after use.

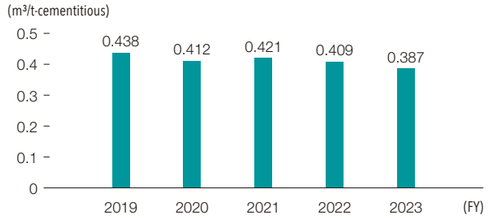
Our total fresh water used in FY2023 was about 11.86 million m³ and our fresh water used to produce one tonne of cement was 0.387 m³. However, most of this water is not used as a raw material and evaporates after being used to cool equipment or gas.

● Water Consumption GCCA

(Unit: thousand m³)

	FY2019	FY2020	FY2021	FY2022	FY2023
Surface water	6,521	5,626	5,355	5,527	5,346
Ground water	16,884	18,656	18,759	18,706	17,673
Industrial water	3,251	3,325	3,078	2,108	1,630
Total fresh water withdrawal (I)	26,656	27,607	27,192	26,341	24,649
Total seawater withdrawal	149,776	147,372	146,232	146,894	145,476
Total water withdrawal	176,432	174,979	173,424	173,235	170,125
Total fresh water discharge (O)	12,167	13,674	13,447	13,246	12,792
Total seawater discharge	149,781	147,377	146,368	147,062	145,639
Total water discharge	161,948	161,051	159,815	160,308	158,431
Total fresh water used (I-O)	14,489	13,933	13,745	13,095	11,857

● Amount of Fresh Water consumption per unit of production GCCA



Appropriate Use of Water Resources

At present there are no specific concerns regarding water resources that may be raised by local communities. However, we are striving to reduce water withdrawal with a view to conserving water resources. In the future, we will maintain close communication with local communities and contribute to the appropriate use of local water resources.

Taiheiyo Cement Philippines, Inc. supplies clean water to local communities from wells drilled by the company for water to use in its plants. At CalPortland Company's Rocky Canyon Aggregate Quarry in California, USA, a system for the sustainable use of water has been built to improve the collection and storage of rainwater and spring water at the site. Developing these water resources has made it possible to secure a supply of the water it needs in its work, without having to build new wells or increase the volume of ground water it extracts, and also to keep the amount of water that drains out of the site, which is subject to strict regulations, to a bare minimum.

System for the sustainable use of water (CalPortland Company)

Water Resource Conservation

In quarrying we also pay close attention to protecting not only terrestrial animals and plants but also water resources such as rivers and natural springs. From the perspective of conserving water resources, spring water and rainwater is discharged from quarrying after treatment to minimize impact on the environment outside of the quarrying area by passing through regulatory pond. In some quarries we drill wells for domestic water and supply this water to local communities for everyday use.

Disclosure Regarding Recommendations of the TCFD

We announced our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in June 2019 and have been performing scenario analysis since then. Following the Glasgow Agreement at COP26 in November 2021, we have conducted scenario analysis using 1.5°C and 4°C as the CO_2 reduction scenarios applicable to us.

Setting Scenarios

We focused our scenarios, evaluation and analysis on the business risks and opportunities that climate change will pose to the Group by the year 2050. We identified events that will materially impact climate-related risks and opportunities, based on climate-related, long-term scenarios founded on science, such as the World Energy Outlook (WEO) and Energy Technology Perspectives (ETP) published by the IEA and The Fifth Assessment Report (AR5) published by the IPCC. Then we created two climate-related scenarios, 1.5°C and 4°C, that will have impact on the business operations of the Group, along with appropriate carbon price assumptions for the 2030s using the IEA World Energy Outlook 2021 as a reference.

To follow up, we analyzed the business impacts in every scenario by size and time horizon (short, medium and long).

Process of Selecting Material Climate-related Risks and Opportunities and Scenarios

- STEP 1: Conduct a benchmark survey to identify climate-related risks and opportunities for the cement industry and identify relevant drivers
- STEP 2: Determine the causal relationships between climate-related drivers, interim outcomes and implications. Then identify key drivers
- STEP 3: Create climate-related scenarios for each key driver, referring to the published climate-related long-term scenarios that were developed based on scientific grounds
- STEP 4: Evaluate the anticipated business impacts in each scenario
- STEP 5: Review responses to the business impacts, which are, in our view, positively or negatively significant in our evaluation

	1.5°C scenario (consistent with the Paris Agreement)	4°C scenario (ineffective response to climate change)
Reference Scenarios	IEA net-zero Emissions Scenario (NZE) Carbon Emissions Pathway: RCP 2.6	IEA Stated Policies Scenario (STEPS) Carbon Emissions Pathway: RCP 8.5
Assumed Carbon Price	US$130 (approx. 17,550 yen)/tonne-CO_2	US$30 (approx. 4,050 yen)/tonne-CO_2

Scenario Overview

1.5°C Scenario	4°C Scenario
Government and industry are working together toward carbon neutrality. Development consistent with the industry's transition to carbon neutrality (CO_2 capture, utilization and storage technologies) is progressing. The effects of climate change are being addressed to a certain extent through national resilience policies and other measures.	There is a mismatch between our efforts towards carbon neutrality and the regulations applicable to the cement industry, which would put us at a competitive disadvantage. Profits from the development of the innovative technologies that we promote are limited. In addition, the effects of climate change are becoming more severe, such as frequent extreme climatic events.

● Business Impact

Category	Drivers	1.5°C Scenario		4°C Scenario	
		Negative	Positive	Negative	Positive
1. Policy and Regulatory	• Introduction of regulated carbon pricing Tighter CO_2 emission regulations		M	M	
2. Market	• Soaring fossil energy prices	S		M	
	• Increased demand for low-carbon construction materials		L		M
	• Reduced operation of coal-fired thermal power plants	M		S	
3. Technologies	• Progress in the development of CO_2 capture and utilization technology		L	M	
	• Improved technologies for resource recycling and advanced circular economies		M		S
4. Reputation	• Increased awareness of delivering carbon neutrality		M	M	
5. Physical events	• Chronic - Higher average temperatures, higher sea levels	S	S	M	S
	• Acute - Intensification of climatic events (e.g., flooding, high temperatures)	S	S	L	S

[L](Large): Impact of about 100 billion yen in terms of net sales
[M]Medium: Impact of about 1-10 billion yen in terms of net sales
[S]Small: Impact up to about 1 billion yen in terms of net sales

Providing Environmentally Sound Products and Services

In response to social needs for environmental conservation, we leverage the advantages of the cement and related technologies we have cultivated over the years to provide environmentally sound products and services that contribute to resource conservation and CO_2 reduction.

Low-CO_2 emission limestone-blended cement "ADVANCEMENT"

Our U.S. group company, CalPortland Company, has launched a new product series called ADVANCEMENT, which is a blend of Portland cement and limestone. By replacing up to 15% of clinker with limestone ADVANCEMENT is a low-CO_2 emission product that can reduce CO_2 emissions by approximately 10% compared to ordinary Portland cement as specified by ASTM C150.

ADVANCEMENT TYPE 1L complies with ASTM C595 and AASHTO M240 and is also certified by the California Department of Transportation, allowing it to be widely used in infrastructure construction, including highways. Following test marketing in 2021, CalPortland Company will gradually switch from ordinary Portland cement (TYPE II/V) produced at its Mojave Plant to ADVANCEMENT TYPE 1L. Approximately 1.2 million tonnes of ADVANCEMENT will be produced annually, reducing CO_2 emissions by approximately 95,000 tonnes. ADVANCEMENT LT is light-colored and aesthetically pleasing while maintaining the low-CO_2 emission performance, and can be used in applications to meet the aesthetic expression of architects and designers. In addition, ADVANCEMENT HS is suitable when particularly high sulfate resistance is required. In this way, ADVANCEMENT is a series of low-CO_2 emission cement products that are tailored to the application and performance requirements.

ADVANCEMENT delivery trucks

Thermal Insulating Paving Blocks "Thermalbarrier ILB"

At Taiheiyo Precast Concrete Industry, we sell "Thermalbarrier ILB," which are paving blocks that suppress the absorption of heat from solar radiation, thereby reducing the rise in temperature and heat retained in the road surface, and mitigating the hot environment in pedestrian and roadside areas. The surface layer of this block is made of material that is highly effective in reflecting near-infrared radiation, and the base layer is made of concrete with cavities to reduce the absorption and retention of heat from solar radiation. This contributes to limiting the heat island effect by reducing not only the daytime hot environment but also heat radiation at night.

The performance of the Thermalbarrier ILB was confirmed to be effective in reducing road surface temperature by 11.5°C or more in a comparison test with asphalt pavement conducted by the Japan Interlocking Block Pavement Engineering Association, and has been certified as "COOL BLOCK PAVE". In addition to its excellent thermal insulation performance, the Thermalbarrier ILB series also includes a product that, depending on the specifications of the base concrete layer, provides the block itself with water retention performance and permeability to allow rainwater to permeate into the roadbed. This product also effectively uses crushed roof tiles, molten slag produced in the cooling process after incineration of municipal waste, and glass cullet made from processed wine bottles, which would normally be disposed of as industrial waste, as recycled aggregates.

Recently, Thermalbarrier ILB has been widely used in construction projects, such as Oi Central Seaside Park Sports Forest and Kumagaya Sports Culture Park in Saitama Prefecture.

Construction example: Thermalbarrier ILB laid around the rugby field at Kumagaya Sports Culture Park, Saitama Prefecture

External economic benefit (EEB)

We evaluate the socioeconomic benefits from environmental impact reduction due to increased recycling of waste in monetary terms.

Basic approach

We use the external economic benefit (EEB) evaluation method with our Recycled-Waste-to-Cement System to express, in monetary terms, our evaluation of the socioeconomic benefits from environmental impact reduction due to increased recycling of waste accepted from outside the company. We calculate that we created a social benefit of 87.2 billion yen in FY2023. The reduction in the amount of natural resources, waste and by-products in FY2023 decreased from the previous fiscal year, leading to an approximate 4% reduction in economic benefit on the previous fiscal year.

Taiheiyo Cement's External Economic Benefit Evaluation

- We have developed a unique evaluation method to estimate the overall environmental benefit to society by utilizing waste materials from other industries.
- We use information, including data collected for the GCCA Cement CO_2 Protocol, to calculate the reduction in consumption of fossil energy and natural resources associated with the use of waste and by-products.
- Economic benefits are calculated by multiplying reductions in consumption (effects of environmental conservation) by set market prices. The market values of the inventory items are set at FY2001 levels, and are estimated on the basis of the following considerations.
  CO_2: 3,000 yen/tonne (a hypothetical CO_2 emission tax rate).
  Crude oil: import price. Natural resources: estimated price.
  Waste: controlled landfill costs in the Tokyo area.
- A portion of the EEB is accounted for in our profit and loss statement.

External Economic Benefits (FY2023)

Non-consolidated

Impact	Inventory	Reduction (t)	Inventory Market Price (yen/t)	External Economic Benefit (billion yen)
Climate change mitigation	CO_2	2,039,515	3,000	6.1
Depletion of energy resources	Crude oil	115,754	18,400	2.1
Depletion of mineral resources	Natural resources	4,545,574	1,000	4.5
Shortage of landfills	Waste	4,966,493	15,000	74.5
Total				87.2

Project Accounting – Ofunato Plant No. 5 kiln high-efficiency clinker cooler introduction

The clinker cooler uses air to cool clinker, an intermediate product fired inside an ultra-high-temperature rotary kiln. The high-temperature air obtained through heat exchange during cooling is effectively used as combustion air for the rotary kiln.

The high-efficiency clinker cooler introduced to the No. 5 kiln at the Ofunato Plant in FY2023 is a new type of cooler that can recover high temperature air while cooling clinker with a small amount of air. This cooler significantly improves heat recovery efficiency compared to conventional types. With this high-efficiency clinker cooler, the second we have introduced in Japan, we will reduce the amount of thermal energy required for clinker firing, further reducing CO_2 emissions and environmental impact.

Ofunato Plant No. 5 kiln

Investment amount: Approx. 9.2 billion yen

Reduction in CO_2 emissions: 7,149 tonnes/year

Occupational Health and Safety

We are continuously promoting organizational safety, security and health activities with the aim of eradicating occupational accidents, including those in the supply chain, and achieving a safe work environment.

Basic approach

Our Health & Safety Policy is shown below. Under this policy our headquarters and business sites prepare health and safety management policies that suit the actual conditions at the workplace each fiscal year.

Taiheiyo Cement Health & Safety Policy

We recognize that ensuring the health and safety of our employees is a cornerstone of our company, and we invest appropriate management resources to the prevention of occupational accidents and diseases in accordance with the Industrial Health and Safety Act and the Mine Safety Act, and efficiently implement the fundamental policies shown below.

Fundamental Policies

1. Promote health and safety activities through consultation and participation between management and labor, with the aim of eliminating occupational accidents.
2. Ensure the health and safety of our employees and those of our contractors by complying with health and safety-related laws and regulations, the health and safety management regulations created by us, and health and safety regulations created by our business sites.
3. Strive to improve the level of health and safety by actively promoting the implementation and operation of our Occupational Health and Safety Management System, and by continually ensuring the fundamental safety of our work and equipment, providing education and training, and raising awareness of health and safety, as well as continually improving our Occupational Health and Safety Management System.
4. Constantly improve workplace environments and work procedures by applying improved technologies and new health and safety information via the companywide, business site and group affiliate health and safety committees.
5. Ensure health and safety throughout the Taiheiyo Cement Group by promoting action to eliminate occupational accidents under the leadership of the companywide, business site, and group affiliate health and safety committees.

Safety Objectives (KPIs) for FY2023

KPI	Achievements and Issues This Fiscal Year	Plans for Next Fiscal Year
FY2023 Company-wide Health & Safety Committee Objectives (1) Zero fatalities across the group (CSR Objectives for 2025) (2) 30 or less lost-time injuries across the group (3) 80 or less total occupational accidents across the group (4) Absence rate of company employees: 0.5% level	(1) Fatalities: 2 (2) Lost-time injuries: 49 (3) Total occupational accidents: 120 (4) Absence rate: 0.935%	**FY2024 Company-wide Health & Safety Committee Objectives** (1) Zero fatalities across the group (CSR Objectives for 2025) (2) 30 or less lost-time injuries across the group (3) 80 or less total occupational accidents across the group (4) Absence rate of company employees: 0.5% or less * Excluding the absence rate due to COVID-19 cases
Eliminating Accidents Caused by Breaking Workplace Rules 15% or less of total occupational accidents (ratio of accidents due to rule breaking)	**Violations, etc., of the 7 safety principles: 26%** • There were 9 cases of accidents involving "touching moving machinery," indicating a lack of thoroughness. There were some cases of violations due to work priority.	**Ratio of accidents due to rule breaking: 15% or less** • Improve comprehension through periodic education on rules • Identification and improvement of facilities and behaviors that violate rules • Guidance aimed at eliminating violation conditions through regular patrols • Strengthen prevention of accidents among employees and workers with less than 3 years experience
Eliminating Heatstroke-related Accidents Zero heatstroke-related accidents	**No. of heatstroke-related accidents: 7** • Reduction the risk of heatstroke occurring whilst recognizing resistance to heatstroke varies from person to person	**Zero heatstroke-related accidents** • Improved understanding of accidents through prior education • Reliable response to heat index • Improvement of the work environment (development of rest areas, cooling systems, etc.) • Guidance on checking the condition of countermeasures through safety patrols • Expanded use of wearable devices to reduce risk according to individual differences
Preventing the Recurrence of Similar Accidents Halving the three most common causes of accidents • Being trapped by or dragged into equipment • Falls from height • Flying/falling objects	**+11 case (55 cases) compared to previous year** • Promote raising awareness and mutual consideration through measures such as displaying safety points at accident sites.	**Halving the five most common causes of accidents** * Added "falling over" and "contact with high or low temperature objects". • Confirmation of effectiveness of countermeasures through accident study support • Conduct case study education using the Accident Information Database • Continual operational checks of accident prevention measures (periodic on-site patrols) • Promote "visualization" with signs, work procedures, etc.

Health & Safety System

Under the Taiheiyo Cement Health & Safety Policy we establish health and safety management regulations that cover the basic principles of the group's health and safety management, and promote health and safety activities. The aim is to create comfortable working environments while also ensuring the health and safety of our employees and those of our contractors at the group's business sites and other locations.

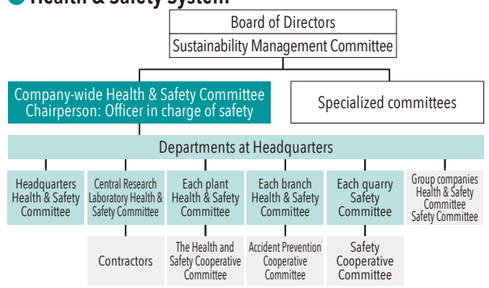
We established the Company-wide Health & Safety Committee, chaired by the officer in charge of safety, as a Specialized Committee under the Sustainability Management Committee, which is itself under the direct oversight of the Board of Directors. The Company wide Health & Safety Committee supervises health and safety activities held by our various business locations. It also collects safety-related data from not only the company itself but also our group companies and provides guidance.

All plants, quarries and branches under the jurisdiction of our divisions at Headquarters, and all group companies, have a health and safety committee consisting of representatives from both management and labor, as well as a cooperative committee promoting the health and safety-related activities of each business site.

Health and safety management at cement plants and quarries in Japan is carried out under our OSHMS*.

* OSHMS (Occupational Safety and Health Management System): Guidelines issued by the Ministry of Health, Labour and Welfare in 1999. A framework for reducing potential dangers at workplaces and promoting comfortable work sites by autonomously practicing continuous, uninterrupted health and safety management.

Health & Safety System



Safety Operation Officer Certification System

Since FY2008, we have been using the Safety Operation Officer System which emphasizes the importance of improving leadership capabilities to reduce occupational accidents. This system provides safety operation officer certification that is required for leaders of work groups. To further improve the capabilities of those leaders, as of FY2016 we require participants in the certification seminars held at the plants to have completed the foreman training course stipulated in the Industrial Safety and Health Act.

Health and Safety Training

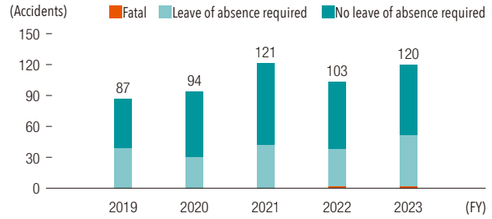
We have established procedures for the implementation of health and safety training, and are committed to providing such training so that work can be carried out safely. Training is provided at all our business sites. It can be categorized into training for newly-hired employees, training for newly-hired employees with professional experience at another company, specialized courses, training for newly-appointed managers, skills training, and training for contractors when they start work at a site.

Occupational Accident Reports and Database

Any occupational accident is reported to the Company-wide Occupational Health & Safety Committee immediately, regardless of how insignificant it may seem. We promptly post the details of any accident on the group bulletin board as a step towards avoiding any recurrence.

We have maintained a occupational accident database since FY2009. It covers accidents involving employees of the company and group companies as well as those of all our contractors, including temporary workers. It categorizes accidents according to the "4 Ms" (men, machines, methods and management), analyzes the causes of unsafe behavior and situations, and systematically stores occupational accident review reports that include details of the countermeasures taken. The database is also translated into English and Chinese so that it can be widely used at our overseas business sites.

Occupational Accidents Registered in the Database*



* Taiheiyo Cement and group companies that are business sites required to submit accident reports under our Safety, Security and Health Management Regulations are the subject of aggregation

Health and Safety Promotion Activities

The Company-wide Health & Safety Committee set the following objectives for FY2023: zero fatalities, limit lost-time injuries to 30 or less and the total number of occupational accidents to 80 or less, while also setting the absence rate in the 0.5% range. We therefore engaged in health and safety promotion activities with a focus on: (1) improving the level of safety management at group companies in order to achieve our CSR Objectives for 2025, (2) eliminating accidents caused by breaking the rules, (3) eliminating heatstroke-related accidents, (4) preventing the recurrence of similar accidents, (5) complying with health & safety-related legislation, and (6) preventing the spread of COVID-19 infections (preventing employees from becoming infected or infecting others).

There were 120 occupational accidents, including two fatalities, and a 0.935% absence rate due to the spread of COVID-19 infections, so we failed to achieve the target. It is now more important than ever for each business site to gather the opinions of workers, and for all employees to work together on safety, security, and health issues.

Fatalities	2 (2)
Lost-time injuries	49 (36)
Total occupational accidents	120 (103)
Absence rate	0.935% (0.604%)

* (figures in brackets are FY2022 results)

Regarding the elimination of heatstroke-related accidents, which we have identified as a key issue since FY2021, we are measuring WBGT (Wet Bulb Globe Temperature) values (heat indices) at each work site, have established break frequencies based on WBGT values, and are promoting improvements in work environment and work management. There were 7 cases of heatstroke in FY2023 (FY2022: 6 cases). Heat tolerance varies from person to person, and wearable devices are being used to reduce the risk of developing symptoms. In addition, regarding accidents involving the violation of workplace rules remained high, accounting for 26% of all occupational accidents, so we are progressing with guidance through periodic patrols, education on rules, improvement of equipment and behaviors, and "visualization" of safety activities, such as displays of accident lessons learned at the locations of the accidents.

Analysis of occupational accidents found that approximately 40% of accidents involved workers with less than three years of experience, so we will enhance initiatives to prevent accidents involving less experienced workers.

Also, regarding accidents according to type, "trapped by or dragged into equipment" accidents remain high, while the number of "falling over" accidents is on the rise. By reviewing the essence of safety measures from the perspective of both operations and equipment, we will promote the prevention of similar accidents and their recurrence.

Absence Rate

Non-consolidated (Unit: %)

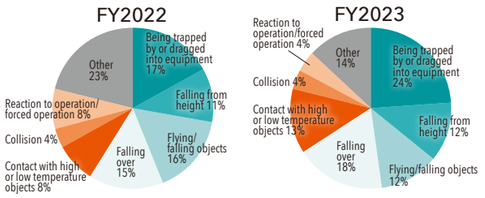
	FY2019	FY2020	FY2021	FY2022	FY2023
Absence rate	0.647	0.580	0.337	0.604	0.935

Occupational Accidents*

(Unit: occurrences)

		FY2019	FY2020	FY2021	FY2022	FY2023
By region	Japan	81	92	117	98	115
	Overseas	6	2	4	5	5
By gender	Male	83	89	120	100	112
	Female	4	5	1	3	8
Injury or sickness	Injury	83	79	103	97	113
	Sickness	4	15	18	6	7
Our employees or contractors	Our employees	45	40	52	40	51
	Contractors	42	54	69	63	69

Breakdown of Accidents by Type*



* Taiheiyo Cement and group companies that are business sites required to submit accident reports under our Safety, Security and Health Management Regulations are the subject of aggregation

Initiatives for ISO 45001

In March 2018, the ISO 45001 standard for OSHMS was established by the International Organization for Standardization. Since 2007, we have been operating OSHMS based on the guidelines given by the Ministry of Health, Labor and Welfare. As an international company, in addition to quality (ISO 9001) and environmental (ISO 14001), we obtained ISO 45001 certification for Health and Safety for our Kamiiso and Oita Plants.

Examples of Accident Prevention Initiatives

(1) Recurrence prevention measures (in response to fatality)

In March 2023, a transportation company worker was run over and killed by another company's vehicle at the cement shipping yard of an overseas group company. The direct cause was walking in a no-walking area, but another indirect factor was inadequate visualization of the separation of the flow lines between people and vehicles. We promote thorough separation of lines of flow between people and vehicles (work and walking areas are defined and made visible with signs, paint markings, etc.) and the practice of pointing and calling out to others at all workplaces.

Posting of warning to drivers (Taiheiyo Cement Philippines, Inc.)

(2) Experiential Safety Training

In order to boost the safety awareness of our employees we hold safety training where they experience risks inherent in familiar operations. In FY2019 we introduced experiential safety training equipment such as VR (virtual reality) devices at all our cement plants for employees to experience simulated dangers related to safety harnesses, rotating equipment, electricity and heavy objects suspended from a crane. We also set up a system that can provide effective training for younger or less experienced employees.

At each plant, we are striving to improve safety awareness by adding hazard simulation equipment, providing safety simulation training using on-site equipment, and combining hazard simulation equipment training with VR training.

Simulated experience of an access hole closing and trapping fingers (Ofunato Plant)

Safety training using VR (Saitama Plant)

(3) Expanding Safety Activities to Group Companies

The Company-wide Health & Safety Committee provides support for safety activities at group companies. It started conducting safety surveys at the group's business sites in Japan and overseas in FY2019. Safety surveys were conducted at four business sites in Japan and one overseas in FY2023. In addition, at the Kumagaya Plant, safety personnel from four Group companies exchanged opinions on safety activities and received training using hazard simulation equipment.

Our group companies will continue to improve the level of safety management going forward.

Safety activity support (Nghi Son Cement Corporation)

(4) Ensuring the fundamental safety of work (acquisition of utility model rights)

Each plant is working to make its operations and facilities intrinsically safe by reflecting the opinions of its workers.

The Oita Plant has been striving to make the work of cleaning the returned powder from the return roller of belt conveyors intrinsically safe, and has developed a "safety cover for self-aligning return rollers" that enables safe work without stopping the belt conveyor, and obtained a utility model patent in February 2022.

Safety cover for self-aligning return roller
Registration No.: 03235767 (February 3, 2022)

(5) Ensuring the Safety of Foreign Workers

The number of foreign workers is increasing each year and we are becoming multinational. At our cement plants we are striving to ensure safety through graphic displays in educational materials, multilingual displays, and using DVDs.

"Safety First" was translated into Vietnamese and Indonesian and posted in the plant (Ofunato Plant)

Human Resources Strategy

We motivate our employees and enhance their abilities, which in turn drives the improvement of our corporate value.

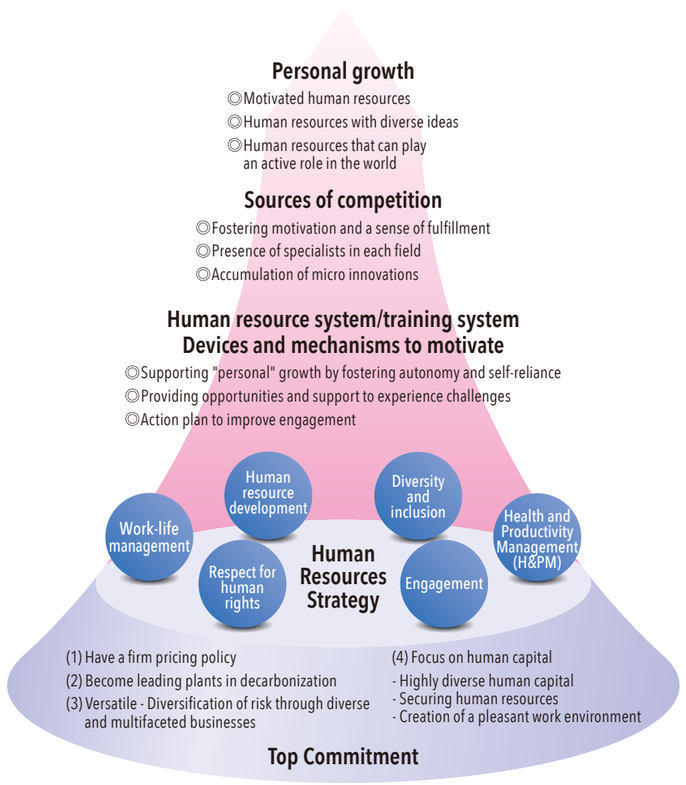
Tetsuya Ohashi Director and Senior Executive Officer

We view human resources as "capital" and believe that increasing the value of individuals by investing in people will lead to medium- and long-term improvements in corporate value.

Based on this approach, we are deploying initiatives that are conscious of the link between management strategy and human resource strategy, including securing and training human resources that can create added value.

We will realize human capital management by creating an environment in which our employees are rewarded for their work, maintain their physical and mental health, and work efficiently.

Improvement of corporate value



Human resources strategy and micro-innovation

The Taiheiyo Cement Group has been continuously involved in cement production for 140 years. During that time, we have worked to achieve quality and cost competitiveness of our products and services at all sites, from limestone mining to cement production and transportation.

Originally, cement was made purely from naturally occurring materials such as limestone, clay, and silica stone, but in recent years waste and by-products have been used as alternative raw materials. Continuous operation and planned repairs at the plant are the source of our cost competitiveness; however, many of the alternative raw materials can have a negative impact on the cement manufacturing process, so making full use of them requires a certain amount of ingenuity.

For example, utilising sewage sludge as a raw material in the cement production process can be unpleasant for operatives on site. Similarly, in response to the recent surge in coal prices, plants are striving to make full use of lower-quality coal, so the accumulation of "micro innovations" to overcome challenges such as unpleasant or difficult to handle materials becomes a specific skill. Therefore, the "motivation" of plant employees is directly related to corporate value.

Human resources required for further growth

Expansion of our business in overseas markets is essential for the further growth of the Taiheiyo Cement Group. To this end, it is necessary to continuously develop human resources, both technical and clerical, who can play an active role overseas. There are programs such as overseas traineeships and overseas language study programs, but nothing beats practical work experience.

We are currently building a state-of-the-art cement plant in the Philippines, and participating in this project is an extremely good learning experience. It is a valuable opportunity because we are building a plant from scratch and starting it up together with local employees. Many of our employees, especially young and "motivated" employees, are playing an active role on location.

However, overseas projects do not always progress smoothly and unforeseen things can happen frequently, so working on location is usually a battle against schedules. Experiencing such difficulties is a way for an individual's ability to grow by leaps and bounds. All of them will come back stronger and more mature.

Approach to human capital

The term "human capital" is now used frequently. We believe "capital" includes the nuance that when an individual grows, the overall "capital" of the firm will increase as a result. Growth is the accumulation of what you were not able to do yesterday that you are able to do today. The driving force behind growth is motivation. The Human Resources Department is the place where mechanisms and systems are created to sustainably generate "motivation".

Towards improvement of corporate value

Starting this year, we have decided to conduct an engagement survey of all employees to gauge their willingness to serve in the organization. Based on the survey results, each department will develop and implement an action plan to improve engagement, and the PDCA cycle will be implemented. In addition to regular job rotations, an in-house sideline system is being implemented on a trial basis with the aim of gaining experience in other departments. For example, a person from a research center can telework 20% of his/her time per week to work in overseas sales, or a person from the general affairs section of a plant can work in the human resources department at Headquarters. If they are a good match, it is possible for them to transfer directly.

We believe that individual growth based on "motivation" leads to increased corporate value.

Human resource development

In addition to company-wide measures such as training for each job level of employees, we provide individual learning opportunities that foster autonomy and self-reliance, thereby creating a corporate culture that motivates employees to grow and proactively find the pillars of their careers.

Basic approach

We have established the following six items as our "Human Resource Development Policy" for systematic and comprehensive human resource development so that all of our human resources can demonstrate the full extent of their individual capabilities.

Human Resource Development Policy

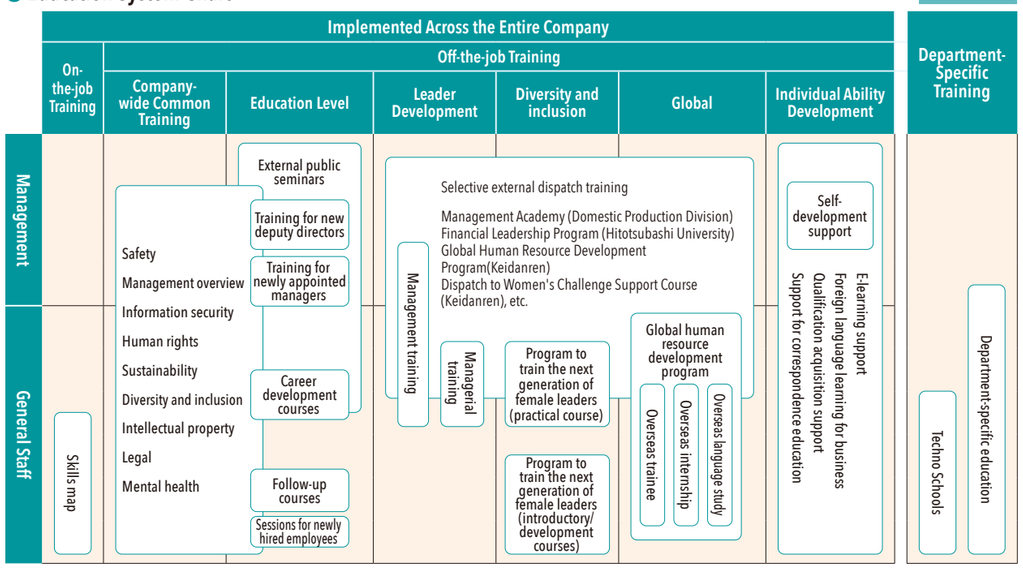
1. Supporting "personal" growth by fostering autonomy and self-reliance among our diverse human resources.
2. Developing human resources through on the job training supplemented by off-the-job training.
3. Developing human resources to inherit the roles of their predecessors, playing central roles in the future in each field and at each level.
4. Developing human resources to take action in constant consideration of group management.
5. Developing human resources to global standards of competence.
6. Developing human resources to protect the environment and to serve society through the promotion of sustainability.

Education System

In order to realize our Human Resource Development Policy, we provide training across the entire company. Regarding on-the-job training, which is the foundation of human resource development, we have clearly indicated skill maps for each area of work in which employees are engaged and utilize them in on-the-job training in the workplace. For off-the-job training, which complements on-the-job training, we provide various training programs and support for the development of individual skills.

Education System Chart

Non-consolidated



Promotion of diversity and inclusion

The promotion of diversity and inclusion is one of the key issues for the creation of an innovative workforce, and we are making it a priority.

Basic approach

We are actively working with the aim of becoming a company where people with diverse values can play an active role.

Promoting Women's Participation and Advancement in the Workplace

We have established a basic policy regarding women's participation and advancement in workplace and are implementing initiatives. The current quantitative targets are defined in our CSR Objectives for 2025 that were established in May 2015 and have been published both internally and externally. The ratio of female employees was 9.6% at the end of March 2023 and we are continuing our efforts to achieve our target of 10% or more.

Fundamental Policies

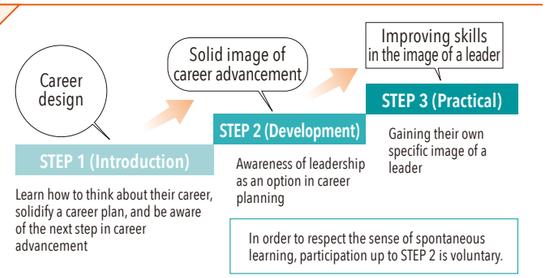
With the aim of further enhancing corporate value by promoting innovation through the ideas and values of diverse human resources, we will:

- Promote active recruitment and retention of women in order to build an appropriate human resources portfolio;
- Promote work-life management to improve productivity and build an organization that maximizes the capabilities of our diverse workforce.

Program to train the next generation of female leaders

In Japan, the career development of working women is prone to various uncertainties due to the influence of life events and the absence of role models. To counter this, we provide training aimed at developing the next generation of female leaders.

▶ Number of participants in FY2023: 29



Expanding recruitment of experienced persons

With regard to employee recruitment, we are actively recruiting not only new graduates but also experienced persons. Hiring people with diverse careers not only ensures immediate workforce strength, but also revitalizes the organization with new values. We have hired about 10 experienced workers in each of the last five fiscal years, leading to diversity in our core workforce.

In addition, "employee referral hiring" and "alumni hiring" were newly introduced to increase employment diversity.

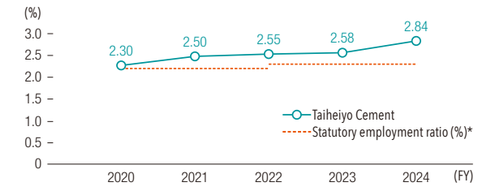
Promoting Employment Opportunities for Persons with Disabilities

We have been working to improve the ratio of employees with disabilities, including the establishment of three special purpose subsidiaries, and exceeded the statutory rate of employment for 16 consecutive years since FY2009.

We will continue to proactively work to increase the number of employees with disabilities while collaborating with schools and support organizations for persons with disabilities.

Trends in the ratio of employees with disabilities (as of June 1 of each year)

Non-consolidated



* Statutory employment rates: 2.2% from April1, 2018; 2.3% from March 1, 2021

Promotion of work-life management

Employee wellbeing is contributes to our sustainable growth. We are working to create a workplace where each and every employee can enjoy job satisfaction.

Basic approach

We have introduced various systems to realize flexible work styles and promote work-life management for our employees.

Various Employment Systems

- Flextime system (Core time: 11:30 a.m. to 1:30 p.m. (headquarters, branches, etc.))
- Discretionary labor system
- Telecommuting system
- Inside side job system
- Outside side job system
- Shortened work hours in order to care for children up to sixth grade of elementary school (hours can be shortened by up to 3 hours/day in 10-minute increments)
- Shortened work hours in order to provide nursing care to family (hours can be shortened by up to 3 hours/day in 10-minute increments, for a total of 3 years per person requiring care)
- Exemption from overtime work in order to care for children under 3 years old
- Restriction on overtime work, exemption from late-night work, and staggered work hours in order to care for children up to sixth grade of elementary school
- Exemption and restriction on overtime work, exemption from late-night work, and staggered work hours in order to provide nursing care to family
- Half-day paid vacation
- "Special Reserved" leave (purposes of use: medical care, nursing care, physical checkups, fertility treatment, self-development, etc.)
- Child nursing/nursing care leave (ten days per year)
- Volunteer activity leave
- Personnel management systems for each course, including area-specific positions (with course change system)
- Maternity leave and childcare leave system (up to two years and one month)
- Nursing care leave system (for a total of two years per person requiring nursing care)
- Work-life management leave
- Career comeback system (reemployment system)　etc.

Support for balancing work and childcare/nursing care

To enable employees to balance work and childcare/nursing care, we have introduced a shortened working hour system for childcare up to the completion of the sixth grade and for nursing care up to a total of three years (per person requiring nursing care). We are working to make the system easier to utilize by, for example, allowing employees to choose to work shortened hours under the flextime system (at the headquarters, branch offices, etc.). In addition to leave for childcare and nursing care, we also provide a long-term leave system (work-life management leave) for accompanying a spouse on a new assignment, etc., to support work-life balance.

Ratio of male employees taking childcare leave, etc.

Non-consolidated

Support for side jobs both inside and outside the company

We have introduced a system that allows employees to work side jobs, both inside and outside the company. We expect this system to promote the autonomous formation of diverse careers and increase engagement by allowing employees to demonstrate their strengths and take on tasks that are in line with their interests.

Increasing Understanding of the Systems

We have an exclusive website for our employees regarding the various systems called "Kirakira Palette" in order to increase awareness of the various systems that can be utilized for work-life management. The site provides information on child and nursing care, health, self-development, and other information to support employees' lives, which can be accessed from anywhere at anytime. We are working to enhance the content.

Health and Productivity Management (H&PM) initiatives

As part of our efforts to improve labor productivity, we promote various measures to maintain the physical and mental health of our employees.

Basic approach

We have been implementing H&PM initiatives since FY2019, and based on the belief that the health of our employees and their families is the foundation of our business activities, we view our employees as "human capital" and work to maintain and promote the health of our employees and their families, as well as promote a workplace that provides job satisfaction.

Taiheiyo Cement Group Commitment to Health

The physical and mental health of our employees and their families is a prerequisite for us to realize our mission of contributing to social infrastructure development by providing solutions that are environmentally efficient, enhancing our competitive position and bringing value to our stakeholders. We hereby declare that we regard our employees as "human capital" and that we will work to maintain and improve their health and that of their families, and aim to create a rewarding workplace where employees can fully demonstrate their abilities.

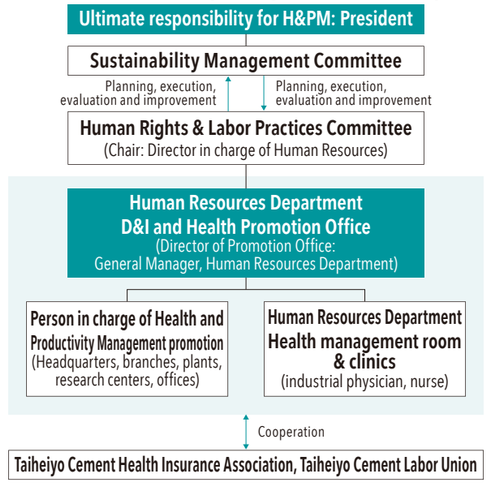
Sep. 2022　TAIHEIYO CEMENT CORPORATION　President and Representative Director
Masafumi Fushihara

Fundamental Policies

1. Under the Health-Conscious Management Declaration, the Taiheiyo Cement Group, led by the Human Rights & Labor Practices Committee, will work with each business site to promote efforts to maintain and improve the health of employees and their families and to create a rewarding workplace.
2. Employees will enhance their physical and mental wellbeing and improve their quality of life by actively working to maintain and improve their health and that of their families.

Please see our website for more information about our promotion of "H&PM".
https://www.taiheiyo-cement.co.jp/english/csr/human_rights_fr.html#section13

Health and Productivity Management Promotion System



Main Health and Productivity Management activities

Under our Health-Conscious Management Declaration, we are promoting health management through the PDCA cycle, which includes establishing a Health and Productivity Management activity plan for each fiscal year, implementing measures, verifying their effectiveness, and reflecting the results in measures for the next fiscal year.

Employee health care

- Employees receiving periodic health examinations
- Recommendation of secondary testing and specific health guidance
- Health care system utilization, etc.

Health literacy education

- Implementation of e-Learning for all employees
- Provision of health information, etc.

Preventive measures against lifestyle-related diseases

- Three walking events are held annually
- Introductions of healthy employees in the company newsletter
- Implementation of "eating in moderation" campaign, etc.

Smoking rate reduction measures

- Smoking cessation aids provided free of charge
- Assistance for smoking cessation therapy
- Running of Smoke-Free Day, etc.

Mental health measures

- Conducting of stress checks
- Follow-up interviews with employees at high-stress offices
- Establishment of a mental health counseling services, etc.

Respect for human rights

In order to practice business activities in which respect for human rights is regarded as the most important issue for the entire supply chain, we promote human rights awareness activities for the entire group.

Basic approach

We formulated our Basic Policy Concerning Human Rights and Labor Practices in April 2015 with the awareness that respecting human rights and diversity is a fundamental principle for a sustainable society, and taking into consideration the Universal Declaration of Human Rights and the labor standards of the International Labor Organization.

Furthermore, we signed the United Nations Global Compact in May 2022 and are continuing to further enhance our efforts to protect human rights.

Basic Policy Concerning Human Rights and Labor Practices

1. Recognizing that respecting human rights is a foundational management concern, we will strive to address human rights issues.
2. We will respect diversity and will not tolerate discrimination or harassment in any form.
3. Applying accepted international principles and laws and labor practices in each country, we will respect the rights of all our workers, provide them with employment free of discrimination and strive to ensure equal employment opportunities.
4. We will strive for better working conditions and a workplace environment that ensures the health and safety of our employees.
5. We will not tolerate child labor or forced labor under any circumstances.

The United Nations Global Compact

The United Nations Global Compact (UNGC) is the world's largest sustainability initiative, bringing together the United Nations and the private sector (businesses and organizations) to build a healthy global society.

We signed the Compact in May 2022 and endorse the ten principles related to the protection of human rights, the elimination of unfair labor practices, environmental responsibility, and the prevention of corruption, and we are taking various steps to achieve these principles.

WE SUPPORT
UN GLOBAL COMPACT

Educational Activities on Human Rights

CSR top management lectures for Group companies were held on topics related to "Business and Human Rights Responses Required of Companies". We also provided training support to Group companies, distributed human rights educational booklets, and provided information.

In FY2023, the theme of training for each job level of employees was "Recent Dowa issues and efforts to prevent harassment and how to use counseling services" and explanatory meetings on understanding the importance of harassment prevention and the procedures to use the counseling services were held at all business sites.

Internal Training and Motto Submission (FY2023)

Training	Results
CSR top management lecture	126
Human rights training for each job level at headquarters	291
Human rights training at branches, research centers and plants	1,412
Number of Human Rights Week mottos submitted (employees and family members)	1,670

Our Human Rights Hotline

In addition to members of the harassment counseling committees and human rights committees conducting activities to raise awareness of human rights to prevent harassment and offering consultation, the Japan Institute for Women's Empowerment & Diversity Management serves as an external consultation service, providing an environment conducive to consultation.

In FY2023, there were 14 consultations to the harassment consultation service, all of which were handled appropriately in accordance with the requests of the consulting parties.

Harassment Hotline

Internal	Human rights awareness promotion committee members and harassment consultation members have been assigned at all our business sites (56 in total)
External	Telephone and website consultations have been contracted to the Japan Institute for Women's Empowerment & Diversity Management Harassment Hotline

Number of Reports to the Harassment Hotline (FY2023) Non-consolidated

	Sexual harassment	Power harassment	Other forms of harassment	Total
Internal	0	6	3	9
External	1	2	2	5

Human Rights Due Diligence

Together with our suppliers, we will deepen our commitment to respect human rights and aim for sustainable growth throughout the supply chain.

Human Rights Due Diligence

We recognize that respect for human rights not only means not being complicit in human rights abuses ourselves, but also taking responsibility for preventing and mitigating negative impacts on our suppliers. The first Human Rights Due Diligence (Human Rights DD) was initiated in 2024 to identify potential human rights risks in the Group's business activities and prevent or mitigate them by appropriate means.

The scope of the survey covered the Taiheiyo Cement Group and several representative companies from the supply chain centered on cement manufacturing, the backbone of the Group.

For the issues survey, we referred to the "Guiding Principles on Business and Human Rights" issued by the UN Human Rights Council, as well as several international norms and guidelines, and identified 15 themes considered to be of particular importance to the Group.

This year, based on the survey results, we will assess the current status of human rights risks and examine corrective measures and countermeasures, focusing on issues rated as having a high severity of impact.

Flow of human rights DD implementation

Basic design	• Identify critical human rights issues based on factors including international standards, external requests, industry characteristics
Detailed design	• Consider methods for evaluating human rights issues, and consider survey methods and techniques for the purpose, as well as selecting priority targets to be surveyed
Grasping the current situation	• Conduct written and interview surveys
Evaluate and consider response measures	• Analyze survey results and create a risk heat map • Consideration of corrective measures to reduce human rights risks
Monitoring	• Confirm the progress of corrective actions • Expand the scope of human rights DD • Design and implementation of grievance handling mechanisms

Human Rights Issues of the Taiheiyo Cement Group

1	Respect for human rights
2	Non-participation in human rights violations
3	Access to legal remedies
4	Equality under the law and prohibition of discrimination
5	Harassment and abuse
6	Child labor
7	Forced labor
8	Occupational Health and Safety
9	Working hours
10	Appropriate working environment
11	Wages
12	Freedom of association and the right to collective bargaining
13	Rights of local residents and communities
14	Bribery and corruption prevention
15	Thorough procurement practices (supplier management)

First DD: Scope of survey

Major domestic primary suppliers (coal, limestone)		2 companies
Production	Directly-controlled of domestic affairs	6 plants
	Domestic Group	3 companies
	Overseas Group	6 companies
Transportation	Land transportation (domestic group)	1 company
	Marine transportation (domestic group)	1 company

+

To be implemented from the second time onwards

- Other domestic and overseas group companies
- Major domestic secondary suppliers
- Major overseas primary suppliers

Initiatives to Improve Engagement

Regular engagement surveys will lead to measures to motivate employees and increase their willingness to contribute to the company.

Basic approach

Based on the belief that understanding and empathy with the values of the Taiheiyo Cement Group, including its mission and future vision, and increasing the willingness of employees to contribute to the company will contribute to sustainable corporate growth, we are promoting the creation of a vibrant and comfortable workplace that respects human rights and diversity. In June 2023, we introduced an employee engagement survey to visualize issues related to improving employee engagement from the perspectives of whether the workplace environment and ease of work are improving, whether there are changes in awareness regarding work styles, and how we compare with other companies, and to link this to the review and implementation of various measures.

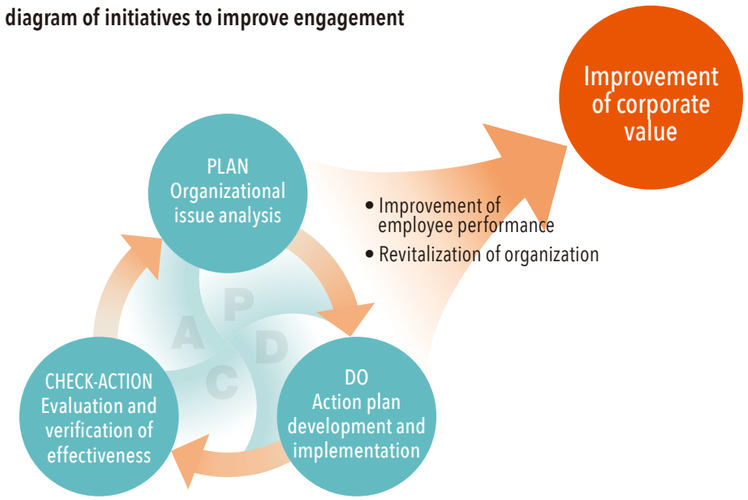
Conducting of engagement surveys

An engagement survey is one that visualizes "the willingness to contribute to the organization and the psychological state of being proactively engaged in one's work". In June of this year, we conducted engagement surveys to visualize employees' "engagement with their work" and "engagement with the organization's philosophy, culture, and environment," respectively, with the aim of aligning the direction of growth between the company and employees.

Our engagement score of 66 was at a 3-point deviation from the benchmark score of 69. The scores by evaluation item show that "provision of career opportunities" and "culture of challenge" need improvement, while "stress response," "work-life balance," and "satisfaction with salary" are expressed as our strengths. Note that the benchmark score here is the overall average score for Wevox-using companies in all industries and with company sizes ranging from 1,001 to 5,000 employees.

We will continue to conduct employee engagement surveys on a regular basis and, while checking the scores, each department will deploy a PDCA cycle to analyse organizational issues, formulate and implement action plans, and evaluate and verify the effectiveness of such plans, aiming to improve employee performance, revitalize the organization, and increase corporate value over the medium to long term.

Conceptual diagram of initiatives to improve engagement



Discussion with the Independent Directors

The Stakeholder Communication Committee, a cross-functional organization within the Company, held a "Discussion with the Independent Directors".

With Director Koizumi

Attendees
T.Y. Tohoku Branch remote
S.T. Cement Business Division Administration Department
H.N. Kamiiso Plant remote
R.N. Chubu Hokuriku Branch
N.N. The Carbon Neutral Technology Development Project Team remote
A.N. International Business Division

Host
Y.S. General Affairs Department

Q What are some of the characteristics of the company from the perspective of its independent directors?

A We strongly feel that each and every employee takes pride in being part of a leading company with over 140 years of history. There have been times of hardship in the company's long history, but it has overcome these hardships, is actively expanding overseas, and it is time for the struggles of the past to blossom. On the other hand, looking within the group, there are only a few completely different industries, giving the impression of a strong cement specialization.

Q Our company now offers a wide variety of work styles. Please share your advice on what you value in future career development.

A When I was giving birth and raising my children, we did not have the support that we have today, so I feel that these are great times. It is important not to interrupt your career, but to take advantage of all the support you can get, because you will not be able to keep going if you have to take on work, childcare, caregiving, and family all by yourself. It is said that it takes the support of 10 people to nurture a female businessperson, so it is difficult to do it alone no matter how hard you work. Therefore, it is important to always remain grateful to those around you, including your family and colleagues. Since society is now promoting the active participation of women, we should try to get on board with this trend.

After the Discussion

A.N.

Normally, we rarely have the opportunity to hear directly from management, as their intentions and ideas go through various internal processes before reaching us. Through the exchange of various opinions at this discussion meeting, we were able to gain a clearer understanding of what is expected of us in our daily work, and it was a valuable opportunity to increase our motivation.

With Director Emori

Attendees	**T.O.**	Chubu Hokuriku Branch
	A.N.	The Carbon Neutral Technology Development Project Team remote
	K.M.	Nghi Son Cement Corporation remote
	T.I.	Kumagaya plant
	S.Y.	General Affairs Department
	A.S.	Production Department
	Y.M.	Corporate Planning Department
Host	Y.S.	General Affairs Department

Q **We are in a difficult business environment right now, what will it take to keep us motivated?**

A It is important for young people to align their vectors with the president's vision of "becoming an outstanding leading company in the Pacific Rim," and to look ahead to the future and work hard without being too concerned about the situation in front of them. I hope that you will face your work by embodying your own themes, such as "What is it that I can do?" and "What should I do?" to overcome difficult situations. When encountering difficulties, actively engage in dialogue with your superiors and seniors to get in touch with their humanity and outlook on life. That way, you may find some constructive answers. I hope that all of you will have an unshakable focus in your lives and become people equipped with virtue.

Q **What is the experience that a young employee should have?**

A I hope that you will make an effort to gain experience and knowledge of company operations and management. Furthermore, in order for our company to accelerate global management in the future, language skills that can be used overseas and the ability to communicate with local staff are also indispensable. In order to become such sought-after human resources, I hope that you will actively look outward from a young age.

With Director Furikado

Attendees	**A.H.**	Central Research Laboratory
	S.H.	General Affairs Department
	M.Y.	Saitama Plant remote
	S.I.	Taiheiyo Cement Philippines, Inc. remote
	T.H.	Chugoku Branch
	M.O.	Human Resources Department
	K.S.	Accounts Department
Host	Y.S.	General Affairs Department

Q **What are your expectations for young employees in order for our company to become an outstanding leading company?**

A While energy prices continue to soar, the price pass-through to cement has not progressed well, resulting in very difficult business conditions in FY2023. However, times of trouble are opportunities to change things radically. As the top manufacturer in Japan, we must develop and lead the way on cement pricing policy. I would like to encourage young employees, with their fresh and flexible senses, to proactively make various proposals from the perspective of "if I were the president".

Q **Please tell us about what it is that our company should communicate more to society.**

A Cement is the base material for infrastructure and, as a necessary industry, it will not disappear in the future. The fact that we have created a technology that utilizes a wide variety of waste materials to produce cement and contributes to the circular economy is proof that the cement industry itself is sustainable. On the other hand, it is less well known that the company is actively working to achieve carbon neutrality and that it is a global company with overseas factories accounting for nearly 40% of its production capacity. I think that should be more widely communicated to society.

After the Discussion — S.H.

We asked them about the corporate culture that they felt was unique to our company. The foundation of our company is the long 140-year history built by our predecessors, and I once again recognize that it is my role to pass on this history to the next generation. I would like to use this opportunity of this discussion meeting as an impetus to work harder than ever before.

Value Chain Management

Aiming to build a relationship of mutual trust with each stakeholder in the value chain and achieve sustainable development together.

High quality and safe products

Basic approach

In 1998, the year of Taiheiyo Cement's inception, we established a quality policy based on our management policy. We have since revised our Business Principles by adding content that expresses them in a way that is easy to understand, and we are working to disseminate them throughout the entire organization. It represents our aspiration to continue to be a company that customers trust and rely on by sharing a sense of achievement through each employee's actions and by providing high-quality products and services, leveraging our high technological capabilities and quality assurance system.

Quality Policy

All of our employees adopt a global perspective, striving to boost customer satisfaction and contribute to society by providing environmentally-friendly products and quality that matches our customers' needs.

In order to achieve the aims of our policy

1. We develop specific product quality targets based on our Quality Policy, and disseminate them within the company.
2. We focus our efforts and work positively to achieve the quality targets.
3. We carefully review the levels of customer satisfaction and product quality that have been achieved.
4. We implement a quality management system and continually improve our products.

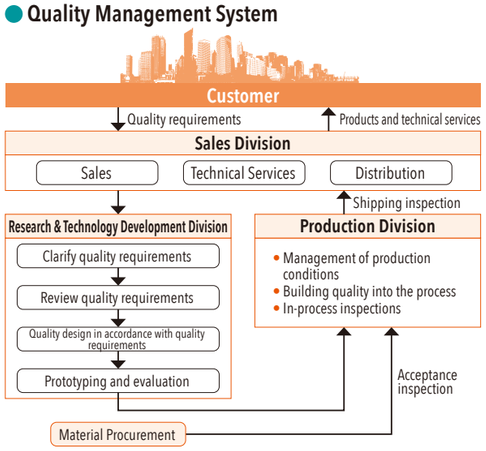
Quality Management

We focus on stabilizing and improving product quality while capitalizing on the production and quality control technologies we have developed over the years. We are further enhancing product quality control by deploying advanced technologies to ensure improved stability such as an online analysis system for raw materials, clinker and cement, the measurement of clinker minerals by X-ray diffraction and our proprietary Taiheiyo Cement Quality Predictive System (TQPS). Whilst maintaining quality, we also make effective use of waste and by-products and in doing so manufacture cement that pays due attention to the conservation of the global environment.

All of our Portland cement plants in Japan, including those of group companies, have obtained ISO 9001 certification, the international standard for quality management systems. Furthermore, all of our overseas cement plants in countries that adopt ISO have obtained ISO 9001 certification. To ensure product quality and improve business operations, we obtained ISO 9001 (JIS Q9001) certification from the Japan Testing Center for Construction Materials. The scope of our certification encompasses the development, design and production of a range of cement, cement clinker and cement-based soil stabilizer products.

We will continue to enhance our efforts to "supply products that meet customer needs" and "improve customer satisfaction" whilst actively utilizing the ISO 9001 system.

Quality Management System



Safe Cement and Cement Products

Today every product is expected to be safe; as a construction material that is indispensable for developing social infrastructure cement is no exception. The cement industry has long made use of industrial waste and by-products such as blast furnace slag, coal ash and by-product gypsum as substitutes for natural mineral resources. Furthermore, we use technologies we developed to recycle household waste, such as the AK system to recycle municipal waste and our incineration residue recycling system. We also recycle construction-related soil and waste materials into raw material and fuel for cement production. When our cement plants accept waste we prevent its dispersal and minimize the release of odor by transporting the waste in a tightly sealed panel truck and storing it in a fully enclosed facility to protect the environment of the surrounding area as well as that inside the plant.

We have already established fixed standards for the management of heavy metals contained in natural resources, and are constantly enhancing the control of minor components as the volume of waste we receive increases. When we receive new types of waste or waste from new sources we strictly apply rules under which we conduct three kinds of inspection related to the source of the waste, its chemical composition and the results of trial use to identify any potentially negative impact on product quality or the surrounding environment. We will then make a final decision on whether to receive the waste. These measures help us ensure product safety.

Ensuring Product Safety Following a Nuclear Accident

As a consequence of the nuclear accident at the Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Company Holdings, Inc. in 2011, we discovered that some industrial waste used for making cement contained specified radioactive material. We have established a system to ensure that the radioactive concentration in cement shipped from our plants is below the safety limit* set by the Japanese government by strictly controlling the radioactive concentrations in raw materials and fuels for cement. In the interest of full disclosure we post the measurement results on our website every month.

* The Japanese government set a limit of 100 Bq/kg as the safety standard for radioactive concentrations in cement, effective from May 2011.

Please see our website for more information about radioactive concentrations in our products in Japanese.
https://www.taiheiyo-cement.co.jp/english/csr/fair_trade_fr.html#section02

Provision of Information Using SDS and Labeling

To ensure the safety of cement users we prepare Safety Data Sheets which contain hazard identification details and make these sheets available on our website. GHS labels are also attached to bags and flexible containers.

Minor Components of Ordinary Portland Cement

(Unit: mg/kg)

		FY1988	FY2019	FY2020	FY2021	FY2022	FY2023
Fluorine	Average	–	427	435	409	395	461
	Max.	–	504	578	512	449	557
	Min.	–	355	337	326	311	396
Total chromium	Average	–	77	84	79	75	79
	Max.	–	95	95	85	88	92
	Min.	–	64	75	73	65	63
Water-soluble hexavalent chromium	Average	17.4	8.6	7.9	8.0	7.1	6.4
	Max.	32.3	11.4	9.8	11.1	8.9	7.2
	Min.	5.3	5.4	6.6	5.5	5.9	5.6
Zinc	Average	556	600	554	609	560	551
	Max.	1059	772	677	734	742	702
	Min.	137	449	493	464	434	422
Lead	Average	221	62	63	66	61	54
	Max.	668	84	77	88	82	72
	Min.	18	38	43	39	43	37
Copper	Average	122	274	263	267	253	253
	Max.	233	415	359	442	404	365
	Min.	17	163	181	168	159	138
Arsenic	Average	17	18	13	15	14	15
	Max.	39	47	28	47	39	54
	Min.	2	6	7	6	6	ND
Selenium	Average	–	0.5>	0.8	0.8	0.7	0.7
	Max.	–	0.5>	0.9	0.9	0.8	0.9
	Min.	–	0.5>	0.6	0.5>	0.5>	0.5
Cadmium	Average	1.5	1.3	2.0	1.7	1.5	2.0
	Max.	2.6	2.0	3.0	2.0	2.0	3.0
	Min.	0.6	1.0>	1.0>	1.0>	1.0	1.0
Mercury	Average	–	0.005>	0.007	0.010	0.008	0.010
	Max.	–	0.005>	0.011	0.020	0.012	0.020
	Min.	–	0.005>	0.005>	0.005>	0.005>	0.005>

Responsible Sourcing and Supply

Basic approach

We believe that we grow along with our business partners. In order that we may build relationships of mutual trust and work in tandem with our business partners, our dealings with them are based on fair contracts and we strictly adhere to our agreements. We have established fundamental policies in order to clearly establish our stance towards fair trade, under the "Dealing outside the company in good faith" section of our Standards of Conduct and based on the principle that "we will act in an ethical manner and abide by the laws and regulations of those countries in which we operate" defined in our Business Principles, and our supply chain management is in accordance with these policies.

Fundamental Policies

1. We will conduct fair marketing and bidding, and not engage in unfair practices such as collusion and cartels.
2. We will maintain appropriate and transparent relationships with our contractors.
3. We will select business partners in a fair and equitable manner.
4. We will not offer entertainment or gifts to customers that go beyond what is legally and socially acceptable.
5. Our advertising, displays and briefing sessions will be honest and sincere.
6. We will respond appropriately to customer feedback.
7. We will maintain transparent relationships with governments and local authorities.
8. We will respect the cultures and customs of the places where we operate.

In addition, we established the Basic Policy Concerning Procurement in October 2017 to consolidate commitments 2 ("We will maintain appropriate and transparent relationships with our contractors") and 3 ("We will select business partners in a fair and equitable manner"), and request ethical conduct from our contractors.

Please see our website for more information about the Taiheiyo Cement Purchasing Basic Principle
https://www.taiheiyo-cement.co.jp/english/csr/fair_trade_fr.html#section06

In response to the strengthening of international regulations against acts of bribery, and to strengthen our initiatives against corruption as stated in commitments 4 (We will not offer entertainment or gifts to customers that go beyond what is legally and socially acceptable) and 7 (We will maintain transparent relationships with governments and local authorities), we established our Anti-Bribery Policy in January 2017, and concurrently released a statement by our president proclaiming the group's stance against bribery.

Please see our website for more information about the Anti-Bribery Basic Principle (Policy).
https://www.taiheiyo-cement.co.jp/english/csr/fair_trade_fr.html#section06

Our Business Partners

Our main business activities are involved with cement and concrete. Limestone is the main raw material used and group companies are largely in charge of such aspects as the operation and management of the quarries. Coal, however, which is a source of thermal energy and also part of the raw materials we use, is sourced from companies outside the group. Moreover, the waste and by-products that we recycle in our cement production process come from many different industries and a variety of locations.

Most of our production divisions are mechanized and there are almost no labor-intensive processes, and tasks such as production equipment maintenance are outsourced to partner companies and contractors as and when necessary.

Cement is sold mainly to ready-mixed concrete companies and building materials distributors, and raw materials and products are transported by group companies and also companies outside the group.

In our business activities we strive to communicate closely with the local governments of the countries and regions where our business sites are located. We deem it essential that our supply chain respects human rights, in particular the banning of forced labor and child labor, complies with laws and responds to requests.

Safety of Business Partners Working at Our Production Sites

Operations at our cement production sites and quarries are increasingly being mechanized. Since some tasks are performed in elevated places or at high temperatures, ensuring worker safety at our production sites is essential. We do our best to ensure that employees of contractors working at our sites avoid any accidents. They receive various types of training when they start work at the site, are required to submit a work plan that includes a safety plan, and are given guidance with regard to that plan.

Enhancing Our Relationship with Our Customers

We place the highest priority on achieving greater customer satisfaction. Business units periodically exchange information and link up to strengthen production focused on quality that meets user expectations.

We gather information about customer requirements concerning product quality and services from our sales and technical staff at branches and sales offices. We then analyze that information, make improvements, and provide feedback. Furthermore, for our overseas customers, too, we have started to incorporate local needs into product quality, just as we do for domestic customers, and we are fine-tuning our products to meet the requirements of each overseas market. We respond sincerely to every quality issue raised by our customers, and strive to improve product quality and customer satisfaction.

We actively identify potential quality risks, investigate their causes and implement stringent cross-divisional countermeasures with the aim of establishing an even more reliable quality assurance system.

In addition, we are working to improve our quality assurance system to include the products of our group companies as well as Taiheiyo Cement Corporation products. We systematically strive to identify and address material issues via cross-divisional initiatives, and aim to boost the reliability of the Taiheiyo brand as well as customer satisfaction.

User Societies and Industry Associations

We have founded and manage various cement user societies and industry associations that support participants in vitalizing their business operations and developing technological competitiveness. The National Taiheiyo Cement Ready-mixed Concrete Society, the largest of these user societies, is made up of ten Taiheiyo Cement Ready-mixed Concrete Societies, in locations ranging from Hokkaido to Kyushu, and engages in various activities. We hold technical sessions and presentations, as well as conduct activities under specific themes suited to local conditions. We also focus on providing support for users in obtaining qualifications such as Authorized Concrete Engineer, Authorized Chief Concrete Engineer, and Authorized Concrete Diagnosis and Maintenance Engineer.

In addition to the National Ready-mixed Concrete Society, we have established other associations such as the Taiheiyo Cement Association for the Paving Block Industry and SPLITTON Association Japan to proactively deliver technical support for the mutual development of concrete product companies. We will continue to support activities that benefit cement users.

Activities of the National Taiheiyo Cement Ready-mixed Concrete Society

Region	Details
Hokkaido	Ran a contest for case studies of improvements related to health and safety
Tohoku	Compilation of examples of how to proceed with management review
Tokyo	Held (online) training sessions for personnel in charge of facilities
Kanto	Held Concrete Forum (Online on-demand format)
Hokuriku	Conducted trial mixing of low-carbon concrete
Chubu	Conducted a workshop corresponding to JIS A 1132:2020 "Method of making and curing concrete specimens for a concrete strength test".
Kansai	Survey of ready-mixed concrete basic data and preparation of model basic data
Shikoku	Basic training course on concrete quality control (hybrid face-to-face and web-based)
Chugoku	Conducted survey on policy management
Kyushu	Publication of "Guide to Concrete Related Tests"

Initiatives of the Taiheiyo Cement Association for the Paving Block Industry

Since its establishment in 2003, the Taiheiyo Cement Association for the Paving Block Industry has promoted the increased use of block paving through the exchange of information on concrete block pavement design, manufacturing and construction techniques, and the development of new products and technologies.

Labor shortages have become a major issue in recent years, which requires a prompt response via productivity improvement and reduction of labor demand in order to maintain and expand the volume of pavement block construction. In order to promote mechanized construction and improved productivity of block pavement, the association is working together with its members nationwide to conduct mechanized construction tours and other activities.

The association is also actively working to address the SDGs. Block paving has the ability to handle heavy loads, is highly durable and also contributes to mitigating the heat island effect. It therefore has reduced life-cycle costs and contributes to the reduction of environmental impact. For this reason, we are also focusing on advertising activities to gain the understanding of specifiers and end-users.

The association will contribute to society through more vigorous activities to expand the applications and popularity of block paving.

Stakeholder engagement

Our Group's main business activities are involved with cement and concrete. In our business activities, we closely communicate with our stakeholders such as shareholders and investors, local communities, customers and suppliers, as well as our employees, and strive to meet their further requests by making compliance with the law a must.

Basic approach

We are promoting timely and appropriate information disclosure and communication with our stakeholders based on our belief that in order to remain a sustainable company, it is essential for us to fulfill our social responsibility and continue to build good relationships in response to the expectations and demands of our diverse stakeholders.

We will continue to strive to make better use in our management of the opinions and requests we receive from our stakeholders, and to further promote human capital management so that our employees, who are the greatest capital of a company, can work enthusiastically.

Stakeholders	Stakeholders' Interests		Results (FY2023)	Future Issues
Shareholders, investors	● Financial strategy ● Timely and appropriate disclosure ● Our business and mission ● Sustainability		● IR activities • Financial results briefing (online live broadcast): 3 • Individual investor meetings: 160 • Investor conference: 1 ● Publication of Integrated Report: 1	● Reflecting the perspectives of shareholders and investors ● Promoting direct dialogue between shareholders and investors and management ● Timely and appropriate disclosure of information and obtaining appropriate evaluation from the market
Local community	● Engagement with local communities ● Biodiversity ● Reducing environmental impact ● Contributing to national resilience ● Water resources conservation		● Engagements with local communities: 2,538 • Global environmental conservation activities: 1,253 • Revitalization of local culture and exchange: 988 • Regional development: 146 • Education and human resources development: 119 • Disaster relief: 4 • Other: 28	● Exploring activities based on the needs of communities
Customers and business partners	● Delivering carbon neutrality ● Corporate ethics and compliance ● Risk management (crisis management) ● Contributing to the realization of a recycling-based society ● Popularization of environmentally sound products ● Sustainable supply chain		● Efforts Related to CO_2 Emissions Reduction in the Cement Production Process ● Business activities based on our Basic Compliance Policy and Anti-Bribery Policy ● Resource recycling with industry and local communities ● Disclosure of maintenance and management information on our six directly-controlled domestic plants pursuant to the Waste Disposal and Public Cleaning Law: monthly ● Acquisition of ISO 14001 certification through our company-wide environmental management system (including plants, headquarters, branches, and Central Research Laboratory) ● Acquisition of ISO 9001 certification: 100% in Japan, 100% in overseas cement production sites in countries where ISO is the mainstream standard ● Various user societies • National Taiheiyo Cement Ready-mixed Concrete Society: Individual activities in 10 regions in Japan • Taiheiyo Cement Association for the Paving Block Industry • SPLITTON Association Japan	● Promoting initiatives based on the Carbon Neutral Strategy 2050 ● Ensuring compliance and anti-bribery throughout the group ● Achieving group environmental targets (reduction of CO_2 and main air pollutant emissions) ● Increasing customer satisfaction and trust in the Taiheiyo brand ● Continuing support activities to meet the needs of users
Our employees	● Creating a safe and healthy workplace ● Diversity and Inclusion ● Human resource development ● Respect for human rights ● Group governance ● DX promotion		● Safety promotion activities with KPIs set by the Companywide Health & Safety Committee ● Promotion of initiatives based on the "General Employer Business Action Plan" in accordance with the Act for Promotion of Women's Participation and Advancement in the Workplace. ● Promotion of employment of people with disabilities: Exceeded the statutory employment rate (16 consecutive years) ● Signatory to the UN Global Compact: May 2022 ● Promotion of work-life management ● Promotion of H&PM: periodic health examinations (once/employee), stress checks (once/employee), mental health consultation service (as needed)	● Achieving safety-related KPIs ● Continuing efforts to achieve the CSR Objectives for 2025 (Diversity) ● Promoting barrier-free accessibility at each business site ● Identifying human rights risks throughout the supply chain

Communities

The Group's business is built on being in harmony with the local community. We always remember to be grateful and place the utmost importance on walking together.

Basic approach

We believe that by making social contributions in the areas where we operate, both domestically and overseas, we can create social and environmental value and contribute to a sustainable society and sustainable development of our business. Through active communication with local communities, we aim to understand their needs and challenges, and by making contributions that leverage the characteristics of our business, we aim to build trust with local communities and grow together with them.

Activity	No. of times conducted per year	Total number of participants	Examples of activities
1 Conservation of the global environment	1,253	1,778	Resident briefings, environmental reporting meetings, environmental monitoring system, cleanup activities, forest and local nature conservation activities
2 Revitalization of local culture and exchange	988	155,759	Organizing, participating in, and cooperating with plant and mine tours, facility openings, and events
3 Regional development	146	3,898	Provision of materials, lending of heavy equipment, disaster prevention activities Support for regional medical care and regional industrial development
4 Education and human resources development	119	16,027	Scholarships, training for engineers, internships and work experience
5 Disaster relief	4	17	Cooperation in rescue activities
6 Other	28	207,711	Cooperation in blood donation

Participation in the Miyagi Industrial Resource Recycling Association Sendai Branch "Cleanup Operation" (Tohoku Branch)

In October 2022, our Tohoku Branch participated in the "Cleanup Operation" in Onuma, organized by the Sendai Branch of the Miyagi Industrial Resource Recycling Association. We collected empty cans, plastic bottles, plastic bags, scrap tires, and many other waste items, contributing to the beautification of Sendai, the City of Trees.

Cooperation in Mt. Fujiwara Rescue Efforts (Fujiwara Plant)

Our Fujiwara Plant received requests for cooperation from the local fire department for emergency incidents such as fires and rescues on Mt. Fujiwara, and in FY2023, we used the mine roads to deliver the department personnel to the top of the mountain three times. We also cooperate with annual joint mountain accident drills conducted by the police and fire departments.

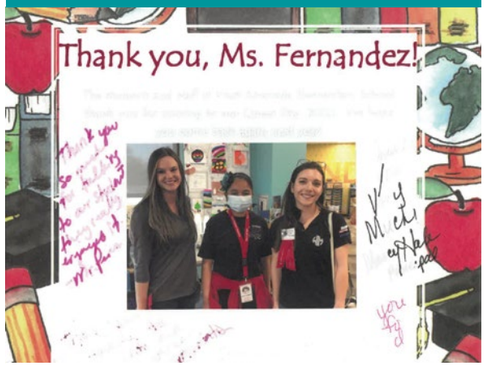
Acceptance of high school students for internships (Ryushin Mining Co., Ltd.)

Ryushin Mining offered an internship program for local high school students. As part of their "Period for Inquiry-Based Cross-Disciplinary Study," two second-year students from Iwate Prefectural Takata High School participated in a company overview and safety education, followed by a tour of the company and a ride on a dump truck.

Participation in an elementary school Halloween event (CalPortland Company, U.S.)

CalPortland Company participated in a Halloween event held at an elementary school in Nevada. Costumed employees in front of a decorated mixer truck handed out candy to more than 700 children. The children asked many questions about mixer trucks and concrete.

Participation in "Career Day" at an elementary school (CalPortland Company, U.S.)



CalPortland Company participated in a "Career Day" at an elementary school in California. Employees explained the work of the cement industry, including environmental management, heavy equipment operation, and technological development, and demonstrated concrete made in a cup.

Donation of medical supplies and equipment (Taiheiyo Cement Philippines, Inc., Philippines)

As one of its contributions to the community, Taiheiyo Cement Philippines, Inc. interviewed local residents about the medical supplies they needed and distributed medicines and medical equipment to them free of charge.

Our Directors and Corporate Auditors

Back row

Independent Corporate Auditor
Toshihito Aoki

Corporate Auditor (Standing)
Katsuhide Fukuhara

Independent Director
Shinhachiro Emori

Director and
Senior Executive Officer
Hideaki Asakura

Director and
Senior Executive Officer
Tetsuya Ohashi

Director and
Senior Executive Officer
Yoshifumi Taura

Independent Director
Hideyuki Furikado

Corporate Auditor (Standing)
Masahiro Karino

Front row

Independent Director
Yoshiko Koizumi

Vice President and
Representative Director
Yuuichi Kitabayashi

President and
Representative Director
Masafumi Fushihara

Vice President and Director
Kunihiro Ando

Independent Corporate Auditor
Wakako Mitani

Our Directors and Corporate Auditors

Directors

Masafumi Fushihara
President and Representative Director

Career Summary

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

Yuuichi Kitabayashi
Vice President and Representative Director

Career Summary

Apr. 1978 Joined Nihon Cement Co., Ltd.
May 2009 General Manager, Kamiiso Plant of Taiheiyo Cement Corporation
Apr. 2011 Executive Officer and General Manager, Production Department
Apr. 2013 Managing Executive Officer
Jun. 2013 Director, Managing Executive Officer
Apr. 2016 Director and Senior Managing Executive Officer
Apr. 2017 Vice President and Representative Director, Head of Corporate Planning Department
Jun. 2022 Vice President and Representative Director, Assistant to President (to present)

Experience and Knowledge

Since 2013 Mr. Yuuichi Kitabayashi has engaged in the management of the company as a director and was appointed as a representative director in 2016. He possesses a wealth of managerial experience, achievements and management insights. In addition, as the officer in charge of the Carbon-Neutral Technology Development Project Team and the Philippines Renovation Construction Project Team since 2021, he has significantly contributed to the development of the group. 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, driving the management of our group, while also identifying key management issues and supervising business execution.

Kunihiro Ando
Vice President and Director

Career Summary

Apr. 1980 Joined Onoda Cement Co., Ltd.
Apr. 2011 General Manager, Ofunato Plant of Taiheiyo Cement Corporation
Apr. 2013 Executive Officer and General Manager, Oita Plant
Apr. 2015 Executive Officer and General Manager, Mineral Resources Business Department
Apr. 2016 Managing Executive Officer
Jun. 2016 Director, Managing Executive Officer
Apr. 2020 Director and Senior Executive Officer
Jun. 2022 Vice President and Director, Assistant to President (to present)

Experience and Knowledge

Since 2016 Mr. Kunihiro Ando has engaged in the management of the company as a director and was appointed as a vice president and director in 2022. He possesses a wealth of managerial experience, achievements and management insights. In addition, as the officer in charge of the mining and mineral resources business division, 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.

Tetsuya Ohashi
Director and Senior Executive Officer

Career Summary

Apr. 1982 Joined Onoda Cement Co., Ltd.
Oct. 2010 President, Taiheiyo Cement U.S.A., Co., Ltd.
Apr. 2015 Senior General Manager of International Business Division, Taiheiyo Cement Corporation
Apr. 2016 Executive Officer and Senior General Manager of International Business Division
Apr. 2019 Managing Executive Officer
Jun. 2019 Director, Managing Executive Officer
Jun. 2020 Managing Executive Officer
Apr. 2021 Senior Executive Officer
Jun. 2021 Director and Senior Executive Officer (to present)

Experience and Knowledge

Since 2021, Mr. Tetsuya Ohashi has engaged in the management of the company as a director and significantly contributes to the development of the group as the officer in charge of the human resources and sustainability promotion division and the real estate division. 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.

Hideaki Asakura
Director and Senior Executive Officer

Career Summary

Apr. 1982 Joined Nihon Cement Co., Ltd.
Apr. 2011 President of Nghi Son Cement Company
Apr. 2016 Executive Officer of Taiheiyo Cement Corporation President of Nghi Son Cement Company
Apr. 2018 Executive Officer of Taiheiyo Cement Corporation General Manager of Sales Department of Cement Business Division
Apr. 2019 Managing Executive Officer
Jun. 2019 Director, Managing Executive Officer
Jun. 2020 Managing Executive Officer
Apr. 2022 Senior Executive Officer
Jun. 2022 Director and Senior Executive Officer (to present)

Experience and Knowledge

Since 2022, Mr. Hideaki Asakura has engaged in the management of the company as a director and significantly contributes to the development of the group as the officer in charge of the corporate planning division and legal department. He is effective in the role of a director in striving to continuously increase the corporate value of the group.

Yoshifumi Taura
Director and Senior Executive Officer

Career Summary

Apr. 1983 Joined Onoda Cement Co., Ltd.
Apr. 2013 General Manager of Sales Department of International Business Division, Taiheiyo Cement Corporation
Apr. 2017 Executive Officer, General Manager of Sales Department of International Business Division
Apr. 2019 Managing Executive Officer, Senior General Manager of International Business Division
Jun. 2019 Director, Managing Executive Officer, Senior General Manager of International Business Division
Aug. 2019 Director, Managing Executive Officer, Senior General Manager of International Business Division, Chairman, Taiheiyo Cement (China) Investment
Jun. 2020 Managing Executive Officer, Senior General Manager of International Business Division, Chairman, Taiheiyo Cement (China) Investment
Apr. 2022 Managing Executive Officer, Senior General Manager of International Business Division
Apr. 2023 Senior Executive Officer, Senior General Manager of International Business Division
Jun. 2023 Director and Senior Executive Officer (to present), Senior General Manager of International Business Division (to present)

Experience and Knowledge

Mr. Yoshifumi Taura was appointed director in 2023 and has made a significant contribution to the development of the Group as the officer in charge of overseas operations. He is effective in the role of a director in striving to continuously increase the corporate value of the group.

Yoshiko Koizumi
Independent Director

Career Summary

Apr. 1972 Registered as a lawyer (Daini Tokyo Bar Association)
Jan. 1980 Partner, Masuda and Ejiri Law Office (now Nishimura & Asahi)
Jan. 2008 Counsel, Nishimura & Asahi
Apr. 2009 Partner, City-Yuwa Partners (to present)
Jun. 2015 Independent Director of Taiheiyo Cement (to present), Independent Director, Dowa Holdings Co., Ltd. (to present)
Jun. 2016 Independent Corporate Auditor, Sumitomo Bakelite Co., Ltd.
Sep. 2017 Independent Corporate Auditor, Nippon Koei Co., Ltd.
Jul. 2023 Director, Integrated Design & Engineering Holdings Co., Ltd. (to present)

Experience and Knowledge

After working as counsel and partner at law firms, Ms. 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.

Hideyuki Furikado
Independent Director

Career Summary

Apr. 1977 Joined the Ministry of Finance
Jul. 2004 Deputy Director-General of Financial Services Agency
Jul. 2010 President, Policy Research Institute, Ministry of Finance, Japan
Dec. 2013 Retired from Ministry of Finance
Jun. 2014 Senior Managing Director of Trust Companies Association of Japan
Jun. 2021 Independent Director of Taiheiyo Cement (to present)

Experience and Knowledge

After serving at the Ministry of Finance and as the managing director of a general incorporated association, Mr. Furikado was appointed as a director of the company in June 2021. He has extensive administrative experience as a government official, 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.

Shinhachiro Emori
Independent Director

Career Summary

Apr. 1975 Toyo Soda Manufacturing Co., Ltd. (now Tosoh Corporation)
Jun. 2010 Director, Tosoh Corporation
Jun. 2011 Managing Director of Tosoh Corporation
Jun. 2012 Representative Director and Managing Executive Officer of Tosoh Corporation
Jun. 2015 President and Representative Director of Taiyo Vinyl Corporation
Jun. 2020 Independent Director of Taiheiyo Cement (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.

Corporate Auditors

Katsuhide Fukuhara
Corporate Auditor (Standing)

Career Summary

Apr. 1981 Joined Onoda Cement Co., Ltd.
Apr. 2013 General Manager, Corporate Planning Department of Taiheiyo Cement Corporation
Apr. 2015 Executive Officer and General Manager, Corporate Planning Department
Apr. 2017 Managing Executive Officer
Jun. 2017 Director, Managing Executive Officer
Jun. 2020 Managing Executive Officer
Jun. 2021 Corporate Auditor (Standing) (to present)

Experience and Knowledge

Mr. Katsuhide Fukuhara possesses a wealth of professional experience and expertise as a director and managing executive officer with extensive responsibilities in construction materials business and group company administrative divisions whose work includes advancing our group management. He effectively audits the execution of duties by directors to continuously improve the corporate value of the group.

Wakako Mitani
Independent 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 Independent Corporate Auditor of Taiheiyo Cement (to present)
Apr. 2023 Vice President, Daiichi Tokyo Bar Association (to present)
Jun. 2023 Independent Corporate Auditor, Seikagaku Corp. (to present)

Experience and Knowledge

After working as a partner at a law firm Ms. Wakako Mitani was appointed as a corporate auditor of the company 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.

Masahiro Karino
Corporate Auditor (Standing)

Career Summary

Apr. 1980 Joined Nihon Cement Co., Ltd.
Apr. 2004 General Manager, Legal Department of Taiheiyo Cement Corporation
Apr. 2013 Executive Officer, General Manager of Legal Department
Apr. 2016 Managing Executive Officer
Jun. 2016 Director, Managing Executive Officer
Apr. 2019 Director and Senior Executive Officer
Apr. 2022 Directors
Jun. 2022 Corporate Auditor (Standing) (to present)

Experience and Knowledge

Mr. Masahiro Karino possesses a wealth of professional experience and expertise as a director and managing executive officer with extensive responsibilities in the human resources, legal and auditing divisions, whose work includes advancing our group management. He effectively audits the execution of duties by directors to continuously improve the corporate value of the group.

Toshihito Aoki
Independent Corporate Auditor

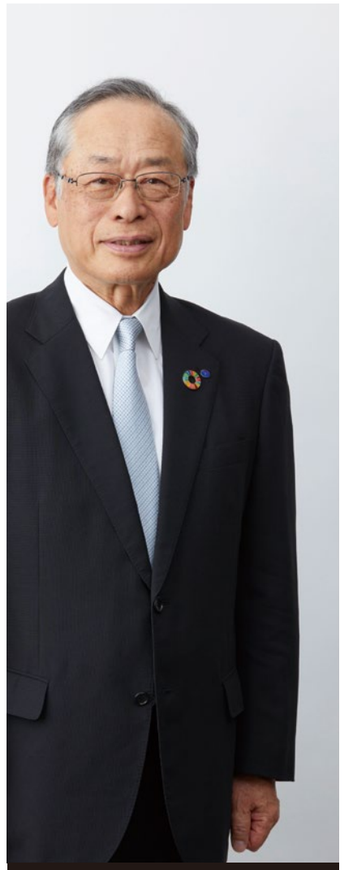
Career Summary

Oct. 1983 Joined Tetsuzo Ohta & Co. (now Ernst & Young ShinNihon LLC)
Aug. 1987 Registered as certified public accountant
Jul. 1999 Partner, Ohta Showa LLC (now Ernst & Young ShinNihon LLC)
Aug. 2014 Retired from ShinNihon LLC (now Ernst & Young ShinNihon LLC)
Jun. 2023 Independent Corporate Auditor of Taiheiyo Cement (to present)

Experience and Knowledge

After working as a partner in an auditing firm, Mr. Toshihito Aoki was appointed as an corporate auditor of the Company in June 2023. 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.

Messages from our Independent Directors



Shinhachiro Emori
Independent Director

Yoshiko Koizumi
Independent Director

Hideyuki Furikado
Independent Director

Based on their careers and expertise, our independent directors shared their evaluations and recommendations for the Taiheiyo Cement Group's governance structure and efforts to enhance corporate value.

I will support the further strengthening of global governance and crisis management capabilities, including responses to bribery and corruption in overseas operations.

Yoshiko Koizumi Independent Director

Improvement of Governance Including Overseas Group Companies

I believe that improving the governance of our group companies, both in Japan and overseas, is of utmost importance for the sustainable development of our group. We have several overseas group companies in the U.S. and Asia-Pacific region, mainly in the Pacific Rim, and making governance work in countries with different histories, cultures, and climates presents an extraordinary challenge. We must keep in mind that if a scandal occurs in an overseas group company, it will come back to the parent company. To build group governance, a relationship of trust between Headquarters and group companies is of the utmost importance, and two-way communication is extremely important for this purpose. It is essential for us to make steady effort, not just sending unilateral instructions from the headquarters, but to constantly visit the sites and listen to the voices of the people on the ground, and then correct course if there are any issues. We are a top company "aiming to be an outstanding leading company" and are always in the spotlight. As our overseas operations continue to expand we feel that it is time to return once again to the spirit of the "three actuals" principle of "the actual place, the actual thing and the actual situation," which are the foundations of a manufacturer.

Further Strengthening of Crisis Management Capabilities

The Group is currently restructuring its overseas business portfolio with a southward shift, strengthening its operations in the Philippines, Vietnam and Indonesia, and further investing and expanding its business in the United States. Such global expansion, on the other hand, exposes the company to threats on a global scale, such as geopolitical and supply chain risks. Therefore, thorough crisis management is required, as well as a thorough understanding of the risks in countries and regions around the world. Another important risk management activity is to work to tackle corruption. Attitudes towards bribery and customs vary from country to country and region to region. Foreign laws, including those related to bribery, are constantly being revised in each country, and there are limits to how much the Legal Department at the headquarters can continue to follow up on all of these changes. Therefore, we believe that it is necessary to establish a mechanism for the Legal Department and overseas offices to collaborate with each other by keeping close contact with each overseas office and building a network with local law firms to obtain the latest information at all times.

In my capacity as an international lawyer, I would also like to make recommendations on how to further strengthen risk management with an eye to overseas group companies, such as the establishment of anti-bribery rules.

Expectations of the Taiheiyo Cement Group

My impression of the company when I was appointed as an independent director in 2015 remains unchanged. As a leading company in the domestic cement industry with over 140 years of history, we are an exceptionally solid company. On the other hand, however, I feel that all things are completed only within a limited industry, there is little interaction with different industries, and we seem to be stuck in the traditional B to B mindset. I hope that by looking more closely at the outside world, we will be able to generate richer ideas and further enhance the sustainability of our group.

I will strive to make proactive recommendations on board member remuneration and succession planning, as well as deepen the discussion on the implementation of the strategy.

Shinhachiro Emori Independent Director

The Role of the Nomination and Compensation Advisory Committee

With respect to the role of the Nomination and Compensation Advisory Committee, I believe it is important to work to improve the objectivity, timeliness, and transparency of the procedures for determining director nominations and compensation.

The compensation of directors, excluding independent directors, currently consists of fixed compensation, performance-based compensation and share-based compensation, but eventually a compensation system that is also linked to mid- to long-term business performance is desirable. I would like to propose the ideal form of compensation for directors and corporate auditors, such as by explicitly incorporating incentives such as the degree of achievement of sustainability targets. On the other hand, regarding our succession plan, I believe it is most important to train management candidates with a long-term concrete plan. While managers are trained systematically according to their positions, it is important for top management to consider and implement their own training methods for selected senior management positions in terms of transfers and promotions. For example, I believe that systematic management experience at group companies, including overseas companies, is an effective way to develop the skills of employees, especially in companies that are facing difficult circumstances. I would like to use my experience in corporate management to vigorously advocate for the succession plan.

Evaluation of the 23 Medium-Term Management Plan

This fiscal year is the final year of the 23 Medium-Term Management Plan, which is the third step toward our "our future vision and direction for the mid-2020s." However, the business environment has changed significantly due to factors such as a decrease in domestic demand, which was a precondition, and rising coal prices, making it difficult to achieve management goals.

At the same time, however, it is precisely at times like this that we can clearly see how capable and how competitive we are, excluding external factors, and what issues we need to resolve in the future. Already, in our mainstay domestic cement business, we are placing the highest priority on our sales price policy, while in our resource and environmental businesses, we are focusing on developing high value-added core businesses that do not rely on limestone or cement. As a top manufacturer specializing in cement, we are expected to contribute to society while generating stable profits. I expect that there will be a thorough review of the 23 Medium-Term Management Plan, and that the next medium-term plan will be formulated with a focus on the identified issues.

Role as Independent Director

I believe that the role of independent directors is to supervise management and to express their frank opinions to management from a position free from internal ties. We also play an important role in creating an atmosphere in which employees can speak freely by speaking up on their behalf when they feel uncomfortable saying things to management. The Company is promoting workplace diversity and inclusion, including the advancement of women, and has developed a strategy that emphasizes diversity. I expect that innovation will be generated by flexibly absorbing various values and ways of thinking.

I will advocate for stronger engagement from a broad stakeholder perspective and do our best to build trust between the two sides.

Hideyuki Furikado Independent Director

Strengthening Engagement with Stakeholders

As a government official, I have been involved in designing systems such as the Stewardship Code and the Corporate Governance Code for constructive dialogue between investors and companies, so I recognize and I understand the importance of direct dialogue between investors and companies better than anyone else. I also believe that the effectiveness of the Board of Directors will be further enhanced by reflecting the perspectives gained through dialogue with investors in the Board's discussions, and therefore I believe that there should be even more opportunities for direct dialogue between investors and management. I myself would like to actively engage in dialogue with investors, if possible, to exchange frank opinions about our management policies and medium- to long-term growth strategies, and to contribute to the enhancement of our corporate value.

We must also always keep in mind that our cement business, which is the foundation of our company, is supported by various stakeholders, including the local communities where our plants and mines are located, and can only exist if we preserve the environment, including biodiversity and water resources. I believe that the source of our sustainability is to be a trusted and loved company that aims for co-existence and co-prosperity with local communities. To this end, I believe that we need to actively communicate with our stakeholders and make efforts to make them more aware of our business and our way of thinking. I believe it is the role of independent directors to encourage the company to strengthen the dissemination of such positive information, such as the effective use of waste and by-products in cement production as raw materials and fuel for cement, contributing to the circular economy, and advanced efforts to achieve carbon neutrality.

Promoting Diversity as a Business Strategy

Today, diversity is respected from the perspective of human capital, and I believe that diversity is also important in business strategy. The Group's business portfolio is very well balanced, with the domestic cement business, the overseas cement business, and the resource, environment, and construction materials business each accounting for 1/3 of the Group's total sales, and one of our strengths is that even if one of these businesses were to hit a problem, our overall losses would be minimized. Although we ended FY2023 with a severe net loss, mainly due to the deteriorating profitability of the domestic cement business, we were able to maintain a positive operating income, supported by the strong U.S. cement business. This is the result of our efforts to diversify our business portfolio, including overseas expansion, without relying solely on our mainstay domestic cement business, and this is highly evaluated.

Furthermore, in addition to diversity, I intend to make recommendations in the future with a view to diversifying our business as a hedge against risk. For example, the U.S. cement business, which is mainly focused on the West Coast, should also look to the central and southern regions to avoid risks such as political and demand fluctuations. I will contribute to the enhancement of corporate value, utilizing my perspective as independent director.

Corporate Governance

We are working to strengthen corporate governance in order to achieve sustainable growth and increase corporate value.

Basic Policy on Corporate Governance

In keeping with the Mission of the Taiheiyo Cement Group, we established the Basic Policy on Corporate Governance with the aim of fulfilling our management responsibility towards all our stakeholders, including shareholders, and helping to achieve sustainable growth while maximizing our corporate value over the medium to long term. We are working to build a sound, transparent, and efficient corporate governance system.

Please refer to our website for the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance".

https://www.taiheiyo-cement.co.jp/english/company/pdf/corpgov_01_2112.pdf

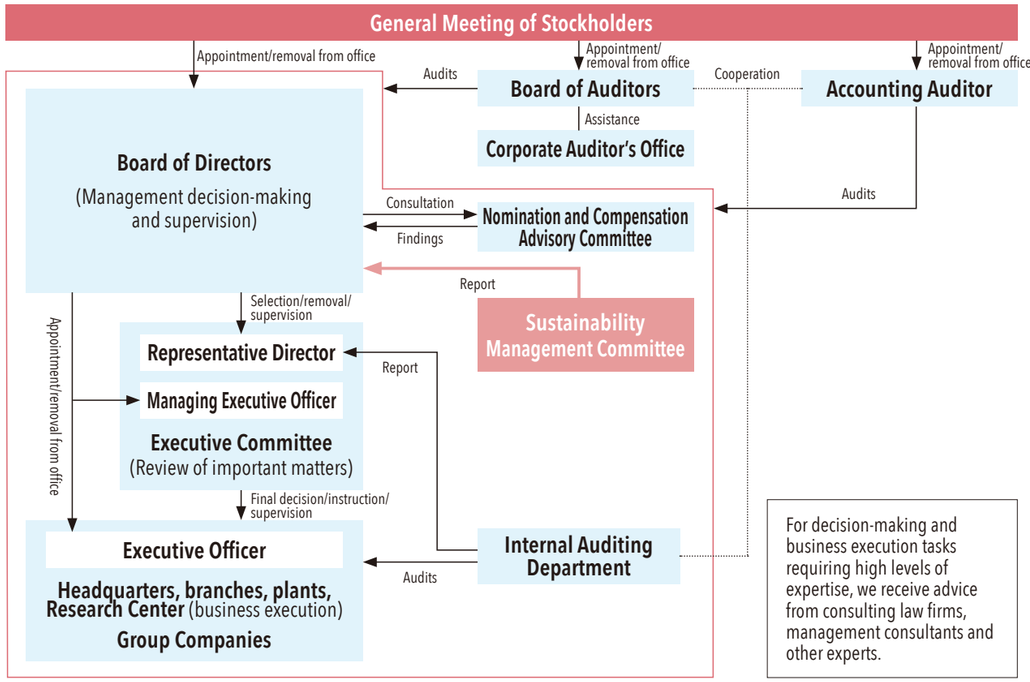
Corporate Governance System

We are building a system that accurately recognizes and addresses corporate governance issues, effectiveness and themes in order to deploy a sustainable business model on a global scale.

Our management structure is based upon the Board of Directors and Board of Auditors. We have also introduced an executive officer system and are endeavoring to separate management decision-making and monitoring/supervisory functions from business execution. Our Corporate Auditor's Office provides comprehensive support for corporate auditors in the performance their duties. We have set up an internal control system in the Internal Auditing Department and, by means of internal audits, strive to ensure that operations are properly executed in the company and group companies.

We have also established a Sustainability Management Committee to promote sustainability. Under that we have established specialized committees on human rights and labor, environmental management, and quality control, and are working to enhance our corporate governance.

Corporate Governance System



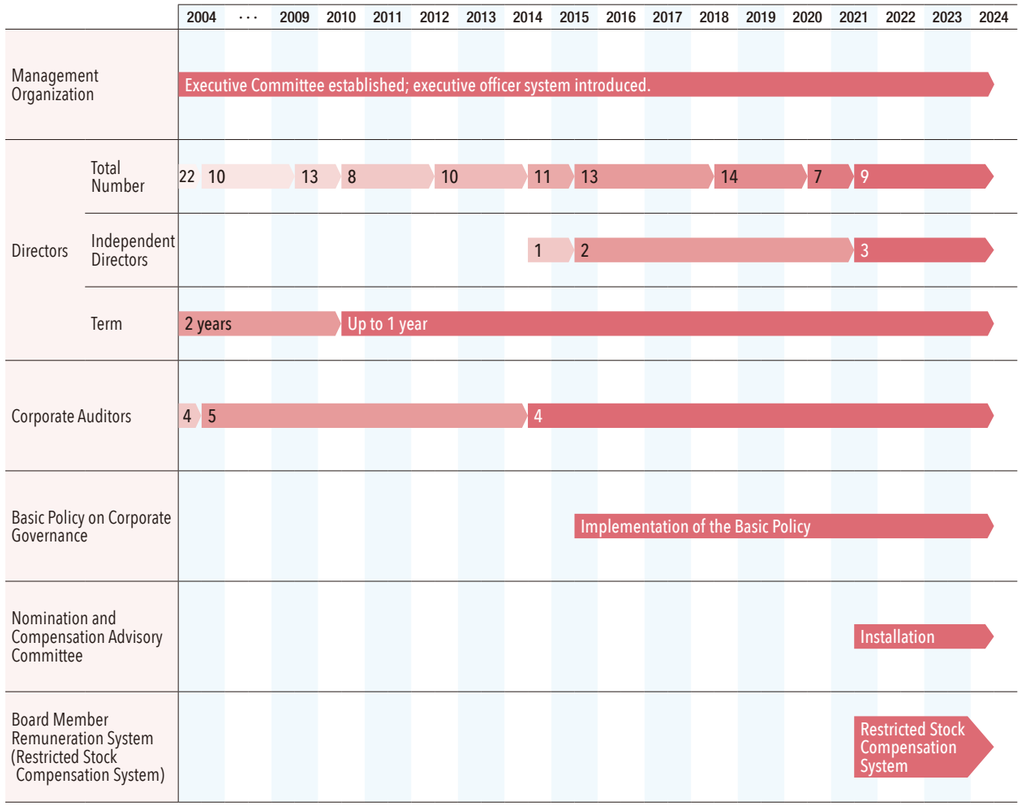
Outline of Our Governance Structure (As of June 29, 2023)

Item	No. of people etc.
Organizational Structure	Company with a Board of Company Auditors
Chairman of the board	President
No. of directors (No. of female directors) No. of outside directors included in that figure No. of independent directors included in that figure	9 (1) 3 (1) 3 (1)
Tenure of a director	1 year
Executive officer system	Yes
No. of corporate auditors (No. of female corporate auditors) No. of outside directors included in that figure No. of independent directors included in that figure	4 (1) 2 (1) 2 (1)

Major Meetings Held

Committees	No. of times held	Presence of independent officers	Overview
Board of Directors	15	100%	In principle, the Board of Directors meets once a month, and at other times when necessary, to make decisions on matters required by law and important matters related to the management of the company. The Board of Directors consists of nine directors, three of whom are independent directors. In addition, all of the corporate auditors attend the Board of Directors meetings. 15 meetings were held in FY2023, with 100% attendance by directors and corporate auditors.
Board of Auditors	16	100%	The Board of Auditors, consisting of two standing corporate auditors and two independent corporate auditors, fulfills its supervisory and auditing function over management by attending the Board of Directors meetings and other important meetings, questioning the directors and others about the performance of their duties, and inspecting important approval documents. In addition, in order to enhance the audits, they visit branches, factories, and group companies, etc., to investigate the status of the business operations. Also, regular corporate auditor liaison meetings are held for the corporate auditors to exchange opinions among themselves (and including those in charge of related divisions when necessary) and share information to build a system that enables fair and appropriate auditing.
Executive Committee	15	–	The Executive Committee consists of all internal directors and managing executive officers and makes decisions on important matters other than those that are to be decided by the Board of Directors in accordance with the Companies Act. A standing corporate auditor attends the Executive Committee meetings. Although the independent directors and independent corporate auditors do not attend these meetings, the Corporate Planning Department reports regularly to the independent directors (weekly in principle), and a liaison meeting is held for independent corporate auditors (weekly in principle), where the standing corporate auditors report on the details of important meetings such as the Executive Committee and share information and assist them in the execution of their duties.

Changes in Governance



Overview of Our Directors and Corporate Auditors

Nomination and Appointment of Prospective Directors

The president proposes prospective directors to the Board of Directors, from a diverse pool of talent both within and outside of the company, in accordance with the Basic Policy on Corporate Governance. The Board of Directors deliberates and nominates them as prospective directors, who are then appointed by resolution of the General Meeting of Shareholders. During the nomination of prospective directors, the Nomination and Compensation Advisory Committee deliberates and reports the results of its deliberations to the Board of Directors.

Nomination and Appointment of Prospective Corporate Auditors

After gaining the approval of the Board of Auditors, the president proposes to the Board of Directors prospective corporate auditors endowed with the ability to fairly audit the overall duties of the directors, suitable experience and skills, and with adequate expertise in financial affairs, accounting and legal affairs. After deliberation by the Board of Directors, nominated candidates are appointed by resolution of the General Meeting of Shareholders.

Nomination and Appointment of Prospective Independent Officers

Prospective independent officers must satisfy the company's Independence Criteria for Independent Officers and be capable of supervising our directors and management from an independent, external standpoint, and of providing proper and appropriate advice based on their experience and insights from careers in professions such as lawyer, corporate manager, certified public accountant and government official.

Please see our website for more information about the Independence Criteria (Appendix 1)
https://www.taiheiyo-cement.co.jp/english/company/pdf/corpgov_01_2112.pdf

Activities of independent directors

The Nomination and Compensation Advisory Committee met a total of four times in FY2023, with members consisting of three independent directors and one inside director. In addition, two meetings were held exclusively for a total of five independent directors, including independent auditors, to frankly exchange opinions on current issues and the deliberations of the Board of Directors.

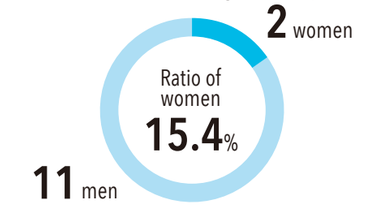
Operation of the Board of Directors

In FY2023, the Board of Directors met 15 times to discuss and decide on important matters stipulated by law and the Articles of Incorporation, as well as to supervise the execution of duties by directors. In order to ensure the efficiency of directors' duties, directors and executive officers who have been assigned duties report on the status of execution of their duties. With respect to management execution, a certain level of authority is delegated to executive officers, who execute operations through a policy deployment system in accordance with the medium-term management plan and annual management policy (President's Policy), and the Board of Directors reviews the progress of these operations.

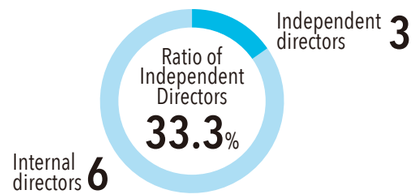
Major matters discussed at Board of Directors Meetings (FY2023)

Cement sales price policy	Reports on details and status of sales price revisions
Strengthening plant and mining facilities	Upgrade of manufacturing facilities and limestone quarry development
Carbon neutrality	Confirmation of progress on initiatives
Other forms of harassment	• Promotion of sustainability management • Acquisition of cement sales business from other companies • Suspension of cement production and sales business in China • Alternative sourcing for Russian coal and coal market trends • Dialogue with institutional investors and shareholders • Promotion of diversity management

Ratio of women in executive positions (Jul. 2023)



Independence of executives (Jul. 2023)



Attendance at Board of Directors meetings (FY2023)

(Number of meetings attended/number of meetings held)

Full Name	Board of Directors
Masafumi Fushihara	15/15 (100%)
Yuuichi Kitabayashi	15/15 (100%)
Kunihiro Ando	15/15 (100%)
Tetsuya Ohashi	15/15 (100%)
Hideaki Asakura	11/11 (100%)
Yukimasa Nakano	11/11 (100%)
Yoshiko Koizumi	15/15 (100%)
Shinhachiro Emori	15/15 (100%)
Hideyuki Furikado	15/15 (100%)
Katsuhide Fukuhara	15/15 (100%)
Masahiro Karino	11/11 (100%)
Wakako Mitani	15/15 (100%)
Yoshio Fujima	15/15 (100%)

Number of Board of Directors meetings held during the term of office: 15, except for Mr. Hideaki Asakura and Mr. Yukimasa Nakano, where 11 meetings were held after they became directors, and Mr. Masahiro Karino, where 11 meetings were held after he became a corporate auditor.

Skill matrix

In order to ensure appropriate decision-making and a high level of oversight of our business activities, we review the knowledge, expertise, and experience expected of our directors and officers in conjunction with materiality updates. This year, it is represented as a six-skill matrix covering corporate management, production technologies and R&D, sales marketing, accounting and finance, legal and risk management, and global business.

We make the most of such advanced knowledge, expertise, and diverse experience to manage our business in order to realize our mission, which is based on sustainable growth and sustainability.

Executive Skill Matrix and Composition of Nomination and Compensation Advisory Committee

Full Name	Position	Independent officer	Years in office	Nomination and Compensation Advisory Committee	Knowledge, expertise and experience					
					Corporate management	Production technologies R&D	Sales Marketing	Accounting Finance	Legal Risk management	Global business
Masafumi Fushihara	President and Representative Director		8 years		●		●	●	●	●
Yuuichi Kitabayashi	Vice President and Representative Director		10 years		●	●			●	●
Kunihiro Ando	Vice President and Director		7 years	○	●	●	●			●
Tetsuya Ohashi	Director and Senior Executive Officer		2 years		●	●		●		●
Hideaki Asakura	Director and Senior Executive Officer		1 year		●		●	●	●	●
Yoshifumi Taura	Director and Senior Executive Officer		–		●	●	●			●
Yoshiko Koizumi	Director	○	8 years	○ (Chairperson)					●	●
Shinhachiro Emori	Director	○	3 years	○	●		●	●		●
Hideyuki Furikado	Director	○	2 years	○				●	●	●
Katsuhide Fukuhara	Corporate Auditor (Standing)		2 years		●	●		●	●	●
Masahiro Karino	Corporate Auditor (Standing)		1 year		●				●	●
Wakako Mitani	Corporate Auditor	○	5 years					●	●	
Toshihito Aoki	Corporate Auditor	○	–					●	●	

Evaluating the Effectiveness of the Board of Directors

We strive to share information among the internal and external officers in order for the Board of Directors to supervise the execution of the business and make appropriate decisions. Efforts are made to enhance the effectiveness of the Board of Directors by providing timely and appropriate information to independent directors and providing them with opportunities to inspect business sites, including overseas and affiliate companies. Furthermore, all directors and corporate auditors fill out a questionnaire to analyze and evaluate the effectiveness of the Board of Directors as a whole, including its composition, operation, agenda and deliberation status. The Board of Directors will review the contents of the report and we make improvements to the structure and operations of the Board of Directors on the basis of the results, ensuring the overall effectiveness of our Board of Directors.

Results of effectiveness evaluation (FY2023)

Challenges for FY2022	Enhancement of monitoring and other reporting on the status of execution of business
Assessment Results for FY2023	Increasing the amount of time for discussion at Board of Directors meetings regarding reports on the status of execution of business, etc.
Challenges for FY2024	• Enhancement of discussion on medium-term management plan • Further enhancement of English-language disclosure

Activities of the committee

Activities of the Nomination and Compensation Advisory Committee

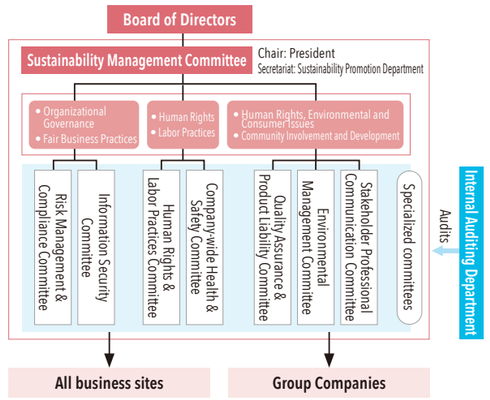
We established the Nomination and Compensation Advisory Committee in March 2021 with the aim of further enhancing corporate governance by improving the fairness, transparency, and objectivity of the procedures for nominating directors and managing executive officers and determining their compensation. The Committee consists of four directors appointed by resolution of the Board of Directors, three of whom are independent directors. The Committee is chaired by an independent director appointed by resolution of the Board of Directors.

The Committee deliberates and reports to the Board of Directors on policies regarding the nomination of directors, the appointment and removal of directors, policies for determining the compensation of individual directors, and the details of the compensation of directors.

The System to Promote Sustainability Management

To promote our sustainability management we have created a cross-departmental Sustainability Management Committee, chaired by the president with all board directors and all managing executive officers as committee members, under the direct oversight of the Board of Directors. Reporting to the Sustainability Management Committee are seven specialized committees for individual 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. The Sustainability Management Committee's role is to screen important matters concerning sustainability and the status of activities of specialized committees, and review their progress.

Sustainability Management Committee Structure



CSR Management Committee* meetings (FY2023)

Date	Main Content
First: May 12, 2022	• Preparation of the integrated report for enhancement of corporate value • Countermeasures against the spread of COVID-19 (review)
Second: Sep. 27, 2022	• Interim report on the FY2023 activities of the seven specialized committees • Business and human rights
Third: December 20, 2022	• Report on the status of response to ESG-related surveys • Report on the results of the 2023 employee awareness survey
Fourth: March 28, 2023	• Report on the FY2023 activities of the seven specialized committees • Planning of the FY2024 activities of the seven specialized committees • Revision of CSR Outline to Sustainability Outline

* Sustainability Management Committee since FY2024

Activities of independent directors (Number of meetings attended/number of meetings held)

Full Name	Board Meeting Attendance	Details of Contribution
Yoshiko Koizumi	15/15	Providing appropriate comments mainly based on her extensive experience as an attorney and broad insight into corporate legal affairs.
Shinhachiro Emori	15/15	Providing appropriate comments mainly based on his extensive experience and broad insight as the manager of a business corporation.
Hideyuki Furikado	15/15	Providing appropriate comments mainly based on his extensive experience and broad insight as a national public servant.

Cross-shareholdings

From the perspective of maintaining and strengthening stable and long-term business relationships with our business partners, we acquire and hold shares in such business partners as cross-shareholdings when it is determined that it will contribute to the enhancement of our medium- to long-term corporate value.

Furthermore, the Board of Directors confirms the necessity of such holdings each year by examining the medium- to long-term economic reasonableness and future prospects of each individual cross-shareholding, based on whether the purpose of holding the shares is appropriate and whether the benefits and risks associated with holding the shares are commensurate with the capital costs.

We do not hold any investment securities where the purpose is purely investment.

Number of issues and amount reported on balance sheet

	Number of Issues (stocks)	Total amount reported on balance sheet (million yen)
Non-listed stocks	179	5,806
Shares other than unlisted stocks	33	18,910

Board Member Remuneration

Determining Board Member Remuneration

In the process for determining the compensation for directors, the Nomination and Compensation Advisory Committee, the majority of which consists of independent directors and is chaired by an independent director, deliberates and reports its findings to the Board of Directors, which respects those findings. The decision is then entrusted to the representative directors, within the scope decided at the General Meeting of Shareholders and determined by our company regulations.

The compensation system for directors (excluding independent directors) consists of fixed compensation, share-based compensation and performance-based compensation, while the compensation system for the independent directors consists solely of fixed compensation. The compensation system for auditors also consists solely of fixed compensation.

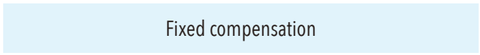
- Fixed compensation is set according to position.
- Performance-based compensation is calculated by multiplying profit attributable to owners of parent company shares for the fiscal year under review by 1% (up to 400 million yen) and a coefficient according to position.
- Share-based compensation is calculated according to position and issued yearly in the form of share options with restrictions on transfer. In principle, the restrictions on transfer are rescinded on the day the director retires.
- The reason for the introduction of the share-based compensation system and the adoption of profit attributable to owners of parent as an indicator for performance-based compensation is to promote further value sharing with our shareholders.

Composition of Compensation

Directors (excluding independent directors)

* Fixed compensation: from approximately 90% to 45%
  Share-based compensation: approximately 10% to 15%
  Performance-based compensation: from 0% to approximately 40%

Independent Directors, Independent Corporate Auditors



Annual Remuneration of Board Members

Remuneration for directors was decided at the General Meeting of Shareholders on June 29, 2021, and after said meeting, there are nine directors (of whom three are independent directors), for whose annual compensation there is a maximum of 1.2 billion yen (of which 100 million yen is for independent directors). Included in that is a maximum annual sum of 200 million yen (200 thousand shares) as transfer-restricted share-based compensation.

Remuneration for corporate auditors was decided at the General Meeting of Shareholders on June 29, 2000. Since the said meeting, there are four corporate auditors, for whose monthly compensation there is a maximum of 13 million yen.

Total amount of compensation for directors and corporate auditors (FY2023)

Category	Total amount of compensation, etc. (million yen)	Total amount of compensation by type (million yen)			Number of officers covered
		Fixed compensation	Performance-based compensation	Non-monetary compensation, etc.	
Directors	510	315	149	45	11
Corporate Auditors	72	72	–	–	5
(independent directors)	(67)	(67)	(–)	(–)	(5)

The above count of directors and corporate auditors who received compensation includes two directors and one corporate auditor who retired or stepped down at the conclusion of the 24th Ordinary General Meeting of Shareholders held on June 29, 2022.

Internal Control System

We follow the Basic Policy for Building an Internal Control System to ensure suitable and efficient operations at the company and group companies. Our basic approach is to improve and strengthen systems that are currently in operation, and to review and reappraise essential matters.

In FY2023, we audited five of our offices, 11 domestic group companies, and one overseas group company, identifying areas for improvement and providing advice and recommendations.

Risk Management and Compliance

We manage risks based on our Basic Risk Management Policy with the aim to reduce management uncertainties and achieve management objectives.

Basic Risk Management and Compliance Policies

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 to be a foundation for reducing management uncertainties and achieving management objectives. Based on our basic risk management policy, 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. In addition, we have established "Risk Management Regulations" that include emergency responses to ensure that the "Basic Risk Management Policy" is deployed in specific risk management activities.

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 Sustainability 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 our 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

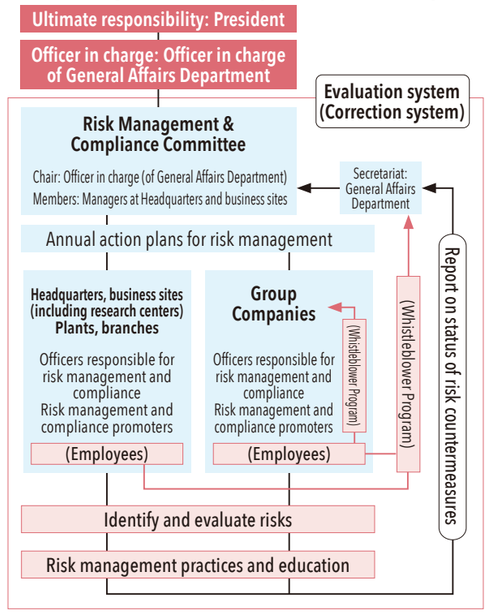
Please see our website for more information about risk management and compliance.
https://www.taiheiyo-cement.co.jp/english/csr/risk_management_fr.html

Structure and Operation

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 creates and revises rules for risk management and compliance, and provides instructions for advancing the awareness and education of employees. Four meetings were held in FY2023.

• Risk Management and Compliance Promotion System

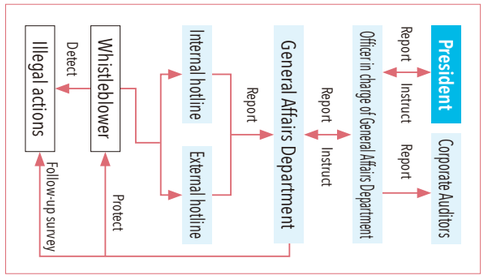


* Subject to risk management: 100 group companies (as of March 31, 2023)

Whistleblower Program

Reports and requests are handled properly in accordance with normal company procedures. We have also set up whistleblower hotlines to receive reports directly without the need for the usual company procedures. Whistleblowers have the option of either disclosing their identity, or reporting anonymously to mitigate any potential psychological constraints. We have whistleblower hotlines both internally (Compliance Hotline) and externally (at a law firm) 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. In addition, we created the Whistleblower Program Regulations so whistleblowers using the program are not subject to unfavorable treatment.

• Whistleblower Program



• Results* of the Whistleblower Program (FY2023)

Hotline	No. of cases
Internal (whistleblower hotlines)	4
External (law firm)	1

* Reportable cases according to the Whistleblower Program Regulations.

* Taiheiyo Cement Corporation and group companies subject to risk management by the Risk Management & Compliance Committee are subject to aggregation.

Risk Management and Compliance Promotion Activities

Identifying, Evaluating and Specifying Companywide 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. We carried out a company-wide risk review in FY2023. The purpose of identifying risks is to "review the risks surrounding the Group in light of significant changes in the business environment and risks, identify risks that could have a significant impact on the achievement and sustainability of the Group's business plans and targets, and take measures to avoid or reduce such uncertainties".

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

Reference: Identifying Risks and Opportunities ➡ P.20

Step 1	Identification of risks that may hinder materiality initiatives
Step 2	Identification of company-wide risks that could have a significant impact on uncertainties in group management
Step 3	Review company-wide risks
Step 4	Determine company-wide material risks

Specified Company-wide Risks

- Risk of increase in the number and severity of natural disasters and aging facilities and equipment
- Risk of business fluctuations in the supply chain
- Human resource-related risks

Measures to Reduce the Impact of Risks

FY2023 was the final year of the Risk Management & Compliance Committee leading the implementation of measures based on the results of the identification and evaluation of company-wide risks that was conducted in FY2020, and the challenges that were addressed were (1) the establishment of a system to prevent scandals such as accounting irregularities, and (2) the revision of compliance-related rules.

We are implementing activities to reduce risk impact through PDCA cycles.

Examples of Overseas Risk Countermeasures

We have created and regularly revise the Riot/Terrorism Response Manual. In addition, with regard to high-risk countries to which our employees are dispatched, we clearly state the procedure for deciding on local evacuations, have created 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 our overseas business sites.

Emergency Task Force

If an event such as a natural disaster, accident or misconduct has occurred, the affected business site informs the general manager of the General Affairs Department. The general manager considers the severity of the event and determines if an emergency task force should be established or if the response to the event can be delegated to the site management. Appropriate action is then taken by the emergency task force or local management.

7 such events were reported in FY2023. Important information, including how the situation is handled, is reviewed by the CSR Management Committee (now the Sustainability Management Committee).

As preparation for responding to natural disasters and accidents, we also conducted Shake Out earthquake drills that assumed a large-scale earthquake at each business site, and provided training for plant staff so they would understand how to appropriately handle complaints if an accident occurs.

Risk Management and Compliance Promotion Training

We provide risk management and compliance training for managers and promoters working at the company's business sites and group companies to ensure effective risk management and compliance. In FY2023, we invited an independent lecturer to give a talk in November to the managers at our group companies about "Business and Human Rights Required of Companies Today" and "Precautions and Points to Actively Utilize the Whistleblower Hotlines", which was attended by managers from 84 companies. The training program was conducted via streaming video due to COVID-19 measures.

Compliance Training

We have 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 revise 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 FY2023, 91.7% of employees participated in the program.

Please see our website for more information about our Standards of Conduct [Casebook] (in Japanese).

https://www.taiheiyo-cement.co.jp/english/csr/risk_management_fr.html

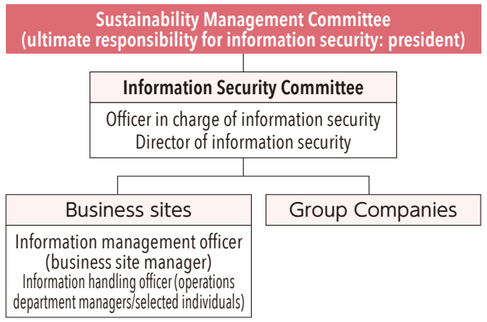
Information security

System to Promote Information Security

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. The president appoints 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 systematic, organized activities to promote information security.

• Information Security Structure



Please see our website for more information about our Basic Information Security Policy and Privacy Policy.

https://www.taiheiyo-cement.co.jp/english/csr/risk_management_fr.html#section05

Activities to Promote Information Security

In addition to conducting disaster recovery drills based on hypothetical emergencies and drills for responding to suspicious e-mails, we have also purchased cyber security insurance in case of a security incident. We also routinely use a portal site on our intranet to remind and educate all employees, and increase awareness of information security.

Further, we conducted drills on how to respond to suspicious e-mails and conducted a self-diagnostic security survey for group companies, and also conducted an infrastructure security survey for one overseas group company. In addition, we encouraged group companies to purchase cyber security insurance, ensure the backing up of critical systems and data, and encryption of their websites. Furthermore, we held an information department exchange meeting to share and spread information security awareness with group companies.

No serious incidents related to information security occurred in FY2023.

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

Risk Management for Intellectual Property

Risk Management for Intellectual Property

To ascertain recent developments and prevent infringement of other companies' intellectual property rights, we periodically share information on applications filed by other companies among related divisions, monitor the progress of examinations of obstructive patents, and conduct various patent surveys. Regarding other companies' applications that may be obstructive, we take measures according to the degree of impact on research and development and our business.

Regarding risk strategies for overseas intellectual property, we are focusing on ascertaining and sharing information on the differences from Japan in the legal systems and practices concerning intellectual property in countries where business development is anticipated, and building a support system that draws upon external country-specific experts.

In addition, at various in-house training on intellectual property, we are providing education about the importance of respecting the rights of other companies with the same level of awareness as the protection of their own rights.

To date, we have never been sued for infringing intellectual property rights, and therefore have not suffered any ensuing business obstacles.

ESG Data

Scope of Data

Non-consolidated:	Taiheiyo Cement Corporation (non-consolidated)
Group 1:	Group companies that are business sites required to submit accident reports under the Taiheiyo Cement Group's Safety, Security and Health Management Regulations.
Group 2:	Taiheiyo Cement Corporation, 184 subsidiaries and 104 affiliates
Group 3:	Group companies subject to risk management by the Risk Management & Compliance Committee
GCCA:	Cement plants and quarries owned by affiliates or affiliates' groups

E Environment

	Scope	FY2021	FY2022	FY2023
Cement production (thousand t)	GCCA	32,351	32,041	**27,228**
Cement production in Japan		19,334	19,096	**17,229**
Cement production overseas		13,017	12,945	**9,999**
CO_2 emissions	GCCA			
Scope 1 emissions (raw material-derived and fuel-derived direct emissions) (thousand t)		24,029	23,679	**20,065**
Japan		14,653	14,362	**13,036**
Overseas		9,377	9,318	**7,029**
Gross emissions*1 (raw material-derived and fuel-derived direct emissions (excluding on-site power generation))		22,672	22,525	**19,017**
Japan		13,295	13,207	**11,989**
Overseas		9,377	9,318	**7,028**
Net emissions*1 (raw material-derived and fuel-derived direct emissions (excluding alternative fuels and on-site power generation))		21,832	21,626	**17,997**
Japan		12,494	12,338	**10,983**
Overseas		9,338	9,288	**7,014**
CO_2 emissions per tonne of cement produced (kg-CO_2/t-cementitious)				
Specific gross emissions*1		701	703	**698**
Specific net emissions*1		675	675	**661**
Scope 2 emissions (indirect emissions from purchased electricity) (thousand t)		855	983	**868**
Japan		318	371	**373**
Overseas		537	612	**495**
Scope 3 emissions (indirect emissions other than Scope 1 and 2) (thousand t)		1,769	1,639	**1,766**
Category 1 (purchased goods and services)		752	635	**893**
Category 3 (fuel- and energy-related activities not included in Scope 1 and 2)		1,017	1,004	**873**
Reduction rate of specific net CO_2 emissions (compared with 2000) (%) CSR Objectives for 2025: 10% or more		8.3	8.3	**10.2**
Reduction rate of specific CO_2 emissions across the supply chain (compared with 2000) (%)*2		9.0	9.6	**9.2**
Reduction rate of total (domestic) CO_2 emissions (compared with 2000) (%)*2		33.2	36.0	**42.7**
Clinker/cement ratio (%)*1		82.4	83.0	**83.0**
Total heat consumption for clinker production	GCCA			
Heat consumption (TJ)		89,401	88,414	**76,291**
Fossil fuels		76,693	74,866	**61,111**
Alternative fuels		10,938	11,741	**13,393**
Biomass fuels		1,770	1,807	**1,787**
Specific heat consumption (MJ/t-clinker)*1		3,321	3,291	**3,375**
Rate of alternative fuel use (%)		14.2	15.3	**19.9**
Alternative fuel rate (%)*1		12.2	13.3	**17.6**
Biomass fuel rate (%)*1		2.0	2.0	**2.3**
Use of alternative raw materials	GCCA			
Alternative raw materials rate (%)*1		15.8	15.7	**15.5**
Emissions of Main Pollutants	GCCA			
Ratio of clinker produced in kilns with monitoring systems for all air pollutants (%)*1		54	55	**57**
Ratio of clinker produced in kilns with continuous measuring equipment for dust, NOx, and SOx (%)*1		94	94	**93**
Ratio of clinker produced in kilns with monitoring systems (%)*1				
Dust		100	100	**100**
NOx		100	100	**100**
SOx		100	100	**100**
VOC (Volatile Organic Compounds)		74	74	**77**
Dioxins		79	80	**81**
Mercury		93	100	**100**
HM1*3		58	58	**78**
HM2*4		54	55	**74**

	Scope	FY2021	FY2022	FY2023
Air pollutant emissions*1				
Dust (t)*6		544	439	**423**
NOx (t)*6		34,758	34,330	**32,425**
SOx (t)*6		1,139	1,091	**930**
VOC (Volatile Organic Compounds) (t)		1,183	1,822	**1,469**
Dioxins (mg)		5,644	2,270	**2,652**
Mercury (kg)		1,096	1,041	**741**
HM1 (kg)*3		220	164	**135**
HM2 (kg)*4		1,812	2,862	**1,553**
Specific emissions of clinker produced in kilns with monitoring systems (%)*1				
Dust (g/t-clinker)*6		20	16	**19**
NOx (g/t-clinker)*6		1,282	1,277	**1,434**
SOx (g/t-clinker)*6		42	41	**41**
VOC (Volatile Organic Compounds) (g/t-clinker)		59	92	**84**
Dioxins (ng/t-clinker)		265	105	**129**
Mercury (mg/t-clinker)		43	39	**33**
HM1 (mg/t-clinker)*3		13	10	**7**
HM2 (mg/t-clinker)*4		102	156	**80**
Water use (thousand m³)	GCCA			
Total water withdrawal		173,424	173,235	**170,125**
Total water discharge		159,815	160,308	**158,431**
Total fresh water used*1		13,745	13,095	**11,857**
Amount of Fresh Water consumption per unit of production (m³/t-cementitious)*1		0.421	0.409	**0.387**
Conserving and Restoring biodiversity	GCCA			
Ratio of operating quarries with rehabilitation plans (%)*1		94	94	**95**
Number of quarries located in or near areas of high biodiversity value		3	3	**2**
Ratio of quarries with high biodiversity value that have biodiversity management plans in place (%)*1		33	33	**50**
Amount and intensity of waste and by-products used	Non-consolidated			
Amount of waste and by-products used (thousand t)		6,108	6,244	**5,771**
Intensity of waste and by-products (kg/t-cement)		402.7	405.2	**409.6**
Volume of waste to landfill (t)	Non-consolidated	0.6	1.3	**1.9**
Environmental conservation expenditure (million yen)	Non-consolidated			
Environmental conservation investment		6,006	7,592	**10,707**
Business area costs		3,964	3,249	**7,998**
Details: Pollution prevention		1,904	1,599	**2,068**
Details: Global environmental conservation		1,667	1,351	**5,861**
Details: Resource recycling		393	299	**69**
Upstream and downstream		1,255	2,594	**2,176**
Administrative		78	36	**221**
R&D		537	1,707	**310**
Social activity		0	0	**0**
Environmental remediation		172	6	**2**
Environmental conservation expenses		16,793	14,406	**17,394**
Business area costs		9,456	8,309	**9,909**
Details: Pollution prevention		3,980	3,645	**5,111**
Details: Global environmental conservation		4,907	4,186	**4,282**
Details: Resource recycling		569	478	**516**
Upstream and downstream		6,189	4,991	**6,102**
Administrative		151	12	**311**
R&D		867	949	**912**
Social activity		43	28	**58**
Environmental remediation		87	117	**102**
Total R&D expenses (million yen)	Non-consolidated	1,246	1,402	**1,305**

S Social

	Scope	FY2021	FY2022	FY2023
Occupational Health and Safety	Group 1			
Fatalities (cases) CSR Objectives for 2025: Zero fatalities		0	2	**2**
Lost time-injuries (cases)		42	36	**49**
Total number of work-related accidents (cases)		121	103	**120**
Absence rate (%)		0.337	0.604	**0.935**
Number of employees (consolidated)	Group 2	12,586	12,542	**12,720**
Permanent employees	Non-consolidated			
Number of employees (excl. seconded employees, etc.)		1,838	1,874	**1,841**
Number of female employees		205	213	**210**
Ratio of female employees (%)		11.2	11.4	**11.4**
Ratio of women in management positions (%)		1.1	1.5	**2.4**
Average age (years)		40.7	40.4	**40.1**
Number of employees (total)		2,339	2,337	**2,284**
Number of female employees		216	218	**219**
Ratio of female employees (%) CSR Objectives for 2025: 10% or more		9.2	9.3	**9.6**
Ratio of women in management positions (%)		1.0	1.3	**2.0**
Ratio of women in new management positions (%) CSR Objectives for 2025: 10% or more		10.7	6.3	**13.6**
Average years of service (overall) (years)		18.5	18.1	**17.8**
Average years of service - men		19.2	18.8	**18.4**
Average years of service - women		12.3	12.8	**13.3**
Number of graduates hired (non-area specific positions)		67	63	**49**
Number of females		14	11	**7**
Ratio of females (%) CSR Objectives for 2025: 30% or more		20.9	17.5	**14.3**
Number of graduates hired (area specific positions)		42	42	**33**
Number of females		4	3	**4**
Number of mid-career hires		11	9	**11**
Number of females		0	0	**2**
Turnover rate within 3 years of employment (%)		FY2019 recruits 7.6	FY2020 recruits 8.3	**FY2021 recruits 9.2**
Number of non-Japanese employees		7	8	**8**
Ratio of employees with disabilities (%)		2.50	2.55	**2.58**
Total annual hours worked (hours)		1,921	1,911	**1,891**
Overtime and holiday work (monthly average) (hours)		17.5	17.9	**17.6**
Ratio of annual paid leave taken (%)		74.5	73.2	**77.5**
Days of annual paid leave taken (days)		14.2	13.9	**14.7**
Ratio of male employees taking childcare leave or leave for childcare purposes (%)		79	91	**89**
Ratio of male employees taking childcare leave (%)		19	18	**60**
Average number of days of childcare leave taken by male employees (days)		7.1	18.4	**28.9**
Number of employees taking nursing care leave		1	2	**2**
Education and training expenditure per employee (yen)		33,893	41,974	**60,192**
Education and training hours per employee (hours)		—	—	**14.8**
Average annual salary (yen)		7,280,071	7,298,681	**7,298,214**
Ratio of women's wages to men's wages (%) All employees*5		65.6	67.2	**68.2**
Full-time employees		65.9	67.4	**68.5**
Part-time and fixed-term employees		60.6	61.9	**54.4**
Health management initiatives	Non-consolidated			
Health examinations				
Ratio of employees receiving periodic health examinations (%)		100	99.9	**99.9**
Ratio of employees receiving secondary examination after periodic health examinations (%)		84.0	64.6	**63.6**
Preventive measures against lifestyle-related diseases				
Ratio of smokers among employees 40 years and older (%)		29.7	30.1	**29.3**
Ratio of employees 40 years and older that drink (occasionally or daily) (%)		73.9	73.1	**74.4**
Ratio of employees 40 years and older that exercise regularly (30 minutes or more of exercise) (%)		25.9	26.9	**27.9**
Ratio of employees 40 years and older that eat breakfast (%)		82.3	80.8	**80.5**
Ratio of employees receiving specific health guidance (%)		29.9	19.1	**20.7**
Walking event participation rate (%)		3.47	4.44	**6.79**
Ratio of employees with BMI greater than 25 (%)		33.0	33.0	**31.9**
Mental health support				
Ratio of employees taking stress checks (%)		98.1	97.5	**96.4**
Ratio of employees with high stress (%)		7.1	8.2	**9.3**
Ratio of employees taking e-learning on education (%)		—	—	**83.4**
Efforts to protect human rights	Non-consolidated			
Number of reports to the internal harassment hotline				
Sexual harassment (cases)		1	1	**0**
Power harassment (cases)		2	5	**6**
Other (cases)		0	0	**3**
Number of reports to the external harassment hotline				
Sexual harassment (cases)		0	0	**1**
Power harassment (cases)		1	3	**2**
Other (cases)		0	0	**2**
Number of human rights slogan submissions (number)		1,637	1,650	**1,670**
IR Activities (cases)	Non-consolidated	143	179	**164**

G Governance

	Scope	FY2021	FY2022	FY2023
Governance structure	Non-consolidated			
Directors		7	9	**9**
Independent directors		2	3	**3**
Female directors		1	1	**1**
Ratio of female directors (%)		14.3	11.1	**11.1**
Corporate Auditors		4	4	**4**
Independent corporate auditors		2	2	**2**
Female corporate auditors		1	1	**1**
Ratio of female corporate auditors (%)		25.0	25.0	**25.0**
Ratio of female board members (%)		18.2	15.4	**15.4**
Annual remuneration of board members (million yen)				
Directors		552(15)	512(9)	**510(11)**
Corporate Auditors		72(4)	72(5)	**72(5)**
Internal carbon pricing (yen/t-CO_2)	Non-consolidated	—	1,500	**1,500**
Ratio of employees taking e-learning self-check on Standards of Conduct (%)	Non-consolidated	77.4	87.8	**91.7**
Number of reports to the internal whistleblowing hotline	Group 3	7	7	**5**
Intellectual property (Number)	Non-consolidated			
Number of new patent registrations in Japan		158	136	**156**
Number of patents held in Japan		1,273	1,335	**1,439**

*1 KPI based on GCCA Sustainability Guidelines
*2 2030 Interim Target
*3 Total of cadmium and thallium, and their compounds
*4 Total of antimony, arsenic, lead, chromium, cobalt, copper, manganese, nickel, vanadium and their compounds
*5 Calculated based on the "Calculation Method of the Gender Pay Gap" in the "General Employer Action Plan (July 2022 Revision)" based on the Act for Promotion of Women's Participation and Advancement in the Workplace.
*6 Calculation results were reviewed and retroactively revised.

External Evaluation, Collaboration with Outside Organizations

Inclusion in Investment Indices

DJSI
[selected as a component stock in the Asia-Pacific region for the ninth consecutive year]

DJSI is an abbreviation of the Dow Jones Sustainability Indices, a leading global ESG investment index developed by Dow Jones (USA) and RobecoSAM (Switzerland).

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

FTSE Blossom Japan Sector Relative Index

Created by the global index provider FTSE Russell and designed to be a sector-neutral index that reflects the relative performance of Japanese companies with superior environmental, social and governance (ESG) performance in each sector.

FTSE Blossom Japan Sector Relative Index

JPX/S&P CAPEX & Human Capital Index

An index developed jointly by the Japan Exchange Group, Inc., Tokyo Stock Exchange, Inc. and S&P Dow Jones Indices that targets companies actively engaged in "capital expenditure and investments in human capital".

Morningstar Japan ex-REIT Gender Diversity Tilt Index
(GenDi J)

An index created by the leading U.S. financial services company Morningstar that focuses on companies whose gender diversity policies are embedded in their corporate culture and who are committed to equal opportunities for their employees regardless of gender.

MORNINGSTAR GenDi J Japan ex-REIT Gender Diversity Tilt Index

MSCI Japan ESG Select Leaders Index

Created by the leading U.S. financial services company MSCI and composed of the top-ranked Japanese stocks by market capitalization, selected from companies in each industry with relatively superior ESG ratings.

MSCI Japan ESG Select Leaders Index

S&P/JPX Carbon Efficient Index

An index developed jointly by S&P Dow Jones Indices and the Japan Exchange Group, Inc. that determines the weight of constituent stocks by focusing on the status of environmental information disclosure and the level of carbon efficiency.

S&P/JPX カーボン エフィシェント 指数

Evaluation by External Organizations

CDP
[Scored A for climate change, B- for water]

An international NGO headquartered in the United Kingdom. The evaluation is based on an 8-point scale from A to D- for the company's initiatives and information disclosure in the environmental field, in the three areas of climate change, water resources, and forest protection.

CDP A LIST 2022 CLIMATE

JCR
[Consecutive A rating since 2020]

The Japan Credit Rating Agency is one of Japan's leading rating agencies that provides ratings for long-term and short-term credit.

JCR 株式会社日本格付研究所 Japan Credit Rating Agency, Ltd.

R&I
[Consecutive A- rating since 2018]

Rating & Investment Information, Inc. is one of the leading rating agencies in Japan, focusing on major rating business.

R&I

Platinum "Kurumin" certification
[Acquired in August 2023]

Certified by the Minister of Health, Labour and Welfare as a superior company that has taken an especially high level of initiatives among those certified as a "Child Rearing Support Company".

プラチナくるみん 子育てサポートしています

Health & Productivity Management Outstanding Organization
[Acquired in 2023]

A certification system established by the Ministry of Economy, Trade and Industry to promote health and productivity management. A program to highlight corporations, including large enterprises and SMEs, that practice particularly excellent health management based on initiatives that are in line with local health issues and health promotion efforts promoted by the Nippon Kenko Kaigi.

2023 健康経営優良法人 Health and productivity

Collaboration with Outside Organizations

GCCA
(Global Cement and Concrete Association)

The organization was founded in 2018 and took over the activities of the Cement Sustainability Initiative of the WBCSD in January 2019. It is composed of approximately 40 of the world's major cement companies and covers 40% of the world's cement production capacity (80% excluding China). Taiheiyo Cement is a founding member and the only Japanese manufacturer to participate in its activities.

gcca

INNOVANDI
(Global Cement and Concrete Research Network)

INNOVANDI is a research network launched by GCCA in 2020. It conducts research and development such as sustainable concrete and cement and CO_2 capture and recovery, and we have participated since its inception.

INNOVANDI Global Cement and Concrete Research Network

UNGC
(UN Global Compact)

An initiative proposed by the United Nations and signed by more than 21,200 companies and organizations in 160 countries as of 2022. It requires the top management to commit to 10 principles related to the protection of human rights, elimination of unfair labor practices, environmental considerations and preventing corruption.

WE SUPPORT UN GLOBAL COMPACT

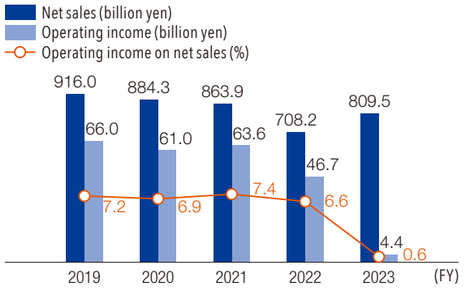
Industrial Federation for Human Rights, Tokyo

Established in November 1979, the federation now consists of 122 companies, most of which are headquartered in Tokyo. Under its basic philosophy of voluntary management and full participation, the federation endeavors to resolve the "Dowa issue" (discrimination against a caste-like minority of ethnic Japanese) and other human rights issues from a company perspective.

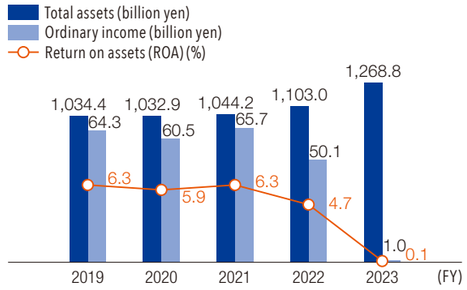
Financial and Non-financial Highlight

Financial Data

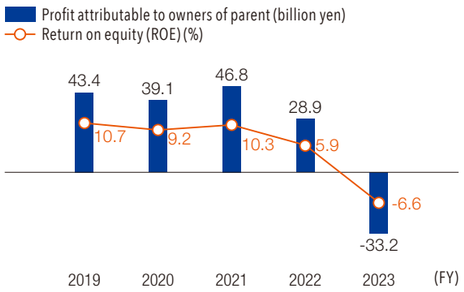
Net Sales, Operating Income and Operating Income on Net Sales



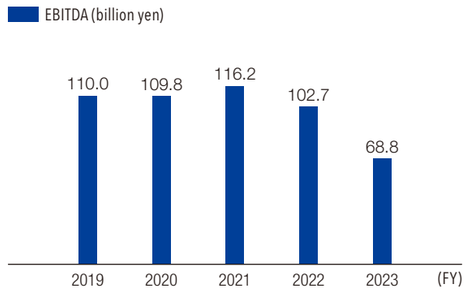
Total Assets, Ordinary Income and Return on Assets (ROA)



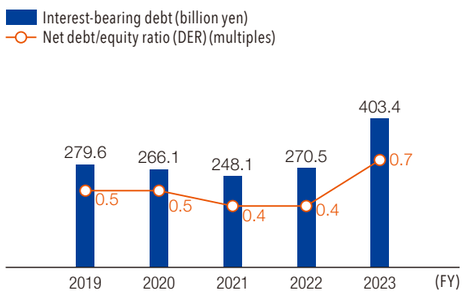
Profit Attributable to Owners of Parent and Return on Equity (ROE)



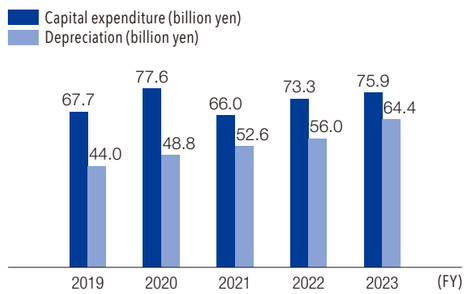
EBITDA



Interest-bearing Debt and Net Debt/Equity Ratio (DER)



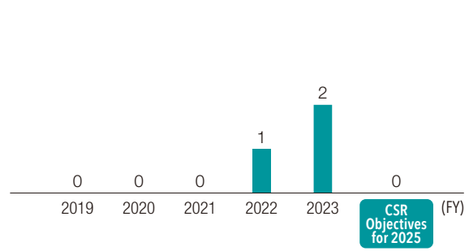
Capital Expenditure and Depreciation



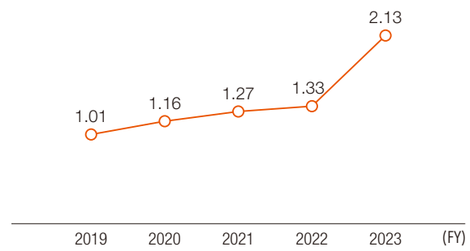
Non-financial Data

Prevention of Accidents

No. of Fatal Accidents

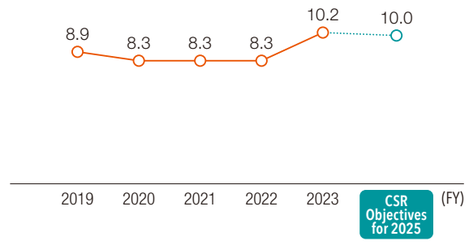


Lost-time Injury Frequency Rate (per million working hours) GCCA

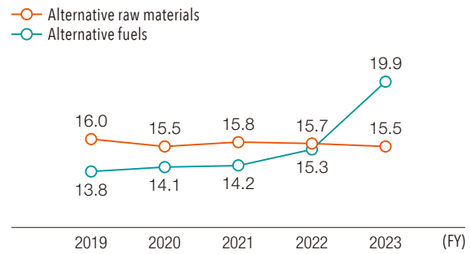


Reduction of Greenhouse Gas Emissions

Reduction Rate of Specific Net CO_2 Emissions (%) GCCA

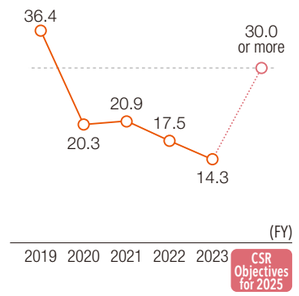


Ratio of Alternative Raw Materials and Fuels (%) GCCA

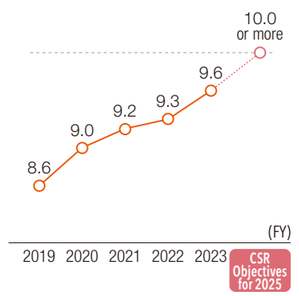


Workplace Diversity

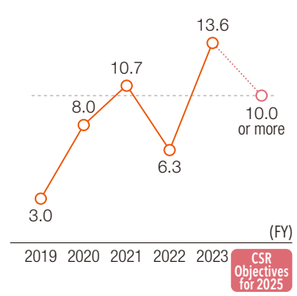
Ratio of female recruits (non-area specific positions) (%)(as of April 1, 2022)



Ratio of Female to Male Employees (%) (as of March 31, 2023)



Ratio of newly appointed female managers (%) (as of March 11, 2023)



11-Year Summary

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	**FY2023**
Statement of Income (million yen)											
Net sales	747,616	840,288	842,848	835,359	798,588	871,113	916,071	884,350	863,903	708,201	**809,542**
Operating Income	40,659	70,434	65,406	60,433	63,235	65,129	66,012	61,008	63,610	46,701	**4,456**
Ordinary income	32,667	69,590	67,890	60,225	59,802	64,366	64,306	60,541	65,744	50,193	**1,015**
Profit attributable to owners of parent	11,329	35,223	44,114	36,404	47,597	38,525	43,452	39,151	46,800	28,971	**(33,206)**
Financial Condition (million yen)											
Net assets	219,826	273,312	347,490	357,073	400,034	432,326	450,645	473,241	506,821	544,799	**528,857**
Total assets	982,473	1,015,564	1,040,602	1,014,075	1,015,415	1,020,111	1,034,428	1,032,923	1,044,227	1,103,007	**1,268,862**
Interest-bearing debt	473,959	435,118	399,138	394,497	340,930	288,606	279,615	266,115	248,102	270,587	**403,485**
Per Share Data* (yen)											
Book-value per share	1,558.5	1,955.7	2,463.1	2,591.1	2,930.2	3,193.7	3,388.4	3,567.6	3,971.3	4,362.2	**4,228.5**
Earnings per share	92.2	286.7	359.1	296.3	383.9	311.4	351.7	319.9	387.8	245.8	**(283.7)**
Closing share price	2,210	3,720	3,670	2,590	3,720	3,865	3,690	1,850	2,911	2,019	**2,487**
Cash Flow (million yen)											
Cash flows from operating activities	61,505	88,558	77,000	75,627	94,433	107,683	97,283	90,902	110,403	71,191	**(268)**
Cash flows from investing activities	(16,441)	(27,926)	(31,377)	(71,099)	(10,394)	(48,460)	(58,025)	(65,534)	(47,809)	(83,919)	**(93,344)**
Cash flows from financing activities	(51,792)	(62,269)	(52,713)	(4,027)	(81,855)	(65,818)	(33,753)	(29,436)	(43,952)	(3,742)	**112,080**
Cash and cash equivalents at end of fiscal year	54,408	55,604	50,645	50,072	51,974	44,976	50,084	45,748	63,819	50,213	**70,828**
Financial Indicators											
Operating income on net sales	5.4	8.4	7.8	7.2	7.9	7.5	7.2	6.9	7.4	6.6	**0.6**
Return on assets (ROA) (ordinary income)	3.3	7.0	6.6	5.9	5.9	6.3	6.3	5.9	6.3	4.7	**0.1**
Return on equity (ROE)	6.3	16.3	16.3	11.7	14.0	10.2	10.7	9.2	10.3	5.9	**(6.6)**
Equity ratio (%)	19.5	23.7	29.1	31.4	35.6	38.7	40.1	42.3	45.1	46.3	**39.0**
EBITDA (million yen)	80,081	110,987	107,807	104,390	107,694	109,132	110,020	109,871	116,293	102,711	**68,875**
Net debt/equity ratio (DER) (multiples)	2.2	1.6	1.1	1.1	0.8	0.6	0.5	0.5	0.4	0.4	**0.7**
Other											
Capital expenditure (million yen)	32,524	39,094	42,160	44,076	54,384	58,087	67,796	77,677	66,003	73,373	**75,932**
Depreciation (million yen)	39,422	40,553	42,401	43,957	44,459	44,003	44,008	48,863	52,683	56,010	**64,419**
R&D expenses (million yen)	3,846	4,052	4,422	4,228	4,538	4,452	4,311	4,431	4,606	5,284	**5,903**

* The Company, effective October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. Per share information are calculated assuming the share consolidation took place at the year to March 2011.
* The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. were applied from FY2022.

14 Medium-Term Management Plan
FY2013-FY2015

Business Strategies

Fulfill our social mission
Make maximum contributions to projects related to recovery from the Great East Japan Earthquake

Pursue our main businesses
Establish sustainability in the domestic cement business and fulfill our responsibilities as part of a social infrastructure industry

Expand our growth fields
Promote our materials business, and further advance our overseas business expansion

FY2015 results
- Operating income on net sales: 7.8%
- ROA (ordinary income): 6.6%
- Net DER: 1.1

17 Medium-Term Management Plan
FY2016-FY2018

Business Strategies

Enhance existing businesses, and formulate and implement growth strategies
Strengthen management foundations
Provide support for national projects
Enhance research and development

FY2018 results
- Operating income on net sales: 7.5%
- ROA (ordinary income): 6.3%
- Net DER: 0.6

20 Medium-Term Management Plan
FY2019-FY2021

Business Strategies

Strengthen the earnings capacity of existing businesses
Formulate and implement growth strategies
Provide support for national projects

FY2021 results
- Operating income on net sales: 7.4%
- ROA (ordinary income): 6.3%
- Net DER: 0.4

23 Medium-Term Management Plan
FY2022-FY2024

1. **Initiatives to deliver carbon neutrality**
2. **Sustained growth investment**
3. **Strengthening plant facilities**
4. **Quarry development**

Financial Statements

Consolidated Balance Sheets

(Unit: million yen)

Item	End of FY2022 (As of March 31, 2022)	End of FY2023 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	60,271	**79,842**
Notes, accounts receivable and contract assets	143,178	**158,136**
Electronically recorded monetary claims - operating	23,354	**24,826**
Merchandise and finished goods	34,409	**47,460**
Work in process	1,277	**1,529**
Raw materials and supplies	58,502	**89,383**
Short-term loans receivable	1,921	**1,459**
Other	17,942	**27,920**
Allowance for doubtful accounts	(307)	**(150)**
Total current assets	340,550	**430,408**
Non-current assets		
Property, plants and equipment		
Buildings and structures	515,145	**531,889**
Accumulated depreciation	(361,439)	**(374,577)**
Buildings and structures (net)	153,705	**157,312**
Machinery, equipment and vehicles	968,234	**1,038,534**
Accumulated depreciation	(797,800)	**(847,452)**
Machinery, equipment and vehicles (net)	170,433	**191,081**
Land	156,031	**165,027**
Leased assets	39,955	**26,217**
Accumulated depreciation	(20,891)	**(12,819)**
Leased assets (net)	19,064	**13,398**
Construction in progress	32,676	**34,286**
Other	65,708	**101,217**
Accumulated depreciation	(39,790)	**(42,240)**
Other (net)	25,917	**58,977**
Total property, plants and equipment	557,829	**620,083**
Intangible assets		
Goodwill	80	**101**
Other	27,485	**39,665**
Total intangible assets	27,566	**39,766**
Investments and other assets		
Investment securities	118,359	**117,839**
Long-term loans receivable	1,391	**2,376**
Retirement benefit assets	22,680	**23,697**
Deferred tax assets	11,081	**8,167**
Other	25,431	**27,832**
Allowance for doubtful accounts	(1,883)	**(1,309)**
Total investments and other assets	177,061	**178,604**
Total non-current assets	762,457	**838,454**
Total assets	1,103,007	**1,268,862**

(Unit: million yen)

Item	End of FY2022 (As of March 31, 2022)	End of FY2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	79,685	**84,162**
Electronically recorded obligations - operating	8,751	**11,613**
Short-term borrowings	102,986	**149,573**
Commercial papers	21,000	**27,000**
Current portion of bonds	—	**10,000**
Income taxes payable	4,198	**3,687**
Provision for bonuses	6,246	**5,677**
Provision for loss on business withdrawal	—	**2,564**
Other provisions	213	**108**
Other	86,685	**91,395**
Total current liabilities	309,768	**385,784**
Non-current liabilities		
Bonds payable	60,000	**50,000**
Long-term borrowings	86,600	**166,911**
Deferred tax liabilities	10,020	**18,329**
Retirement benefit liabilities	22,701	**21,380**
Provision for retirement benefits for directors	512	**536**
Provision for special repairs	258	**227**
Provision for product compensation	3,330	**4,498**
Provision for loss on business withdrawal	—	**1,924**
Other provisions	478	**472**
Lease obligations	13,481	**26,514**
Asset retirement obligations	8,703	**9,379**
Other	42,352	**54,045**
Total non-current liabilities	248,440	**354,221**
Total liabilities	558,208	**740,005**
Net assets		
Shareholders' equity		
Share capital	86,174	**86,174**
Capital surplus	49,729	**49,729**
Retained earnings	384,154	**342,880**
Treasury shares	(13,766)	**(13,738)**
Total shareholders' equity	506,291	**465,045**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,737	**12,038**
Deferred gains or losses on hedges	6	**0**
Revaluation reserve for land	4,897	**3,610**
Foreign currency translation adjustment	(11,322)	**13,730**
Remeasurements of defined benefit plans	(992)	**530**
Total accumulated other comprehensive income	4,325	**29,911**
Non-controlling interests	34,181	**33,899**
Total net assets	544,799	**528,857**
Total liabilities and net assets	1,103,007	**1,268,862**

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Unit: million yen)

Item	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Net sales	708,201	**809,542**
Cost of sales	532,818	**668,324**
Gross profit	175,382	**141,218**
Selling, general and administrative expenses		
Amortization of goodwill	54	**46**
Other	128,626	**136,715**
Total selling, general and administrative expenses	128,681	**136,761**
Operating income	46,701	**4,456**
Non-operating income		
Interest income	551	**738**
Dividend income	1,641	**1,653**
Rental income from real estate	90	**91**
Share of profit of entities accounted for using equity method	1,913	—
Other	4,113	**2,427**
Total non-operating income	8,311	**4,911**
Non-operating expenses		
Interest expenses	2,195	**2,746**
Share of loss of entities accounted for using equity method	—	**2,771**
Other	2,623	**2,834**
Total non-operating expenses	4,819	**8,352**
Ordinary income	50,193	**1,015**
Extraordinary income		
Gain on disposal of non-current assets	6,386	**1,053**
Gain on sales of investment securities	615	**1,307**
Compensation income	—	**1,766**
Other	1,051	**221**
Total extraordinary income	8,054	**4,348**
Extraordinary losses		
Loss on disposal of non-current assets	7,301	**5,255**
Loss on sales of investment securities	428	**442**
Loss on valuation of investment securities	20	**6**
Impairment loss	2,407	**6,061**
Business withdrawal loss	—	**7,984**
Product compensation expenses	3,506	**1,277**
Other	1,762	**702**
Total extraordinary losses	15,426	**21,730**
Profit (loss) before income taxes	42,820	**(16,366)**
Income taxes - current	11,542	**7,671**
Income taxes - deferred	227	**10,200**
Total income taxes	11,769	**17,872**
Profit (loss)	31,051	**(34,239)**
Profit (loss) attributable to non-controlling interests	2,079	**(1,032)**
Profit (loss) attributable to owners of parent	28,971	**(33,206)**
Profit (loss)	31,051	**(34,239)**
Other comprehensive income		
Valuation difference on available-for-sale securities	(544)	**369**
Deferred gains or losses on hedges	5	**(5)**
Foreign currency translation adjustment	18,596	**25,042**
Remeasurements of defined benefit plans	1,447	**1,389**
Share of other comprehensive income of entities accounted for using equity method	2,559	**2,196**
Total other comprehensive income	22,063	**28,990**
Comprehensive income	53,115	**(5,248)**
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	48,324	**(6,334)**
Comprehensive income attributable to non-controlling interests	4,790	**1,086**

Consolidated Statements of Cash Flows

(Unit: million yen)

Item	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	42,820	**(16,366)**
Depreciation	56,010	**64,419**
Amortization of goodwill	54	**46**
Share of loss (profit) of entities accounted for using equity method	(1,913)	**2,771**
Loss (gain) on valuation of investment securities	20	**6**
Decrease (increase) in net retirement benefit asset and liability	(302)	**(1,461)**
Increase (decrease) in provision for retirement benefits for directors	8	**23**
Increase (decrease) in provision for bonuses	(19)	**(574)**
Increase (decrease) in allowance for doubtful accounts	(4,129)	**(532)**
Increase (decrease) in provision for loss on business withdrawal	—	**4,452**
Increase (decrease) in other provisions	3,185	**997**
Interest and dividend income	(2,193)	**(2,392)**
Interest expenses	2,195	**2,746**
Loss (gain) on sales of investment securities	(187)	**(865)**
Loss (gain) on disposal of non-current assets	914	**4,202**
Impairment loss	2,407	**6,061**
Decrease (increase) in trade receivables	(1,904)	**(18,217)**
Decrease (increase) in inventories	(15,714)	**(37,165)**
Increase (decrease) in trade payables	5,679	**9,376**
Other	(4,162)	**(10,018)**
Subtotal	82,769	**7,508**
Interest and dividends received	2,807	**3,211**
Interest paid	(2,199)	**(2,740)**
Income taxes paid	(12,186)	**(8,247)**
Cash flows from operating activities	71,191	**(268)**
Cash flows from investing activities		
Decrease (increase) in time deposits	182	**1,937**
Purchase of non-current assets	(67,326)	**(63,401)**
Proceeds from sales of non-current assets	6,458	**1,820**
Purchase of other depreciated assets	(440)	**(595)**
Proceeds from sales of other depreciated assets	2	**79**
Purchase of investment securities	(24,123)	**(1,991)**
Proceeds from sales and redemption of investment securities	1,010	**2,048**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	10	**355**
Loan advances	(2,150)	**(1,242)**
Collection of loans receivable	2,458	**660**
Payments for acquisition of businesses	—	**(30,930)**
Other	(2)	**(2,082)**
Cash flows from investing activities	(83,919)	**(93,344)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(5,936)	**23,237**
Increase (decrease) in commercial papers	21,000	**6,000**
Proceeds from long-term borrowings	40,743	**144,264**
Repayments of long-term borrowings	(34,035)	**(41,826)**
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(5,036)	**(12)**
Dividends paid	(7,648)	**(8,204)**
Dividends paid to non-controlling interests	(1,404)	**(942)**
Other	(11,423)	**(10,435)**
Cash flows from financing activities	(3,742)	**112,080**
Effect of exchange rate change on cash and cash equivalents	2,864	**2,048**
Net increase (decrease) in cash and cash equivalents	(13,606)	**20,515**
Cash and cash equivalents at beginning of period	63,819	**50,213**
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	**50**
Increase in cash and cash equivalents resulting from merger	—	**48**
Cash and cash equivalents at end of period	50,213	**70,828**

GCCA Key Performance Indicators

The Taiheiyo Cement Group's key performance indicators (KPIs) for FY2023 have been subjected to independent limited assurance by KPMG AZSA Sustainability Co., Ltd.

FY2023 Key Performance Indicators (KPI)*1 *2

CO_2 and climate protection (CO_2 emissions and energy consumption)		FY2021	FY2022	FY2023
Number of facilities using the GCCA "The Cement CO_2 and Energy Protocol" guidelines for emissions inventory		17	17	16*3
Ratio of facilities using the GCCA "The Cement CO_2 and Energy Protocol" guidelines for emissions inventory (%)		100	100	100
Total CO_2 emissions (thousand t)	Scope 1 emissions*4	24,029	23,679	20,065
	Gross emissions*5	22,672	22,525	19,017
	Net emissions*6	21,832	21,629	17,997
CO_2 emissions per tonne of cementitious product*7 (kg-CO_2/t-cementitious)	Specific gross emissions	701	703	698
	Specific net emissions	675	675	661
Emissions from electricity purchased (thousand t) (Scope 2 emissions)		855	983	868
Indirect emissions other than Scope 1 and 2 (emissions of other companies related to the activities of the calculation entity) (thousand t) (Scope 3 emissions)*8		1,769	1,639	1,766
Category 1 (Purchased goods and services)*9		752	635	893*10
Category 3 (fuel- and energy-related activities not included in Scope 1 and 2)*11		1,017	1,004	873
Specific heat consumption for clinker production (MJ/t-clinker)		3,321	3,291	3,375
Alternative fuel rate: ratio of alternative fuels used by kilns (%)		12.2	13.3	17.6
Biomass fuel rate: ratio of biomass fuel used by kilns (%)		2.0	2.0	2.3
Clinker/cement (equivalent) factor: ratio of the total clinker consumption and cement produced, calculated according to the GCCA Cement CO_2 and Energy Protocol guidelines		82.4	83.0	83.0

Emissions monitoring and reporting		FY2021	FY2022	FY2023
Percentage of clinker produced by kilns covered by a monitoring system, either continuous or discontinuous, for the main and other pollutants (%)		100	100	100
Percentage of clinker produced by kilns which have adopted continuous measurement for the main pollutants (%)	NOx*12	97.7	97.6	97.5
	SOx*12	96.4	96.2	95.7
	Dust	100	100	100
Total emissions (t)	NOx	34,758	34,330*12	32,425
	SOx	1,139	1,091*12	930
	Dust	544	439*12	423
Specific emissions (g/t-clinker)	NOx	1,282	1,277*12	1,434
	SOx	42	41*12	41
	Dust	20	16*12	19

Water		FY2021	FY2022	FY2023
Withdrawal (thousand m³)	Fresh water	27,192	26,341	24,649
	Seawater	146,232	146,894	145,476
Discharge (thousand m³)	Fresh water	13,447	13,246	12,792
	Seawater	146,368	147,062	145,639

Health and Safety		FY2021	FY2022	FY2023
Fatalities				
	Number of fatalities for directly employed personnel	0	0	0
	Fatality rate per 10,000 directly employed personnel	0	0	0
	Number of fatalities for indirectly employed personnel (contractors and subcontractors)	0	0	1
	Number of fatalities involving third parties (not employed)	0	0	0
Lost-time injuries				
	Number of lost-time injuries for directly employed personnel	15	15	23
	Injury frequency rate of directly employed personnel (per million working hours)	1.27	1.33	2.13
	Number of lost-time injuries for indirectly employed personnel (contractors and subcontractors)	18	19	12

*1 CO_2 and climate protection, emissions monitoring and reporting, and water for FY2023 are in accordance with "GCCA Sustainability Guidelines for the monitoring and reporting of CO_2 emissions from cement manufacturing Ver. 0.1", "GCCA Sustainability Guidelines for the monitoring and reporting of emissions from cement manufacturing Ver. 0.1", "GCCA Sustainability Guidelines for co-processing fuels and raw materials in cement manufacturing Ver. 0.1" and "GCCA Sustainability Guidelines for the monitoring and reporting of water in cement manufacturing Ver. 0.1".
*2 Health and safety for FY2023 is in accordance with "GCCA Sustainability Guidelines for the monitoring and reporting of safety in cement manufacturing Ver. 1.0". We have aggregated data from the cement businesses of Taiheiyo Cement and 15 domestic and overseas group companies, and from the construction materials, aggregates and ready-mixed concrete businesses of 46 companies out of the affiliated companies that are considered to be business sites required to submit accident reports under our health and safety management regulations.
*3 Plants that ceased operations during the period are excluded from the current period's totals in accordance with GCCA guidelines.
*4 CO_2 emissions that are not included in the items for disclosure mandated by the GCCA but are derived from raw materials and fuels in the cement manufacturing process (including from on-site power generation) and fall under Scope 1.
*5 CO_2 emissions derived from raw materials and fuels in the cement manufacturing process (excluding CO_2 emissions generated from on-site power generation).
*6 CO_2 emissions derived from raw materials and fuels in the cement manufacturing process (excluding CO_2 emissions generated from alternative fuels and on-site power generation).
*7 Cementitious product: Sum total of clinker and admixtures
*8 For Scope 3, we refer to the "Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.2)", Ministry of the Environment and "For Calculating Supply Chain Greenhouse Gas Emissions (FY2021: IDEAv2, FY2022 onward: IDEAv3.2)".
*9 Calculated by multiplying the input volume (physical data) of raw materials purchased by the business site subject to the data collection of environmental performance in the GCCA KPI (hereinafter referred to as "business site") from outside the business site by the emission intensity of each raw material.
*10 Emissions increased due to the switch from in-house production of clinker to external purchasing due to the expansion construction at Taiheiyo Cement Philippines, Inc.
*11 Calculated by multiplying the amount of electricity, fuel, etc. procured by the business site by each specific emissions unit.
*12 Calculations were reviewed and revised retroactively.

GCCA Independent Assurance Report

Independent Assurance Report

To the President and Representative Director of Taiheiyo Cement Corporation

We were engaged by Taiheiyo Cement Corporation (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators (the "Indicators") included under the following headings in the GCCA Key Performance Indicators section of its Taiheiyo Cement Report 2023 (the "Report") for the fiscal year ended March 31, 2023.

- CO_2 and climate protection (CO_2 emissions, energy consumption) [1]
- Emissions monitoring and reporting [1]
- Water [1]
- Health and safety [2]

1 Periodic accounting is based on the fiscal year 2022 for domestic plants and the calendar year 2022 for overseas plants.
2 Periodic accounting is based on the calendar year 2022 for domestic and overseas plants.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the following four plants out of a total of 16 plants of the Taiheiyo Cement Group, selected on the basis of a risk analysis. (Scopes 1 and 2 CO_2 emissions covered by these four plants correspond to 40% * of the combined total of the Group's Scopes 1 and 2 CO_2 emissions.)

  * Based on the amount of absolute gross CO_2 for the fiscal year 2022 for domestic plants and the calendar year 2022 for overseas plants.

Overseas plants	Domestic plants
- Nghi Son Cement Corporation	- Taiheiyo Cement Corporation: Oita Plant - Myojyo Cement Co., Ltd. - DC Co., Ltd.

- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Kazuhiko Saito
Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
November 29, 2023

Notes to the Reader of Independent Assurance Report:
This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

Glossary

A

AASHTO M240
A standard for blended cement specified by the American Association of State Highway and Transportation Officials.

Agitator truck
A truck that transports ready-mixed concrete in a rotating cylindrical container which agitates the concrete during transportation. It is also sometimes called a cement truck or concrete mixer truck.

ASTM C595
ASTM are American industrial standards, and C595 is a standard for blended cement.

Autoclaved lightweight concrete
Concrete which contains many air bubbles that is made from silica, cement, quicklime, and aluminum, and cured under high temperature and pressure conditions.

B

Bag filter
Equipment that uses cloth to filter dust that is contained in an air stream. When applied to a cement kiln, the amount of dust in the exhaust gas can be reduced to extremely low levels.

Blast furnace slag
A by-product of the iron and steel making process to remove impurities from steel products, and sometimes referred to simply as slag.

Bulk materials
A generic term for materials such as fly ash and crushed blast furnace slag that are sold in powder form as-is, without being packed in bags.

C

C2SP Kiln
A clinker firing furnace capable of directly capturing a high concentration of CO_2 by separating the combustion gas system from the oxygen-fired calciner. It inherits the features of the NSP kiln.

CARBOCATCH
A CO_2 mineralization technology that uses carbonation. CO_2 can be efficiently mineralized in concrete by mixing cement slurry that has absorbed CO_2 with water.

CARBOFIX cement
A special cement that cures by absorbing CO_2. CO_2 emissions are reduced by 60% compared to ordinary Portland cement.

Carbon pricing
A policy approach that seeks to change the behavior of emitters by putting a price on CO_2 emissions. Carbon taxes and emissions trading schemes are typical examples.

Career Day
An activity in which companies gather at a school to explain their companies to students and share information about the education and skills needed for work and career advancement.

Cathode material
Material used for the positive electrode of a battery.

CCS
Carbon Capture and Storage - A series of systems in which CO_2 is captured from the exhaust gases of industrial processes such as power and cement plants, and is permanently stored in depleted oil fields and submarine formations.

CCU
Carbon Capture and Utilization - A series of systems in which CO_2 captured from the exhaust gases of industrial processes such as power and cement plants, and is reused in industrial processes or for plant cultivation.

CCUS technology
A generic term for a series of technologies that captures CO_2 for utilization or permanent storage.

Cement based soil stabilizer
A cement-based ground improvement material that is used to provide long-term, stable strength enhancement to a wide range of soil types.

Cement calcination
Synonymous with clinker calcination.

Clinker
An intermediate, nodular cement product produced when the raw materials of cement such as limestone and clay are fired in a kiln.

Clinker calcination
A process in which the raw materials of cement such as limestone and clay are heated at 1450°C to obtain clinker.

Clinker cooler
Equipment that rapidly cools high-temperature clinker that has been fired in a cement kiln, using air supplied from a cooling fan.

CO_2-cured
The process of absorbing CO_2 whilst hardening (curing). CO_2-cured cement absorbs CO_2 during hardening.

Concrete slump
An index that indicates the fluidity of fresh ready-mixed concrete, where the higher the number, the higher the fluidity. One of the control items during concrete production.

D

Distribution terminal
An intermediate cement distribution center that connects cement plants and users. It is also called service station or SS in Japan.

F

Fly ash
Ash derived from coal which is generated from a coal-fired thermal power plant and is collected from the exhaust gas airstream by an electrostatic precipitator.

Fly ash blended cement
A blended cement that uses fly ash as a blending material.

Fresh concrete
Concrete that has not yet cured (hardened), which includes ready-mixed concrete.

Functional hollow particles
Minute, lightweight ceramic spheres which provide weight reduction and thermal insulation/shielding properties for use in coating materials for home appliances, electronic components, resin products etc.

G

GCCA
The Global Cement and Concrete Association is an industry association of approximately 40 cement manufacturing companies worldwide, covering about 40% of global production capacity.

Glass cullet
Glass products that have been crushed for the purpose of recycling. In addition to being used as a raw material for glass, it is also used as material for roadbeds and road paving.

H

Heavy metal immobilizer
A material for mixing into soil that enables the safer treatment of construction soil by inhibiting the leaching of heavy metals that are specified in the Soil Contamination Countermeasures Act.

I

Innovandi
A worldwide research network operated by the GCCA. It conducts research and studies on materials such as sustainable concrete.

K

Kiln
A combustion furnace used for clinker firing. Usually a cylindrical rotary furnace with a diameter of 5-6 m and a length of 60-100 m is used.

Kiln brick
Refractory bricks that are laid inside a kiln used for clinker firing in order to protect the steel outer casing, as the temperature inside the kiln can reach 1,450°C.

Kiln operation
The series of operations in which the kiln is operated and the cement material is fired.

L

Low-temperature embrittlement
Technology that improves the shreddability of waste material that is difficult to process due to plastic and metal being entwined, such as automobile shredder residue, and separates the constituents.

M

Methanation
The synthesis of methane from CO_2 and hydrogen. This technology is attracting attention as it is carbon neutral through the use of green hydrogen.

N

Nanolitia
Lithium-ion battery cathode material that features high thermal stability and does not use cobalt.

Nature positive
Being aimed toward halting the loss of biodiversity and moving towards rehabilitation.

New type of blended cement
A type of blended cement that is not included in the product specifications for blended cement, and is predicted to be made from multiple types of diverse blended materials.

NSP kiln
A clinker firing kiln which boasts excellent thermal efficiency and is equipped with a preheater consisting of four to five stages of cyclones and a combustion furnace called a calciner.

O

OSHMS
A framework for reducing potential dangers of occupational accidents at workplaces and promoting comfortable work sites by autonomously practicing continuous, uninterrupted health and safety management.

P

Portland cement
A generic term for commonly used cement, and primarily refers to ordinary cement.

Power semiconductors
Semiconductors that control motors and lighting or convert power, and are characterized by the high voltages and currents they handle.

Premix products
Commercial products that contain cement, sand, and other materials in a predetermined ratio and can be mixed with water to make materials such as mortar.

R

Return roller return powder cleanup work
The lower rollers of a conveyor belt are cleaned periodically because the material which adheres to a conveyor belt tends to accumulate there like a snowball.

Rotary kiln
A rotating cylindrical firing furnace for clinker firing. It is sometimes simply called a kiln.

S

SBT
Science Based Target for CO_2 emissions reduction. CO_2 emission reduction targets based on scientific evidence and consistent with the Paris Agreement. Primarily, emission reductions of at least 4.2% per year are required.

Shake Out drill
An earthquake response drill in which all participants simultaneously take actions for their own safety, such as hiding under a desk, which provides an opportunity to confirm the everyday disaster prevention measures.

Slag
Blast furnace slag.

Sludge
A mixture of dirt and liquid. In particular, concrete sludge is generated during the production and laying of ready-mixed concrete.

SP Kiln
A clinker firing kiln with a preheater consisting of four to five stages of cyclones. Thermal efficiency is improved by dry blending the raw materials.

T

Total basin risk score
An assessment indicator of water risk; the WWF's Water Risk Filter and the WRI's Aqueduct are standardly used.

U

Ultra-pure silicon carbide
A compound of silicon and carbon with extremely high purity such as 3N (99.9% or higher). It is used as a raw material for semiconductors that handle high electric power.

V

Volume reduction technology
A generic term for technologies that reduce the volume of an object. For example, incineration of solid municipal waste reduces the load on landfills.

W

Wet long kiln
A clinker firing kiln in which the raw materials are prepared in a wet consistency and directly fed into the kiln. As the water is removed through evaporation, the thermal efficiency is low and not suitable for increased production.

Corporate Information

Company Outline (as of March 31, 2023)

Company name	TAIHEIYO CEMENT CORPORATION
Established	May 3, 1881
Capital	86.174 billion yen
Headquarters	BUNKYO GARDEN GATE TOWER, 1-1-1, Koishikawa, Bunkyo-ku, Tokyo 112-8503, Japan
Number of employees	Consolidated: 12,720 Non-consolidated: 1,841 (not including seconded staff)
Net sales	Consolidated: 809.5 billion yen Non-consolidated: 309.4 billion yen

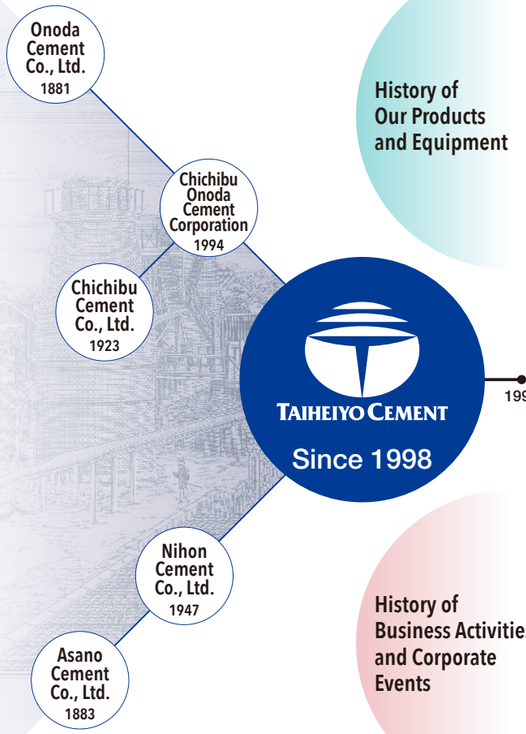
List of Registered Trademarks in Japan of Taiheiyo Cement Corporation Appearing in this Report

SFPC	CellSpheres
CARBOCATCH	TAIHEIYO GREEN CEMENT
CARBOFIX	TQPS
COOL BLOCK PAVE*1	DENITE
C2SP Kiln	Nanolitia
Ceraclean	PreSLump AI

*1 A registered trademark of the Japan Interlocking Block Pavement Engineering Association.

Website Information

- **Home page** — https://www.taiheiyo-cement.co.jp/english
- **Organizational and Business Information** — About Us: https://www.taiheiyo-cement.co.jp/english/company/index.html
  - Products and Services: https://www.taiheiyo-cement.co.jp/english/service_product/index.html
  - Research and Technology Development: https://www.taiheiyo-cement.co.jp/english/rd/index.html
- **IR Information** — Investor Relations: https://www.taiheiyo-cement.co.jp/english/ir/index.html
- **Sustainability Information** — Sustainability: https://www.taiheiyo-cement.co.jp/english/csr/index.html



History of Our Products and Equipment

2000 May — Acquired an exclusive license from three French companies for the inorganic composite material Ductal

2001 July — Started operating a municipal waste incineration ash washing system (Ash Washing System) at the Kumagaya plant.

2002 January — Expanded the scale of the coal ash treatment business following completion of the Kanto Ash Center.

2002 November — Started operating an AK system to recycle municipal waste as a raw material for cement at the Saitama Plant.

2002 December — Started operating a facility to recycle wood as a biomass resource at the Oita Plant.

2006 July — Developed Silica Fume Premix Cement (SFPC) for ultrahigh-strength cement.

2007 August — Commenced selling DENITE, a heavy metal immobilizer.

2007 December — Ductal was used in the pier slabs of Haneda Airport Runway D.

2011 March — Suspended operations at the Ofunato Plant due to damage from the Great East Japan Earthquake.

2012 June — Resumed full operations at the Ofunato Plant.

2014 August — August Harumi Onoda Remicon Co., Ltd. completed construction of an environmentally sound (indoor) plant.

2018 May — Water purification material Ceraclean obtained ETV mark certification from the Ministry of the Environment.

2019 May — Developed AI technology for predicting concrete slump.

2019 December — Started operating a municipal waste incineration bottom ash washing system at the Kumagaya Plant.

2020 January — Started commercial operations of a biomass power station at the Ofunato Plant.

2021 February — Successfully developed Nanolitia, a cathode material for lithium-ion batteries.

2022 August — Started construction of a production line at Taiheiyo Cement Philippines, Inc. (TCPI)

History of Business Activities and Corporate Events

1998 October — Taiheiyo Cement founded.

1999 May — Obtained ISO 14001 certification at six directly operated cement plants in Japan.

2000 October — Acquired the management rights to Grand Cement Manufacturing Corporation in the Philippines (currently Taiheiyo Cement Philippines, Inc.)

2000 November — Completed construction of Nghi Son Cement Corporation (Vietnam).

2001 July — Completed construction of Itoigawa Power Station and launched an electric power supply business.

2002 June — Formulated the Mission of the Taiheiyo Cement Group.

2003 April — Grand Cement Manufacturing Corporation made a wholly owned subsidiary.
Company name changed to Taiheiyo Cement Philippines, Inc. in June 2003.

2003 April — Launched a business to recycle construction soil as a raw material for cement.

2005 April — Launched an electric power supply wholesale business at the Tosa Power Station.

2006 January — Formulated the Environmentally-conscious Management Policy of the Taiheiyo Cement Group.

2008 October — Marked the 10th anniversary of the company.

2009 April — Registered company-wide ISO 14001 integrated certification at six directly operated plants.

2010 March — Announced business restructuring for the group.

2010 April — Second production line of Nghi Son Cement Corporation came into operation.

2013 July — Their Majesties the Emperor Akihito and Empress Michiko of Japan visited the Ofunato Plant.

2015 May — Formulated the CSR Objectives for 2025.

2015 June — Acquired the Oro Grande plant (California, U.S.).

2018 May — Jointly established the Global Cement and Concrete Association (GCCA) with the world's leading cement companies.

2018 October — Marked the 20th anniversary of the company.

2019 June — Supported the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

2021 January — Concluded the agreement on capital alliance with the Semen Indonesia (SI) Group.

2022 March — Established technology development roadmap and 2030 Interim Targets for the Carbon Neutral Strategy 2050.

2022 May — Signed the UN Global Compact

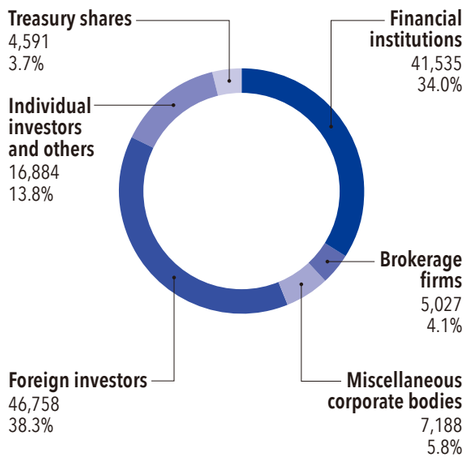
2022 June — Acquired the Redding Plant and ready-mixed concrete business assets (California, U.S.)

Stock Overview

Stock Overview (as of March 31, 2023)

Fiscal year	April 1 - March 31	
General Meeting of Stockholders	Late June	
Common stock	Authorized	197,730,800
	Outstanding	121,985,078 (including 4,591,631 of treasury shares)
	Number of shareholders	49,096
Registrar of shareholders	Sumitomo Mitsui Trust Bank, Limited	

The Distribution of Shares (thousand) by Owner Category (as of March 31, 2023)

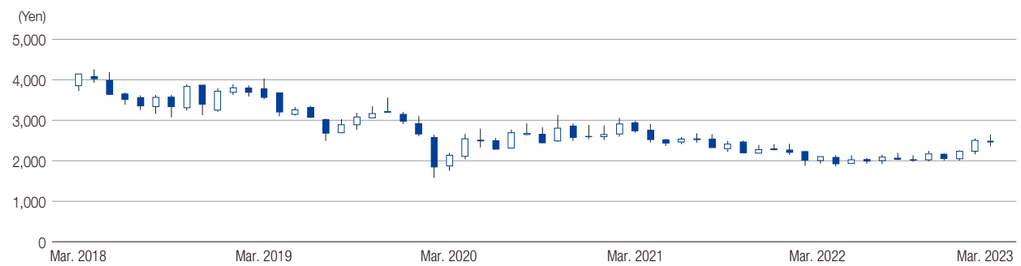


Major Shareholders (as of March 31, 2023)

Shareholder	Shares owned (thousand)	Holding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,397	17.3
Custody Bank of Japan, Ltd. (Trust Account)	8,688	7.4
STATE STREET BANK AND TRUST COMPANY 505001	4,425	3.7
JP MORGAN CHASE BANK 385632	4,228	3.6
JP MORGAN CHASE BANK 380072	2,445	2.0
Mizuho Bank, Ltd.	2,000	1.7
SSBTC CLIENT OMNIBUS ACCOUNT	1,845	1.5
JPMorgan Securities Japan Co., Ltd.	1,738	1.4
MSIP CLIENT SECURITIES	1,721	1.4
JP MORGAN CHASE BANK 385781	1,543	1.3

* The Company owns 4,591,631 treasury shares.
* The shareholding ratio has been calculated after subtracting our treasury shares.

Stock Price Transitions



* The Company, effective October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. Prices prior to September 2017 have been calculated taking the reverse stock split into account.

The Wonders of Cement

• How is cement made?

The cement manufacturing process can be broadly divided into the raw material preparation, burning, and finishing processes. Cement used to be made from natural raw materials, with the main material being limestone as well as clay, silica and iron, but the use of waste and by-products is progressing in modern times.

In the burning process, **NSP kilns** are the standard worldwide due to their high productivity of around 5,000 tonnes per day and high thermal efficiency of 80%. The physical phenomena and chemical reactions shown in the figures below (1-4) take place inside an NSP kiln.

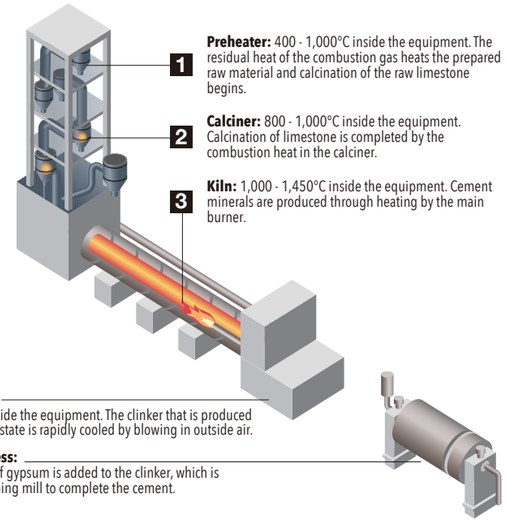
• What is so great about cement?

Various **industrial wastes and by-products**, including from **steel mills and coal-fired thermal power plants**, as well as **the incineration residue and sludge from municipal waste**, are used as the raw material for cement, and a total of more than **400 kg per tonne of cement** is used. In addition, the use of waste such as **debris and wood chips from natural disasters** has progressed in recent years.

Thus, the wonder of cement is that **it effectively utilizes a large amount of waste and by-products without the quality of the cement product being changed or secondary waste being generated**.

Why can waste and by-products be used in cement plants?

In a cement plant, clinker is produced in the burning process by firing the raw materials prepared in a predetermined chemical composition at a high temperature of 1,450°C. This high-temperature firing renders toxic substances such as dioxins completely harmless, and the aluminum, silica, calcium, and iron that are the main components of the cinders and other residue can be used as raw materials for cement minerals. In addition, organic components and combustible waste are a substitute for coal. Furthermore, gypsum by-products generated from the treatment of exhaust gas from thermal power plants can be directly used as raw material for cement.



Examples of the waste and by-products used and their chemical composition