

(Translation)

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Securities Code 5233

June 4, 2019

To Those Stockholders with Voting Rights

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

NOTICE OF THE 21st ORDINARY GENERAL MEETING OF STOCKHOLDERS

You are cordially invited to the 21st Ordinary General Meeting of Stockholders of Taiheiyo Cement Corporation (the “Company”). The meeting will be held as stated below.

If you are unable to attend the meeting, you can exercise your voting rights by paper ballot or via the electromagnetic method such as the Internet. Please review the attached Reference Documents for the General Meeting of Stockholders, and either return the Voting Rights Exercise Form with your selections towards proposals, or vote via the Internet.

- 1. Date and Time:** Thursday, June 27, 2019 at 10:00 a.m.
- 2. Place:** Head office of the Company
2-3-5, Daiba, Minato-ku, Tokyo
- 3. Agenda of the Meeting:**
 - Matters to be reported:**
 1. Business Report, Consolidated Financial Statements for the 21st Fiscal Term (from April 1, 2018 to March 31, 2019) and results of audits by the Accounting Auditor and the Board of Auditors of the Consolidated Financial Statements
 2. Non-Consolidated Financial Statements for the 21st Fiscal Term (from April 1, 2018 to March 31, 2019)
 - Proposals to be resolved:**
 - Proposal No. 1:** Appropriation of Surplus
 - Proposal No. 2:** Partial Amendments to the Articles of Incorporation
 - Proposal No. 3:** Election of Fourteen Directors
 - Proposal No. 4:** Election of Two Corporate Auditors
 - Proposal No. 5:** Election of One Substitute Corporate Auditor

4. Voting Guide

If you are attending the Meeting:

Please hand in the enclosed Voting Rights Exercise Form at the front desk when you arrive at the venue.

If another stockholder is attending the Meeting on your behalf, he/she must submit a letter of proxy and your Voting Rights Exercise Form as well as his/her Voting Rights Exercise Form at the front desk upon arrival at the venue. (Please be advised that a proxy is limited to one person and must be another stockholder with the Company’s voting rights pursuant to the provisions of the Articles of Incorporation.)

(Translation)

If you are NOT attending the Meeting:

Please review the attached Reference Documents for the General Meeting of Stockholders, and exercise your voting right by either of the following two methods.

(i) Exercise of voting rights by postal mail (paper ballot)

- Please indicate your vote for or against the Proposals on the Voting Rights Exercise Form and send it back, making sure that it will arrive by 5:00 p.m. on Wednesday, June 26, 2019 (Japan Standard Time).
- If you make no indication on the Voting Rights Exercise Form whether you are voting for or against the Proposals, you shall be deemed to have voted FOR the Proposals.

(ii) Exercise of voting rights via the Internet, etc.

- Please exercise your voting right via the voting rights exercise site (<https://www.web54.net>) specified by the Company before 5:00 p.m. on Wednesday, June 26, 2019 (Japan Standard Time).
- If you exercise your voting right via the Internet, etc. more than once, your final vote shall prevail.

If you vote both by postal mail and via the Internet, etc., the one received later shall prevail. If we receive both on the same day, your vote cast via the Internet, etc. shall prevail.

Notes:

- Of the documents required to be included in this notice of convocation, “Consolidated Statements of Changes in Net Assets” and “Notes to the Consolidated Financial Statements” of the Consolidated Financial Statements, and “Non-consolidated Statements of Changes in Net Assets” and “Notes to the Non-consolidated Financial Statements” of the Non-consolidated Financial Statements are, pursuant to the provisions of laws and regulations and the Articles of Incorporation of the Company, posted on the Company’s website (<http://www.taiheiyo-cement.co.jp>), and are therefore not contained in the Appendix attached to this notice of convocation.
The Consolidated Financial Statements and the Non-consolidated Financial Statements audited by Corporate Auditors and the Accounting Auditor include “Consolidated Statements of Changes in Net Assets,” “Notes to the Consolidated Financial Statements,” “Non-consolidated Statements of Changes in Net Assets” and “Notes to the Non-consolidated Financial Statements” which are posted on the Company’s website, in addition to each document included in the Appendix of this notice of convocation.
- Subsequent amendments to the Reference Documents for the General Meeting of Stockholders, the Business Report, the Consolidated and Non-Consolidated Financial Statements (if any) will be listed on the Company’s website (<http://www.taiheiyo-cement.co.jp>).

(Translation)

Reference Documents for the General Meeting of Stockholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

With respect to the year-end dividend for the term under review, the Company would like to pay out as follows, in consideration of the business environment and our performance for the term under review, while maintaining our basic policy of stable dividend payouts.

Matters concerning the year-end dividend

(1) Type of Dividend

Cash

(2) Matters concerning the distribution of dividends to stockholders and its total amount

30 yen per share of common stock of the Company, for a total amount of 3,681,564,750 yen.

The annual dividend per share for the term under review will amount to 80 yen, which includes an interim dividend already paid (ordinary dividend of 30 yen and commemorative dividend of 20 yen for the 20th anniversary of the Company's founding).

(3) Effective Date of Dividends from surplus

June 28, 2019

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

- (1) With the intent of improving business efficiency and productivity, in May 2020, the Company plans to change the location of the head office from Minato-ku, Tokyo, the current location of the head office, to Bunkyo-ku, Tokyo. Accordingly, the Company proposes to amend the provisions of Article 3 (Location of Head Office) of the current Articles of Incorporation with the amendments taking effect on the head office relocation date to be determined by a Board of Directors' meeting to be held prior to the 22nd Ordinary General Meeting of Stockholders to be held in 2020, and supplementary provisions to that effect shall be established. The supplementary provisions shall be deleted after the effective date.
- (2) The Company proposes to add new provisions to the Articles of Incorporation to allow the Company to exempt from liabilities for damages of Directors and Corporate Auditors within the limit stipulated by laws and regulations by a resolution of the Board of Directors, pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, in order to enable Directors and Corporate Auditors to fully perform their roles expected of each position and facilitate the invitation of appropriate human resources. In line with the enforcement of the "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014) on May 1, 2015, the scope of Directors and Corporate Auditors with whom the Company may conclude limited liability agreements has been expanded. In line with these changes, the provisions of Article 26 (Limitation of Liabilities of Directors) and Article 33 (Limitation of Liabilities of Corporate Auditors) of the current Articles of Incorporation are proposed to be partially amended so that the Company can enter into limited liability agreements with Directors (excluding Executive Directors, etc.) and all Corporate Auditors. Approval has been obtained from each Corporate Auditor with respect to the addition of new provisions and amendments to the existing provisions relating to Directors.

2. Details of the proposed amendments

Details of the proposed amendments are stated below.

(Underlined parts are amended.)

Current Articles of Incorporation	Proposed Amendments
(Location of Head Office) Article 3. The head office of the Company shall be located in <u>Minato-ku</u> , Tokyo.	(Location of Head Office) Article 3. The head office of the Company shall be located in <u>Bunkyo-ku</u> , Tokyo.
(Limitation of Liabilities of Directors) Article 26. (New) Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each of the <u>Outside</u> Directors to the effect that any liability for damages of such <u>Outside</u> Directors arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be the amount set by laws and regulations.	(Limitation of Liabilities of Directors) Article 26. <u>Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may exempt from liabilities for damages of Directors (including persons who were Directors) arising from negligence in the performance of his/her duties within the limit stipulated by laws and regulations by a resolution of the Board of Directors.</u> <u>2.</u> Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each of the Directors (<u>excluding Executive Directors, etc.</u>) to the effect that any liability for damages of such Directors arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be the amount set by

<p>(Limitation of Liabilities of Corporate Auditors) Article 33. (New)</p> <p>Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each of the <u>Outside</u> Corporate Auditors to the effect that any liability for damages of such Outside Corporate Auditors arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be the amount set by laws and regulations.</p> <p>(New)</p>	<p>laws and regulations.</p> <p>(Limitation of Liabilities of Corporate Auditors) Article 33. <u>Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may exempt from liabilities for damages of Corporate Auditors (including persons who were Corporate Auditors) arising from negligence in the performance of his/her duties within the limit stipulated by laws and regulations by a resolution of the Board of Directors.</u></p> <p><u>2.</u> Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each of the Corporate Auditors to the effect that any liability for damages of such Corporate Auditors arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be the amount set by laws and regulations.</p> <p><u>Supplementary Provisions</u> <u>Amendments to the provisions of Article 3 shall take effect on the head office relocation date that is to be determined by a Board of Directors' meeting to be held prior to the 22nd Ordinary General Meeting of Stockholders to be held in 2020. This supplementary provision shall be deleted after the head office relocation date.</u></p>
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Proposal No. 3: Election of Fourteen Directors

The term of office of all fourteen Directors will expire at the close of this General Meeting of Stockholders. Accordingly, the Company would like to propose the election of fourteen Directors, including two Outside Directors.

The candidates for Director are as follows.

No.	Name	Current position at the Company
1	Reappointment Shuji Fukuda	Chairman and Director
2	Reappointment Masafumi Fushihara	President and Representative Director
3	Reappointment Yuuichi Kitabayashi	Vice President and Representative Director
4	Reappointment Keiichi Miura	Director and Senior Executive Officer
5	Reappointment Masahiro Karino	Director and Senior Executive Officer
6	Reappointment Kunihiko Ando	Director and Managing Executive Officer
7	Reappointment Katsuhiko Fukuhara	Director and Managing Executive Officer
8	Reappointment Toshiaki Suzuki	Director and Managing Executive Officer Senior General Manager, Cement Business Division
9	New Candidate Yoshiyuki Uenoyama	Managing Executive Officer
10	New Candidate Hideaki Asakura	Managing Executive Officer
11	New Candidate Tetsuya Ohashi	Managing Executive Officer
12	New Candidate Yoshifumi Taura	Managing Executive Officer Senior General Manager, International Business Division
13	Reappointment Yoshiko Koizumi Outside Director Independent Director	Director
14	Reappointment Yuzo Arima Outside Director Independent Director	Director

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
1	<p style="text-align: center;">Shuji Fukuda <u>Reappointment</u> (December 20, 1951) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 8 years and 10 months at close of this General Meeting of Stockholders</p>	<p>April 1974 Joined Onoda Cement Co., Ltd. June 1999 General Manager, Accounting & Finance Department of Taiheiyo Cement Corporation April 2004 General Manager, Accounting & Finance Department and General Manager, Accounting & Finance Business Operation Center April 2006 General Manager, Hokuriku Branch April 2008 Executive Officer and General Manager, Human Resources Department and General Manager, Personnel Business Operation Center October 2008 Executive Officer and General Manager, Human Resources Department August 2010 Director, Managing Executive Officer and General Manager, Human Resources Department October 2010 Director and Managing Executive Officer April 2012 President and Representative Director April 2018 Chairman and Director (to present)</p> <p>(Significant concurrent positions) Outside Director, Sapporo Holdings Limited</p> <p>Reason for nominating Shuji Fukuda as Director Since 2010, Mr. Shuji Fukuda has engaged in management of the Company as Director, and currently serves as Chairman and Director after serving as President and Representative Director. He therefore has a wealth of experience, achievements, and knowledge as a manager. The Company has judged that he is an appropriate person to aim to enhance the function of the Board of Directors as a chairman of the Board meetings, and continuously increase corporate value of the Group as he leads the Group's management, determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	3,300

Notes:

1. If the election of Mr. Shuji Fukuda is approved, and Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company plans to enter into an agreement with him, which would limit his liability for damages in respect of his responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that he executes his duties in good faith and without gross negligence.
2. No special relationship exists between the Company and Mr. Shuji Fukuda.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
2	<p>Masafumi Fushihara <u>Reappointment</u> (May 18, 1954) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 4 years at close of this General Meeting of Stockholders</p>	<p>April 1978 Joined Onoda Cement Co., Ltd. April 2007 General Manager, Business Promotion Department of Environmental Business Company of Taiheiyo Cement Corporation May 2009 General Manager, Sales Department of Environmental Business Company October 2010 General Manager, Environmental Business Development Department April 2012 Executive Officer and General Manager, Environmental Business Development Department April 2015 Managing Executive Officer June 2015 Director and Managing Executive Officer April 2016 Director, Managing Executive Officer and Senior General Manager, Cement Business Division April 2017 Director, Senior Executive Officer and Senior General Manager, Cement Business Division April 2018 President and Representative Director (to present)</p> <p>Reason for nominating Masafumi Fushihara as Director Since 2015, Mr. Masafumi Fushihara has engaged in management of the Company as Director, and currently serves as President and Representative Director, after serving as Senior General Manager of the Cement Business Division. He therefore has a wealth of experience, achievements, and knowledge as a manager. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he leads the Group's management, determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	3,100

Note: No special relationship exists between the Company and Mr. Masafumi Fushihara.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
3	Yuuichi Kitabayashi <u>Reappointment</u> (June 2, 1955) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 6 years at close of this General Meeting of Stockholders	April 1978 Joined Nihon Cement Co., Ltd. May 2009 General Manager, Kamiiso Plant of Taiheiyo Cement Corporation April 2011 Executive Officer and General Manager, Production Department April 2013 Managing Executive Officer June 2013 Director and Managing Executive Officer April 2016 Representative Director and Senior Executive Officer April 2017 Vice President and Representative Director Overseeing Corporate Planning Department (to present) Reason for nominating Yuuichi Kitabayashi as Director Since 2013, Mr. Yuuichi Kitabayashi has engaged in management of the Company as Director, and since 2016, he has served as Representative Director. He therefore has a wealth of experience, achievements, and knowledge as a manager. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he leads the Group's management, determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.	5,200

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

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
4	Keiichi Miura <u>Reappointment</u> (November 13, 1956) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 3 years at close of this General Meeting of Stockholders	April 1980 Joined Onoda Cement Co., Ltd. April 2012 General Manager, Central Research Laboratory of Taiheiyo Cement Corporation April 2013 Executive Officer and General Manager, Central Research Laboratory April 2016 Managing Executive Officer June 2016 Director and Managing Executive Officer April 2019 Director and Senior Executive Officer (to present) Reason for nominating Keiichi Miura as Director Since 2016, Mr. Keiichi Miura has engaged in management of the Company as Director, and has been making significant contribution to the development of the Group as an officer overseeing research and development divisions. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.	4,500

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

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
5	Masahiro Karino <u>Reappointment</u> (March 23, 1957) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 3 years at close of this General Meeting of Stockholders	April 1980 Joined Nihon Cement Co., Ltd. April 2004 General Manager, Legal Department of Taiheiyo Cement Corporation April 2013 Executive Officer and General Manager, Legal Department April 2016 Managing Executive Officer June 2016 Director and Managing Executive Officer April 2019 Director and Senior Executive Officer (to present) Reason for nominating Masahiro Karino as Director Since 2016, Mr. Masahiro Karino has engaged in management of the Company as Director, and has been making significant contribution to the development of the Group as an officer overseeing human resources and legal divisions. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.	3,700

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

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
6	Kunihiro Ando <u>Reappointment</u> (May 4, 1957) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 3 years at close of this General Meeting of Stockholders	April 1980 Joined Onoda Cement Co., Ltd. April 2011 General Manager, Ofunato Plant of Taiheiyo Cement Corporation April 2013 Executive Officer and General Manager, Oita Plant April 2015 Executive Officer and General Manager, Mineral Resources Business Department April 2016 Managing Executive Officer June 2016 Director and Managing Executive Officer (to present) Reason for nominating Kunihiro Ando as Director Since 2016, Mr. Kunihiro Ando has engaged in management of the Company as Director, and has been making significant contribution to the development of the Group as an officer overseeing the mineral resources business and environmental business. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.	4,800

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

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
7	<p>Katsuhide Fukuhara <u>Reappointment</u> (September 25, 1956) Attended 14 out of 15 meetings of the Board of Directors (93.3%) and will have served as Director for 2 years at close of this General Meeting of Stockholders</p>	<p>April 1981 Joined Onoda Cement Co., Ltd. April 2013 General Manager, Corporate Planning Department of Taiheiyo Cement Corporation April 2015 Executive Officer and General Manager, Corporate Planning Department April 2017 Managing Executive Officer June 2017 Director and Managing Executive Officer (to present)</p> <p>Reason for nominating Katsuhide Fukuhara as Director Since 2017, Mr. Katsuhide Fukuhara has engaged in management of the Company as Director, and has been making significant contribution to the development of the Group as an officer overseeing the construction materials business and Group companies management division. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	4,200

Note: No special relationship exists between the Company and Mr. Katsuhide Fukuhara.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
8	<p>Toshiaki Suzuki <u>Reappointment</u> (August 18, 1956) Attended 11 out of 11 meetings of the Board of Directors (100%) and will have served as Director for 1 year at close of this General Meeting of Stockholders</p>	<p>March 1980 Joined Chichibu Cement Co., Ltd. April 2011 General Manager, Tohoku Branch of Taiheiyo Cement Corporation April 2014 Executive Officer and General Manager, Tohoku Branch April 2015 Executive Officer and General Manager, Tokyo Branch April 2018 Managing Executive Officer and Senior General Manager, Cement Business Division June 2018 Director, Managing Executive Officer and Senior General Manager, Cement Business Division (to present)</p> <p>(Significant concurrent positions) Outside Director, P.S. Mitsubishi Construction Co., Ltd.</p> <p>Reason for nominating Toshiaki Suzuki as Director Since 2018, Mr. Toshiaki Suzuki has engaged in management of the Company as Director, and has been making significant contribution to the development of the Group as an officer overseeing the cement business. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	2,600

Notes:

1. Mr. Toshiaki Suzuki was newly elected at the 20th Ordinary General Meeting of Stockholders held on June 28, 2018 and took office as Director on the same day; therefore, his attendance at meetings of the Board of Directors refers to those convened since he took office.
2. No special relationship exists between the Company and Mr. Toshiaki Suzuki.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
9	Yoshiyuki Uenoyama <u>New Candidate</u> (May 21, 1959)	April 1982 Joined Nihon Cement Co., Ltd. April 2012 General Manager, Green Innovation Promotion Department of Taiheiyo Cement Corporation April 2013 General Manager, Saitama Plant April 2015 General Manager, Kamiiso Plant April 2016 Executive Officer and General Manager, Kamiiso Plant April 2017 Executive Officer and General Manager, Production Department April 2019 Managing Executive Officer (to present) Reason for nominating Yoshiyuki Uenoyama as Director Mr. Yoshiyuki Uenoyama has been involved in operations of the production business for many years. Since 2016, he has served as Executive Officer and has a wealth of experience and insight regarding overall management. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group and requests that he be a new candidate for Director.	3,100

Note: No special relationship exists between the Company and Mr. Yoshiyuki Uenoyama.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
10	Hideaki Asakura <u>New Candidate</u> (November 20, 1959)	April 1982 Joined Nihon Cement Co., Ltd. April 2011 General Director of Nghi Son Cement Corporation April 2016 Executive Officer of Taiheiyo Cement Corporation General Director of Nghi Son Cement Corporation April 2018 Executive Officer and General Manager, Sales Department, Cement Business Division of Taiheiyo Cement Corporation April 2019 Managing Executive Officer (to present) Reason for nominating Hideaki Asakura as Director Mr. Hideaki Asakura has been involved in operations of the international business and cement business for many years. Since 2016, he has served as Executive Officer and has a wealth of experience and insight regarding overall management. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group and requests that he be a new candidate for Director.	1,420

Note: No special relationship exists between the Company and Mr. Hideaki Asakura.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
11	Tetsuya Ohashi <u>New Candidate</u> (March 7, 1960)	April 1982 Joined Onoda Cement Co., Ltd. October 2010 President of Taiheiyo Cement U.S.A., Inc. April 2015 General Manager, Business Development Department, International Business Division of Taiheiyo Cement Corporation April 2016 Executive Officer and General Manager, Business Development Department, International Business Division April 2019 Managing Executive Officer (to present) Reason for nominating Tetsuya Ohashi as Director Mr. Tetsuya Ohashi has been involved in operations of the accounting division and international business for many years. Since 2016, he has served as Executive Officer and has a wealth of experience and insight regarding overall management. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group and requests that he be a new candidate for Director.	1,900

Note: No special relationship exists between the Company and Mr. Tetsuya Ohashi.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
12	Yoshifumi Taura <u>New Candidate</u> (March 4, 1960)	April 1983 Joined Onoda Cement Co., Ltd. April 2013 General Manager, International Marketing & Trading Department, International Business Division of Taiheiyo Cement Corporation April 2017 Executive Officer and General Manager, International Marketing & Trading Department, International Business Division April 2019 Managing Executive Officer and Senior General Manager, International Business Division (to present) Reason for nominating Yoshifumi Taura as Director Mr. Yoshifumi Taura has been involved in operations of the international business for many years. Since 2017, he has served as Executive Officer and has a wealth of experience and insight regarding overall management. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group and requests that he be a new candidate for Director.	2,900

Note: No special relationship exists between the Company and Mr. Yoshifumi Taura.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
13	<p>Yoshiko Koizumi</p> <p>Candidate for Outside Director Reappointment</p> <p>(September 25, 1943)</p> <p>Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 4 years at close of this General Meeting of Stockholders</p>	<p>April 1972 Registered as a lawyer (Daini Tokyo Bar Association)</p> <p>January 1980 Partner, Masuda and Ejiri Law Office (predecessor of Nishimura & Asahi)</p> <p>January 2008 Counsel, Nishimura & Asahi</p> <p>April 2009 Partner, City-Yuwa Partners</p> <p>June 2015 Outside Director of Taiheiyo Cement Corporation</p> <p>Outside Director, Dowa Holdings Co., Ltd.</p> <p>Partner, City-Yuwa Partners</p> <p>June 2016 Outside Director of Taiheiyo Cement Corporation</p> <p>Outside Director, Dowa Holdings Co., Ltd.</p> <p>Outside Corporate Auditor, Sumitomo Bakelite Co., Ltd.</p> <p>Partner, City-Yuwa Partners</p> <p>September 2017 Outside Director of Taiheiyo Cement Corporation</p> <p>Outside Director, Dowa Holdings Co., Ltd.</p> <p>Outside Corporate Auditor, Sumitomo Bakelite Co., Ltd.</p> <p>Outside Corporate Auditor, Nippon Koei Co., Ltd.</p> <p>Partner, City-Yuwa Partners (to present)</p> <p>(Significant concurrent positions)</p> <p>Outside Director, Dowa Holdings Co., Ltd.</p> <p>Outside Corporate Auditor, Nippon Koei Co., Ltd.</p> <p>Lawyer, Partner of City-Yuwa Partners</p> <p>Reason for nominating Yoshiko Koizumi as Outside Director</p> <p>Although Ms. Yoshiko Koizumi has not engaged in corporate management in the past, as a lawyer, she has a wealth of experience, achievements, and knowledge regarding corporate law, and provides precise recommendations and advice from an objective standpoint independent from the management team that executes business in the Board of Directors. The Company has judged that she makes significant contribution to the monitoring and supervision of overall management, and requests that she continue to be a candidate for Director.</p>	1,500

Notes:

- Ms. Yoshiko Koizumi is nominated as an Outside Director.
- Ms. Yoshiko Koizumi currently serves as an Outside Corporate Auditor at Sumitomo Bakelite Co., Ltd., and is scheduled to retire from Outside Corporate Auditor as of June 24, 2019.
- The Company currently has an agreement with Ms. Yoshiko Koizumi, which limits her liability for damages in respect of her responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that she executes her duties in good faith and without gross negligence. If the election of Ms. Yoshiko Koizumi is approved, the Company plans to continue the said agreement with her.
- Ms. Yoshiko Koizumi satisfies the Independence Criteria for Outside Officers defined by the Company,

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and the Company has registered Ms. Yoshiko Koizumi as an independent director at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange. Additionally, the Independence Criteria for Outside Officers defined by the Company is provided on page 25.

5. The Company receives legal advice as required from lawyers of City-Yuwa Partners other than Ms. Yoshiko Koizumi, where she serves as a partner, but the Company has not concluded an advisory agreement with the law firm. The advisory fees paid to the law firm are less than 1% of annual sales for each of the Company and the law firm, and there is no special interest relationship. Additionally, there are no special interest relationships between the Company and any of the significant concurrent positions.
6. No special relationship exists between the Company and Ms. Yoshiko Koizumi.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
14	<p data-bbox="309 510 443 539">Yuzo Arima</p> <p data-bbox="252 548 507 613">Candidate for Outside Director</p> <p data-bbox="288 622 467 696">Reappointment (May 16, 1947)</p> <p data-bbox="252 705 507 958">Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 3 years at close of this General Meeting of Stockholders</p>	<p data-bbox="523 338 1209 398">April 1971 Joined Toyo Soda Manufacturing Co., Ltd. (currently TOSOH CORPORATION)</p> <p data-bbox="523 405 1150 434">June 2000 Director of TOSOH CORPORATION</p> <p data-bbox="523 441 1070 501">June 2005 Managing Director of TOSOH CORPORATION</p> <p data-bbox="523 508 1070 568">June 2009 Managing Director of TOSOH CORPORATION</p> <p data-bbox="523 575 1187 636">June 2010 President and Representative Director of TAIYO VINYL CORPORATION</p> <p data-bbox="523 642 1187 703">June 2015 President and Representative Director of TAIYO VINYL CORPORATION</p> <p data-bbox="523 710 1235 739">June 2016 Advisor of TAIYO VINYL CORPORATION</p> <p data-bbox="523 745 1145 784">June 2016 Outside Director of Taiheiyo Cement Corporation (to present)</p> <p data-bbox="523 819 1262 1104">Reason for nominating Yuzo Arima as Outside Director Mr. Yuzo Arima has a wealth of experience, achievements, and insight as a corporate manager and provides precise recommendations and advice from an objective standpoint independent from the management team that executes business in the Board of Directors. The Company has judged that he makes significant contribution to the monitoring and supervision of overall management, and requests that he continue to be a candidate for Director.</p>	800

Notes:

1. Mr. Yuzo Arima is nominated as an Outside Director.
2. The Company currently has an agreement with Mr. Yuzo Arima, which limits his liability for damages in respect of his responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that he executes his duties in good faith and without gross negligence. If the election of Mr. Yuzo Arima is approved, the Company plans to continue the said agreement with him.
3. Mr. Yuzo Arima satisfies the Independence Criteria for Outside Officers defined by the Company, and the Company has registered Mr. Yuzo Arima as an independent director at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange. Additionally, the Independence Criteria for Outside Officers defined by the Company is provided on page 25.
4. No special relationship exists between the Company and Mr. Yuzo Arima.

(Translation)

Proposal No. 4: Election of Two Corporate Auditors

The term of office of Mr. Yoshio Narukage will expire and Mr. Hidehiko Kasamura will resign from Corporate Auditors at the close of this General Meeting of Stockholders. Accordingly, the Company would like to propose the election of two Corporate Auditors.

The candidates for Corporate Auditors are as follows.

The Board of Auditors has previously given its approval.

No.	Name (Date of birth)	Career summary, position and significant concurrent positions	Number of shares of the Company held
1	Shigeru Matsushima <u>New Candidate</u> (May 6, 1956)	April 1979 May 2009 April 2011 April 2012 April 2013 June 2013 April 2017 April 2019 Reason for nominating Shigeru Matsushima as Corporate Auditor Mr. Shigeru Matsushima has been overseeing the general affairs, accounting, and finance divisions and environmental business as an officer and has an experience supervising business execution as Director as well as a wealth of insight. The Company has judged that he will be able to appropriately supervise the Directors' performance of duties to aim to continuously increase corporate value of the Group and requests that he be a new candidate for Corporate Auditor.	4,620

Notes:

1. If the election of Mr. Shigeru Matsushima is approved, and Proposal 2 "Partial Amendments to the Articles of Incorporation" is approved as originally proposed, the Company plans to enter into an agreement with him, which would limit his liability for damages in respect of his responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that he executes his duties in good faith and without gross negligence.
2. No special relationship exists between the Company and Mr. Shigeru Matsushima.

(Translation)

No.	Name (Date of birth)	Career summary, position and significant concurrent positions	Number of shares of the Company held
2	<p data-bbox="288 815 464 846">Yoshio Fujima</p> <p data-bbox="288 853 464 884">New Candidate</p> <p data-bbox="252 898 501 929">Candidate for Outside</p> <p data-bbox="272 936 480 967">Corporate Auditor</p> <p data-bbox="277 974 475 1005">(January 8, 1948)</p>	<p data-bbox="523 387 1219 445">November 1974 Joined Chuo Accounting Audit Corporation (MISUZU Audit Corporation)</p> <p data-bbox="523 452 1219 483">March 1980 Registered as a Certified Public Accountant</p> <p data-bbox="523 490 1219 548">September 1990 Partner of Chuo Shinko Audit Corporation (MISUZU Audit Corporation)</p> <p data-bbox="523 555 1219 613">August 1996 Representative Partner of Chuo Audit Corporation (MISUZU Audit Corporation)</p> <p data-bbox="523 620 1219 651">July 2007 Retired from MISUZU Audit Corporation</p> <p data-bbox="523 658 1219 689">June 2011 Outside Corporate Auditor of JIEC Co., Ltd.</p> <p data-bbox="523 696 1219 754">May 2012 Outside Corporate Auditor of JIEC Co., Ltd. Outside Corporate Auditor of Prime Works Co., Ltd. (currently Neos corporation)</p> <p data-bbox="523 761 1219 792">May 2016 Outside Corporate Auditor of JIEC Co., Ltd.</p> <p data-bbox="523 799 1219 857">June 2016 Outside Director, Audit and Supervisory Committee member of JIEC Co., Ltd.</p> <p data-bbox="523 864 1219 922">May 2019 Retired from Outside Director, Audit and Supervisory Committee member of JIEC Co., Ltd.</p> <p data-bbox="523 994 900 1052">(Significant concurrent positions) Certified Public Accountant</p> <p data-bbox="523 1093 1246 1151">Reason for nominating Yoshio Fujima as Outside Corporate Auditor</p> <p data-bbox="523 1158 1257 1404">Although Mr. Yoshio Fujima has not engaged in corporate management in the past, he has been practicing corporate accounting for many years, and has a wealth of experience, achievements, and insight as a Certified Public Accountant. The Company has judged that he can audit the business execution of Directors from an objective, independent, and fair standpoint, and requests that he be a new candidate for Outside Corporate Auditor.</p>	0

Notes:

1. Mr. Yoshio Fujima is nominated as an Outside Corporate Auditor.
2. If the election of Mr. Yoshio Fujima is approved, the Company plans to enter into an agreement with him, which would limit his liability for damages in respect of his responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that he executes his duties in good faith and without gross negligence.
3. Mr. Yoshio Fujima satisfies the Independence Criteria for Outside Officers defined by the Company, and in the event that he takes office as an Outside Corporate Auditor, the Company plans to register him as an independent corporate auditor at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange. Additionally, the Independence Criteria for Outside Officers defined by the Company is provided on page 25.
4. No special relationship exists between the Company and Mr. Yoshio Fujima.

(Translation)

Proposal No. 5: Election of One Substitute Corporate Auditor

In order to prepare for cases where a vacancy results in a shortfall in the number of Corporate Auditors prescribed by laws, the Company proposes the election of one Substitute Corporate Auditor, to substitute for an Outside Corporate Auditor.

The candidate for Substitute Corporate Auditor is as follows.

The Board of Auditors has previously given its approval.

Name (Date of birth)	Career summary, position and significant concurrent positions	Number of shares of the Company held
<p>Toshihito Aoki Candidate for Outside Corporate Auditor (April 7, 1954)</p>	<p>October 1983 Joined Tetsuzo Ota & Co. (currently Ernst & Young ShinNihon LLC) August 1987 Registered as a Certified Public Accountant July 1999 Partner of Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) August 2014 Retired from Ernst & Young ShinNihon LLC</p> <p>(Significant concurrent positions) Certified Public Accountant</p> <p>Reason for nominating Toshihito Aoki as substitute Outside Corporate Auditor Although Mr. Toshihito Aoki has not engaged in corporate management in the past, he has been practicing corporate accounting for many years, and has a wealth of experience, achievements, and insight as a Certified Public Accountant. The Company has judged that he can audit the business execution of Directors from an objective, independent, and fair standpoint, and requests that he continue to be a candidate for substitute Outside Corporate Auditor.</p>	<p>0</p>

Notes:

1. Mr. Toshihito Aoki is nominated as a substitute Outside Corporate Auditor.
2. In the event that Mr. Toshihito Aoki takes office as an Outside Corporate Auditor, the Company plans to enter into an agreement with him, which would limit his liability for damages in respect of his responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that he executes his duties in good faith and without gross negligence.
3. Mr. Toshihito Aoki satisfies the Independence Criteria for Outside Officers defined by the Company, and in the event that he takes office as an Outside Corporate Auditor, the Company plans to register him as an independent corporate auditor at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange. Additionally, the Independence Criteria for Outside Officers defined by the Company is provided on page 25.
4. No special relationship exists between the Company and Mr. Toshihito Aoki.

(Translation)

(Reference)

Independence Criteria for Outside Officers

Outside officers are considered to be sufficiently independent from the Company if they do not fall under any of the following items:

1. A person who is or was an executive (Note 1) of the Company or any of its subsidiaries;
2. A person who is or has recently been a person falling under any of the (1) through (7) below:
 - (1) A major stockholder (Note 2) of the Company or an executive of a major stockholder of the Company;
 - (2) A party whose major business partner is the Company (Note 3) or an executive thereof;
 - (3) A major business partner of the Company (Note 4) or an executive thereof;
 - (4) A person belonging to an audit corporation that is the accounting auditor of the Company;
 - (5) A party who receives a significant amount of donation or aid (Note 5) from the Company or an executive thereof;
 - (6) An individual who receives a significant amount of money (Note 6) or other property from the Company as a lawyer, certified public accountant, tax accountant, consultant, etc., in addition to the compensation that he/she receives from the Company as an outside officer; or
 - (7) An executive of a legal entity, etc. that is a law firm, auditing firm, tax accounting firm, consulting firm, etc., whose major business partner is the Company (Note 7).
3. A person who is a close relative (Note 8) of any of the persons listed in 1. and 2. above.

Notes:

1. An executive is an executive director, corporate officer, executive officer, or an employee who holds a senior management position.
2. A major stockholder is a stockholder who holds 10% or more of the voting rights of the Company.
3. A party whose major business partner is the Company is a party who has carried out transactions with the Company for an amount exceeding 2% of the annual consolidated total net sales for the latest fiscal year of that party.
4. A major business partner of the Company is a party who has carried out transactions with the Company for an amount exceeding 2% of the annual consolidated total net sales for the latest fiscal year of the Company or a financial institution that has an outstanding balance of loans to the Company that exceeds 2% of the consolidated total assets of the Company as of the end of the latest fiscal year of the Company.
5. If the recipient is an individual, a significant amount of donation or aid means a donation or aid exceeding an average of 10 million yen per year over the last three fiscal years. If the recipient is a legal entity, a significant amount of donation or aid means a donation or aid of an average of 10 million yen per year over the last three fiscal years or 30% of the total annual expenses of said legal entity, whichever the greater.
6. A significant amount of money means an amount of money exceeding an average of 10 million yen per year over the last three fiscal years.
7. A legal entity, etc. whose major business partner is the Company is a legal entity, etc. that has carried out transactions with the Company for an average amount per year over the last three years exceeding 2% of the annual consolidated total net sales of said legal entity, etc.
8. A close relative means a spouse or a relative within the second degree of kinship.

(Translation)

(Appendix)

Business Report

(April 1, 2018 - March 31, 2019)

1. Overview of the Company Group

1) Business Progress and Results

During FY2018, Japan's economy continued to undergo a moderate recovery due to factors such as expansion in capital investment and continued improvements in employment and earnings on the back of strong corporate earnings. Meanwhile, the economic outlook remains uncertain due to the effects of trade conflict between the U.S. and China and a slowdown in the Chinese economy, in addition to a series of natural disasters and a serious shortage of labor.

The U.S. economy continued to undergo moderate growth, on the back of reduced levels of the unemployment rate and robust consumer spending.

China's economy saw a slowdown in the pace of growth due to decreases in export and consumer spending. In Vietnam and the Philippines, the economy remains solid due to the strong personal consumption.

Under these circumstances, in FY2018, the Group's consolidated sales increased ¥44,958 million from the previous year to ¥916,071 million. Consolidated operating income was ¥66,012 million, up ¥883 million, while consolidated ordinary income was ¥64,306 million, down ¥59 million and profit attributable to owners of parent increased ¥4,927 million to ¥43,452 million.

Reviews of operation by each segment are as follows.

Cement Business

Sales	¥646,477 million (up 5.6% year-on-year)
Operating Income	¥41,743 million (up 2.6% year-on-year)

Domestic cement demand in the public sector has been on the increase due to the progress of construction related to the Shinkansen across Japan while construction related to the Tokyo Olympics and Paralympics has begun in earnest. Domestic cement demand in the private sector also remains strong due to an increase in capital investment, on the back of redevelopment mainly in Tokyo metropolitan area and improvement in corporate earnings and, as a whole, domestic cement demand increased 1.7% from the previous year to 42.58 million tons, of which, imported cement decreased 48.1% from the previous year to 0.09 million tons. Total exports decreased 12.1% from the previous year to 10.37 million tons.

Under these circumstances, the Taiheiyo Cement Group's domestic cement sales by volume, including consignment sales, increased 3.5% from the previous year to 15.24 million tons, whilst exports decreased 17.7% to 3.48 million tons.

Shipment volume rose served by our U.S. West Coast cement and ready-mixed concrete businesses, where the market is generally on a recovery trend. Our cement business in China saw a recovery trend in price. Our cement business in Vietnam was affected by competition with other products, among other factors. Our cement business in the Philippines saw a continuing expansion of domestic demand, and the price began to recover after hitting the bottom.

As a result of the above, consolidated sales increased ¥34,558 million from the previous year to ¥646,477 million, and consolidated operating income increased ¥1,091 million to ¥41,743 million.

(Translation)

Mineral Resources Business

Sales ¥84,262 million (up 3.4% year-on-year)
Operating Income ¥8,242 million (up 2.2% year-on-year)

In our aggregates business, demand related to redevelopment mainly in Tokyo metropolitan area and the Tokyo Olympics and Paralympics began in earnest, while restoration and reconstruction work in the Tohoku region neared completion. Our mineral products business and geo-solutions business remain solid.

As a result of the above, consolidated sales increased ¥2,778 million from the previous year to ¥84,262 million, and consolidated operating income increased ¥180 million to ¥8,242 million.

Environmental Business

Sales ¥92,693 million (up 2.7% year-on-year)
Operating Income ¥6,614 million (down 11.3% year-on-year)

Although sales of fuels and waste processing operations of waste plastics and sludge, etc., were strong, the volume of incineration ash decreased due to the reduction in the operation rate of coal-fired power plants resulting from growth in renewable energy, and costs for distribution and new business development increased.

As a result, consolidated sales increased ¥2,486 million from the previous year to ¥92,693 million, and consolidated operating income decreased ¥848 million to ¥6,614 million.

Construction Materials Business

Sales ¥82,185 million (up 6.6% year-on-year)
Operating Income ¥4,999 million (up 5.4% year-on-year)

As ground improvement projects are recovering and sales of materials related to civil engineering increased, consolidated sales increased ¥5,151 million from the previous year to ¥82,185 million, and consolidated operating income increased ¥259 million to ¥4,999 million.

Other Business

Sales ¥86,028 million (up 8.8% year-on-year)
Operating Income ¥4,658 million (up 18.6% year-on-year)

Due to solid demand in the engineering business, consolidated sales increased ¥7,008 million from the previous year to ¥86,028 million, and consolidated operating income increased ¥731 million to ¥4,658 million.

Sales and Operating Income by Business Segment

(Unit: Millions of yen)

Business Segment	Sales	Year-on-year increase (decrease)	Operating income	Year-on-year increase (decrease)
Cement	646,477	34,558	41,743	1,091
Mineral Resources	84,262	2,778	8,242	180
Environmental	92,693	2,486	6,614	(848)
Construction Materials	82,185	5,151	4,999	259
Other	86,028	7,008	4,658	731
Subtotal	991,647	51,983	66,257	1,414
Elimination or unallocated amounts	(75,575)	(7,024)	(244)	(530)
Total	916,071	44,958	66,012	883

(Translation)

2) Capital Investments

The total amount of capital investments by the Group in the fiscal year under review increased ¥9,708 million from the previous year to ¥67,796 million, consisting of ¥38,557 million in the Cement Business, ¥10,246 million in the Mineral Resources Business, ¥1,852 million in the Environmental Business, ¥3,626 million in the Construction Materials Business, ¥11,899 million in the Other Business and ¥1,614 million in Group wide assets.

3) Trends in Assets and Income

Item	18 th fiscal year ended March 31, 2016	19 th fiscal year ended March 31, 2017	20 th fiscal year ended March 31, 2018	21 st fiscal year ended March 31, 2019 (Current)
Net sales (millions of yen)	835,359	798,588	871,113	916,071
Ordinary income (millions of yen)	60,225	59,802	64,366	64,306
Profit attributable to owners of parent (millions of yen)	36,404	47,597	38,525	43,452
Net income per share (yen)	296.31	383.91	311.40	351.72
Total assets (millions of yen)	1,014,075	1,015,415	1,020,111	1,034,428
Net assets (millions of yen)	357,073	400,034	432,326	450,645

(Notes) 1. The Company, with an effective date of October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. As a result, net income per share is calculated assuming that said share consolidation had been conducted at the beginning of the 18th fiscal year ended March 31, 2016.

2. "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ), Guidance No. 28, February 16, 2018), etc. has been applied from the beginning of the fiscal year under review, and the figures for the 20th fiscal term have been adjusted to retroactively apply said accounting standards.

4) Issues to be Addressed

Looking ahead, the Japanese economy is expected to continue recovering moderately, on the back of factors such as improved corporate earnings and employment environment, while the increase of consumption tax rate scheduled in October 2019 gives cause for concern. However, the business environment is likely to remain unpredictable due to uncertain prospects in the global economy over the effects of trade conflict between the U.S. and China and a slowdown in the Chinese economy, and confusion over the U.K. exit from the EU.

Turning our attention to the Group's business environment, in our core domestic cement business, demand remains strong due to construction related to the Tokyo Olympics and Paralympics, redevelopment investment in urban areas, and disaster prevention and mitigation measures, and moreover, demand for the construction of the Chuo Shinkansen is expected. On the other hand, the impact of serious labor shortages and an increase in raw material prices continue to warrant concern.

Additionally, in the U.S. economy, on the back of factors such as robust corporate earnings and employment environment, economic growth is expected to continue, while great uncertainty surrounds policy management, and trends must be monitored closely.

Under these circumstances, the Group has thus declared—as our *future vision and direction* targeted at the mid-2020s—to *become an enterprise group that provides a sense of safety and security to societies in the Pacific Rim by demonstrating the Group's overall capabilities* and clarified the medium- to long-term direction toward sustainable development, and we are actively undertaking the process divided

(Translation)

into three steps toward its realization. The Group has positioned the 20 Medium-Term Management Plan which covers the three-year period until FY2020 as its second step. In FY 2019, the second year of the Medium-Term Management Plan, the Group will actively work toward with the following management tasks to achieve the targets.

Basic Policies of 20 Medium-Term Management Plan

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

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

Business Strategies

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

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

2. Support for national projects

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

Research & Development Strategies

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

Strengthen management foundations

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

The Group looks forward to your continued support and cooperation as our stockholder.

(Translation)

5) Material Subsidiaries

Company name	The Company's percentage of equity participation	Principal business
DC Co., Ltd.	100	Manufacturing and sale of cement
Clion Co., Ltd.	97.7	Manufacturing and sale of autoclaved lightweight aerated concrete (ALC)
Myojyo Cement Co., Ltd.	100	Manufacturing and sale of cement
Taiheiyo Materials Corporation	100	Manufacturing and sale of various construction materials such as admixture and non-shrink grout
CalPortland Company	100	Manufacturing and sale of cement, ready-mixed concrete, etc. in the United States
Jiangnan-Onoda Cement Co., Ltd.	88.5	Manufacturing and sale of cement in China
Qinhuangdao Asano Cement Co., Ltd.	71.9	Manufacturing and sale of cement in China
Dalian Onoda Cement Co., Ltd.	84.8	Manufacturing and sale of cement in China
Nghi Son Cement Corporation	65.0	Manufacturing and sale of cement in Vietnam
Taiheiyo Cement Philippines, Inc.	100	Manufacturing and sale of cement in the Philippines

- (Notes) 1. The Company's percentage of equity participation includes indirect ownership through subsidiaries.
2. The Company's percentage of equity participation in Clion Co., Ltd. is calculated by excluding treasury stock.

6) Principal Businesses

Businesses of the Taiheiyo Cement Group are divided into Cement Business Segment, Mineral Resources Business Segment, Environmental Business Segment, Construction Materials Business Segment and Other Business Segment, and mainly consist of the following.

(i) Cement Business

Ordinary Portland cement and other various types of cement, white cement, construction – material – purpose cement, ecocement, cement-based solidifying agent, ready-mixed concrete, admixture, etc.

(ii) Mineral Resources Business

Aggregates, limestone, white marble, quicklime, silica, lightweight aggregates and lightweight fill material, heavy metal immobilizer, surplus construction soil recycling business, etc.

(iii) Environmental Business

Waste recycling business (recycling into cement raw materials and fuels), flue gas desulfurization materials, recycled products, chemicals, water-related business, etc.

(iv) Construction Materials Business

Concrete products, construction materials, civil engineering and construction work, etc.

(v) Other Business

Real estate business, engineering business, data processing business, finance business, transportation and warehousing business, chemical products business, sports business, etc.

(Translation)

7) **Principal Business Locations**

(i) The Company's principal business locations and plants

Head Office: 2-3-5, Daiba, Minato-ku, Tokyo, Japan

Central Research Laboratory: Sakura City, Chiba Prefecture, Japan

Branches and Plants

Branches		Plants	
Name	Location	Name	Location
Hokkaido Branch	Sapporo City, Hokkaido Prefecture	Kamiiso Plant	Hokuto City, Hokkaido Prefecture
Tohoku Branch	Sendai City, Miyagi Prefecture	Ofunato Plant	Ofunato City, Iwate Prefecture
Tokyo Branch	Minato-ku, Tokyo	Kumagaya Plant	Kumagaya City, Saitama Prefecture
Kanto Branch	Takasaki City, Gunma Prefecture	Saitama Plant	Hidaka City, Saitama Prefecture
Chubu Hokuriku Branch	Nagoya City, Aichi Prefecture	Fujiwara Plant	Inabe City, Mie Prefecture
Kansai Shikoku Branch	Osaka City, Osaka Prefecture	Oita Plant	Tsukumi City, Oita Prefecture
Chugoku Branch	Hiroshima City, Hiroshima Prefecture		
Kyushu Branch	Fukuoka City, Fukuoka Prefecture		

(ii) Principal business locations of material subsidiaries

Name	Location
DC Co., Ltd.	Kawasaki City, Kanagawa Prefecture
Clion Co., Ltd.	Koto-ku, Tokyo
Myojyo Cement Co., Ltd.	Itoigawa City, Niigata Prefecture
Taiheiyo Materials Corporation	Kita-ku, Tokyo
CalPortland Company	California, USA
Jiangnan-Onoda Cement Co., Ltd.	Jiangsu, China
Qinhuangdao Asano Cement Co., Ltd.	Hebei, China
Dalian Onoda Cement Co., Ltd.	Liaoning, China
Nghi Son Cement Corporation	Tinh Thanh Hoa, Vietnam
Taiheiyo Cement Philippines, Inc.	Cebu, Philippines

(Translation)

8) Employees

Business Segment	Number of Employees (persons)
Cement	8,394
Mineral Resources	912
Environmental	159
Construction Materials	1,230
Other	2,119
Group-wide (common)	269
Total	13,083

- (Notes)
1. The number of employees refers to the number of persons on the payroll.
 2. The above includes the following number of employees of the Company. The number of employees stated below does not include employees on temporary retirement, seconded employees, etc. (568 persons).

Number of employees	Increase or decrease from previous year	Average age	Average length of service
1,760 persons	Increase of 14 persons	41.5 years old	19.7 years

(Translation)

9) Major Lenders and Amount of Borrowings

Lender	Outstanding borrowings (millions of yen)
Mizuho Bank, Ltd.	42,793
Sumitomo Mitsui Banking Corporation	32,310

2. Shares of the Company

- 1) Total number of shares authorized to be issued 197,730,800 shares
- 2) Total number of shares outstanding 127,140,278 shares
(including 4,421,453 shares of treasury stock)
- 3) Number of stockholders 53,116 persons
- 4) Major stockholders

Stockholder name	Holding (thousand shares)	Stockholding ratio (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	10,431	8.5
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	8,788	7.1
JP MORGAN CHASE BANK 385632	3,135	2.5
SSBTC CLIENT OMNIBUS ACCOUNT	2,673	2.1
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 5)	2,478	2.0
MIZUHO BANK, LTD.	2,375	1.9
JP MORGAN CHASE BANK 385167	1,989	1.6
STATE STREET BANK WEST CLIENT-TREATY 505234	1,930	1.5
JP MORGAN CHASE BANK 385151	1,893	1.5
GOVERNMENT OF NORWAY	1,879	1.5

- (Notes) 1. The Company holds 4,421,453 shares of treasury stock.
2. The stockholding ratio is calculated by excluding treasury stock.

(Translation)

3. Company Officers

1) Name, etc. of Directors and Corporate Auditors

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

- (Notes)
1. Directors Yoshiko Koizumi and Yuzo Arima are Outside Directors.
 2. Corporate Auditors Yoshio Narukage and Wakako Mitani are Outside Corporate Auditors.
 3. Director Toshiaki Suzuki was newly elected at the 20th Ordinary General Meeting of Stockholders held on June 28, 2018, and took office on the same day.
 4. Corporate Auditors Hidehiko Kasamura and Toshihide Nishimura have hands-on experience in the business management division of the Company and have considerable financial and accounting expertise.

(Translation)

5. Corporate Auditor Yoshio Narukage has years of experience in financial institutions and has considerable financial and accounting expertise.
6. The Company receives legal advice as required from lawyers of City-Yuwa Partners other than Director Yoshiko Koizumi, where she holds a significant concurrent position, but the Company has not concluded an advisory agreement with the law firm. The advisory fees paid to the law firm is less than 1% of net sales for each of the Company and the law firm, and there is no special interest relationship. Additionally, there are no special interest relationships between the Company and any of the significant concurrent positions of the other Outside Executives.
7. The Company has registered Directors Yoshiko Koizumi and Yuzo Arima as independent directors and Corporate Auditors Yoshio Narukage and Wakako Mitani as independent corporate auditors at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange.
8. Retirements in significant concurrent positions during the fiscal year under review are as follows:

Name	Position	Significant concurrent positions	Retirement date
Masafumi Fushihara	President and Representative Director	Outside Director of P.S. Mitsubishi Construction Co., Ltd.	June 21, 2018

9. The Company has introduced an executive officer system; executive officers as of April 1, 2019 are as follows.

Position	Name	Assignment
Senior Executive Officer	Keiichi Miura*	Overseeing Intellectual Property Department and Central Research Laboratory
Senior Executive Officer	Masahiro Karino*	Overseeing Human Resources Department, Legal Department and Internal Auditing Department
Managing Executive Officer	Kunihiro Ando*	Overseeing Mining Department, Mineral Resources Business Department and Environmental Business Development Department
Managing Executive Officer	Katsuhide Fukuhara*	Overseeing Construction Materials Business Department and Business Planning & Administration Department
Managing Executive Officer	Toshiaki Suzuki*	Senior General Manager of Cement Business Division
Managing Executive Officer	Yoshiyuki Uenoyama	Overseeing Production Department and Maintenance & Engineering Department
Managing Executive Officer	Hideaki Asakura	Overseeing General Affairs Department and Purchasing Department
Managing Executive Officer	Tetsuya Ohashi	Overseeing Secretarial Department, Accounting & Finance Department and Real Estate Business Department
Managing Executive Officer	Yoshifumi Taura	Senior General Manager of International Business Division
Executive Officer	Seiichi Araki	General Manager of Human Resources Department
Executive Officer	Yoshiaki Tominaga	General Manager of Mineral Resources Business Department
Executive Officer	Yukimasa Nakano	General Manager of Tokyo Branch
Executive Officer	Katsuyoshi Fukagawa	Chairman and CEO of Taiheiyo Cement (China) Investment Co., Ltd.
Executive Officer	Takayoshi Okamura	General Manager of Central Research Laboratory
Executive Officer	Atsuhiko Koike	General Director of Nghi Son Cement Corporation

(Translation)

Executive Officer	Koshiro Hidaka	General Manager of Maintenance & Engineering Department
Executive Officer	Susumu Miyazaki	General Manager of Purchasing Department
Executive Officer	Naoyuki Kira	General Manager of Sales Department, Cement Business Division
Executive Officer	Masaki Takahashi	General Manager of Corporate Planning Department
Executive Officer	Yasushi Ushiki	General Manager of Production Department
Executive Officer	Shinji Fukami	General Manager of Environmental Business Development Department

Persons who concurrently serve as Directors are marked with an asterisk (*).

(Translation)

2) Total Amount of Compensation, etc. to Directors and Corporate Auditors

Classification	Number of persons paid (persons)	Amount paid (millions of yen)
Directors	14	827
Corporate Auditors	4	72
Total	18	899

(Note) Above compensation, etc. includes compensation, etc. to outside officers totaling ¥51 million. There were four outside officers who received payment.

3) Outside Officers

(1) Main Activities in Fiscal Year under Review

Position	Name	Attendance at meetings of Board of Directors	Attendance at meetings of Board of Auditors	Comment status
Director	Yoshiko Koizumi	15 out of 15 meetings	-	Made comments as appropriate at the meetings of the Board of Directors based on her wealth of experience and insight in corporate management mainly as a lawyer.
Director	Yuzo Arima	15 out of 15 meetings	-	Made comments as appropriate at the meetings of the Board of Directors based on his wealth of experience mainly as a management executive of a manufacturing company.
Corporate Auditor	Yoshio Narukage	12 out of 15 meetings	13 out of 13 meetings	Made comments as appropriate at the meetings of the Board of Directors and meetings of the Board of Auditors based on his wealth of experience mainly as a management executive of a financial institutions, etc.
Corporate Auditor	Wakako Mitani	15 out of 15 meetings	13 out of 13 meetings	Made comments as appropriate at the meetings of the Board of Directors and meetings of the Board of Auditors based on her wealth of experience and insight in corporate management mainly as a lawyer.

(2) Overview of Limited Liability Agreement

The Company has concluded an agreement with each outside officer, which limits his/her liability for damages in respect of his/her responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that he/she executes his/her duties in good faith and without gross negligence.

(Translation)

4. Accounting Auditor

1) Name of the Company's Accounting Auditor

KPMG AZSA LLC

2) Accounting Auditor's Compensation, etc. in Fiscal Year under Review

¥ 110 million

(Notes) 1. Under the audit agreement between the Company and its Accounting Auditor, the amount of compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not distinguished from each other and are indistinguishable in practice. Therefore, the above amount includes compensation, etc. for audits pursuant to the Financial Instruments and Exchange Act.

2. The Board of Auditors of the Company, in observance of the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, has confirmed the time taken to audit each audit item, trends in audit fees, and the status of execution of duties of the Accounting Auditor, and upon considering the appropriateness of the audit plan and appropriateness of audit fees for the fiscal year under review, agrees to the fees, etc., of the Accounting Auditor under Article 399, Paragraph 1 of the Companies Act.

3) Description of Non-audit Services to the Company involving Payment of Consideration to Accounting Auditor

The Company entrusts, to the Accounting Auditor, advisory services relating to the adoption of International Financial Reporting Standards and service of preparing comfort letter for issuance of corporate bonds, which are services other than the services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services), and pays consideration for said services.

4) Policy for Determination of Dismissal or Non-reappointment of Accounting Auditor

1) If the Accounting Auditor is deemed to correspond to any of the matters set forth in the items of Article 340, Paragraph 1 of the Companies Act, the Board of Auditors will dismiss the Accounting Auditor subject to the consent of all Corporate Auditors, in which case the Corporate Auditor selected by the Board of Auditors will report the dismissal and the reason for the dismissal at the first Ordinary General Meeting of Stockholders held after the dismissal.

2) The Board of Directors will specify the dismissal or non-reappointment of the Accounting Auditor as an agenda of the General Meeting of Stockholders based on the Board of Auditors' resolution in cases where severe problems have arisen in the Company's audit operations and in other such cases.

5) Total Amount of Money and Other Property Benefits Payable to Accounting Auditor by the Company and its Subsidiaries

¥ 236 million

(Note) Among significant subsidiaries of the Company, CalPortland Company, Jiangnan-Onoda Cement Co., Ltd., Qinhuangdao Asano Cement Co., Ltd., Dalian Onoda Cement Co., Ltd., Nghi Son Cement Corporation and Taiheiyo Cement Philippines, Inc. have been audited (limited to audits under the provisions of the Companies Act or the Financial Instruments and Exchange Act (including laws and ordinances of foreign countries corresponding to said Acts)) by a Certified Public Accountant or an audit corporation other than the Company's Accounting Auditor (including those with foreign qualifications equivalent to CPA/auditor qualifications).

(Translation)

5. System to Ensure that Directors Comply with Laws and Ordinances and the Articles of Incorporation in Executing Their Duties and Other Systems to Ensure Proper Execution of Operations

(1) Summary of the System to Ensure the Proper Execution of Operations

The Company has systems to ensure the proper execution of operations (so-called internal control systems) and defines them as shown below.

1) System to ensure that Directors, Executive Officers and employees comply with laws and ordinances and the Articles of Incorporation in executing their duties

- (i) The Company shall strengthen its system for ensuring that the actions of Directors, Executive Officers and employees comply with laws and ordinances, the Articles of Incorporation and other internal company rules, and conventional wisdom in accordance with the Mission of the Taiheiyo Cement Group, Business Principles, Basic Compliance Policy and Compliance Rules.
- (ii) The CSR Management Committee, an interdepartmental committee under the direct authority of the Board of Directors, pursues policies to promote compliance awareness among Directors, Executive Officers and employees in accordance with the CSR Prospectus.
- (iii) The Internal Auditing Department conducts audits of the business activities of each place of business within the Company to determine whether Executive Officers and employees comply with laws and ordinances, the Articles of Incorporation, etc. in executing their duties, provides advice and recommendations after identifying items in need of improvement, and reports to the President about audit results and then notifies Directors and Corporate Auditors.
- (iv) The Company employs an internal reporting system that uses a compliance hotline to reach representatives both inside and outside the Company (law firm) to enable an accurate response while protecting the informer and ensuring transparency.

2) System to store and manage information related to the execution of duties by Directors

The Company documents, stores and manages information related to the execution of duties by Directors in accordance with the Board of Directors Rules, Decision Making Rules and Document Management Rules. Directors and Corporate Auditors can review these documents at any time.

3) Rules and other systems related to managing the risk of loss

- (i) The Company has prepared the Basic Risk Management Policy and Risk Management Rules covering basic matters and specific responses to prevent and minimize the impact of risk items that could significantly affect the business of the Taiheiyo Cement Group. The CSR Management Committee is in charge of pursuing specific measures, and reports to the Board of Directors about the status of these activities.
- (ii) In the event of an emergency, the Company establishes an Emergency Headquarters led by the President to pool information and exercise top-down leadership in tackling the emergency in accordance with the provisions of the Risk Management Rules.

4) System to ensure that Directors execute their duties efficiently

- (i) The Company delegates to Executive Officers the authority for certain business matters as stipulated in the Decision Making Rules and elsewhere. Executive Officers, based on a Management by Objectives, set clear targets for each responsible organization under their control and execute their duties efficiently.
- (ii) The Board of Directors efficiently allocates business resources from the perspective of optimizing companywide resources and in accordance with the medium-term management plan and annual management policy (President's policy), and reviews the targets of Executive Officers and the progress of policies reported from time to time.

5) System for ensuring proper execution of operations within the company group, comprising the Company and its subsidiaries

(Translation)

The Company, in accordance with its Group Companies Management Rules, takes the following steps to provide appropriate management and support to its subsidiaries to enable the adequate functioning of their management organizations (general meeting of stockholders, board of directors, corporate auditors, and board of auditors) and the establishment of independent management based on self-responsibility.

- (i) The Company assigns, in principle, Directors, Executive Officers and employees to serve as directors or corporate auditors at its subsidiaries. These corporate auditors conduct audits of internal control systems.
- (ii) The Internal Auditing Department conducts audits of the business activities according to the size, nature of business, etc. of subsidiaries to determine whether the directors and employees of the subsidiaries comply with laws and ordinances, the Articles of Incorporation, etc. in executing their duties, provides advice and recommendations after identifying items in need of improvement, and reports to the President about audit results and then notifies Directors and Corporate Auditors.
- (iii) The Company seeks to understand the business conditions of each subsidiary through performance reports and other means and endeavors to share information through exchanges of opinions between the Company and directors at subsidiaries (including directors serving concurrently as Directors, Executive Officers or employees at the Company) by periodically holding Group Executive Committee meetings.
- (iv) The Company makes its subsidiaries appoint officers responsible for risk management and compliance as well as risk management and compliance promoters according to their size, nature of business, etc. and strives to prevent and reduce risks in the Taiheiyo Cement Group by collaborating with each company, and adopts a system for reporting to Directors and Corporate Auditors of the Company if a crisis occurs or if an event with the risk of developing into a crisis arises at a company.

6) System to ensure reliability of financial reporting

The Company develops a system required to properly conduct financial reporting such as consolidated financial statements.

7) Matters related to personnel to assist Corporate Auditors and independence of such personnel from Directors

The Company has established a Corporate Auditor's Office which assists Corporate Auditors in performing their duties, and assigns full-time personnel. The Company shall request and respect the opinion of the Board of Auditors in matters related to the transfer and evaluation of such full-time personnel.

8) System for reporting to Corporate Auditors by Directors, Executive Officers and employees of the Company as well as directors, corporate auditors and employees of subsidiaries or persons who received a report from them and other systems for reporting to Corporate Auditors

- (i) The Company employs a system in which Corporate Auditors can attend important meetings related to business matters to receive reports from Directors and other employees about the status of the execution of their duties.
- (ii) The Company adopts a system in which any facts that may inflict serious damage to the Company are reported to Corporate Auditors by Directors, Executive Officers and employees of the Company as well as directors, corporate auditors and employees of subsidiaries or persons who received a report from them.
- (iii) The Company prohibits the unfavorable treatment of anyone who has made a report under the preceding item.

9) Other systems to ensure effective auditing by Corporate Auditors

- (i) The Company employs a system in which Corporate Auditors are shown documents related to important decisions and can gain access to a variety of information, including management information, at any time.
- (ii) The Company provides a venue for Corporate Auditors to exchange opinions and information with the Accounting Auditor.

(Translation)

(iii) When a Corporate Auditor requests the prepayment or payment of expenses required for performing his/her duties, the Company promptly pays such expenses.

(2) Summary of the Operational Status of the System to Ensure the Proper Execution of Operations

The Company's Internal Control System is maintained through systems in line with the basic policy above, and is appropriately managed. Key measures are as follows.

(Translation)

1) Compliance system

- (i) Based on the CSR Prospectus, a CSR Management Committee has been established composed of all Directors with the President as the Chairman, and it is held once per quarter. The CSR Management Committee formulates a CSR Action Plan for every fiscal year, understands and confirms its status of progress, and makes evaluations. Additionally, the results are reported to the Board of Directors.
- (ii) Directly under the CSR Management Committee, the Risk Management and Compliance Committee was established as a subordinate body, and upon formulation of the action plan, it understands and confirms the status of implementation. Additionally, the status of these measures is reported to the CSR Management Committee.
- (iii) Officers responsible for risk management and compliance as well as risk management and compliance promoters are selected, these persons engage in promotion of compliance, and the Company also implements training for these responsible persons and leaders.
- (iv) Education regarding compliance is conducted via forms such as training for new employees and training depending on job level, distributing action guideline casebooks, and self-checks utilizing e-learning, all in an effort to thoroughly implement compliance.

2) Risk management system

- (i) Based on the Basic Risk Management Policy, Risk Management Rules are defined, and while promoting measures toward risk management, responses to emergency situations are defined in the Crisis Management Rules.
- (ii) The annual risk countermeasure plan is formulated, and based on a PDCA cycle, measures for risk management are promoted.
- (iii) In preparation for unexpected events such as disasters and accidents, etc., periodic disaster prevention drills and emergency supply distribution exercises are implemented. Additionally, exercises such as initial response simulation training in the event of a large-scale natural disaster are also conducted to aim to increase awareness of response processes.
- (iv) Under the Basic Information Security Policy, an information security management system has been established, and while aiming for thorough protection of information assets and appropriate management and handling, information risk countermeasures are promoted via information security education such as e-learning.

3) Ensuring proper execution of operations at the Group

- (i) Based on the Group Companies Management Rules, a system is maintained where group companies and the Company deliberate on important matters, direction and management is conducted as required, and support is provided to management.
- (ii) While understanding the management conditions of each group company through periodic achievement reporting, etc., a Group Executive Committee meeting is held twice per year to exchange opinions on various themes and share information related to management of the Group.
- (iii) Directors and Corporate Auditors of subsidiaries are seconded from the Company to supervise business execution and implement audits regarding the internal control systems, etc.
- (iv) The Internal Auditing Department, upon formulating an audit implementation plan based on the annual audit policy, implements internal audits toward subsidiaries, and provides advice and recommendations.

4) Execution of business by Directors

- (i) The Board of Directors is composed of 14 persons, including two Outside Directors, and meetings were held 15 times during the fiscal year under review, where deliberation and determination was made regarding important matters defined by laws and regulations and the Articles of Incorporation, in addition to supervision of the execution of business by Directors.
- (ii) For important matters other than those to be deliberated by the Board of Directors, Executive Committee meetings were held 23 times for deliberation.
- (iii) To secure the efficiency of execution of business by Directors, reports on the status of business execution are made at the Board of Directors by dividing up duties among the Directors and

(Translation)

Executive Officers.

- (iv) Regarding management execution, a certain level of authority is delegated to Executive Officers. Executive Officers execute business via a Management by Objectives that is in line with the Medium-term Management Plan and the annual management policy (President's policy), and the Board of Directors reviews the status of progress.

(Translation)

5) Execution of business by Corporate Auditors

- (i) Aside from Board of Directors meetings, Corporate Auditors attend important meetings such as the Executive Committee to confirm the status of the development and operation of the internal control system.
- (ii) Corporate Auditors receive reports on the internal audits carried out by the Internal Audit Department, while cooperating with the Internal Audit Department to efficiently carry out audits of each business office, subsidiary, etc.
- (iii) Periodic meetings are held with the Accounting Auditor to exchange information.
- (iv) A Corporate Auditor's Office has been established to assist Corporate Auditors in performing their duties, and full-time personnel has been assigned.

Figures stated in this Business Report are rounded down to the nearest unit of presentation (first decimal place in the case of percentages), except for *net income per share*, which is rounded off to the second decimal place, and *average age* and *average length of service* of employees of the Company, which are rounded off to the first decimal place.

(Translation)

Consolidated Financial Statements

(April 1, 2018 - March 31, 2019)

Consolidated Balance Sheets

(Unit: Millions of yen)

Account	FY2018 (as of March 31, 2019)	(Reference) FY2017 (as of March 31, 2018)
Assets		
Current assets	341,307	333,275
Cash and deposits	56,561	53,766
Notes and accounts receivable-trade	180,535	182,272
Electronically recorded monetary claims-operating	12,998	10,989
Merchandise and finished goods	31,138	29,193
Work in process	2,268	2,383
Raw materials and supplies	43,314	41,761
Short-term loans receivable	3,421	3,464
Other	11,714	10,560
Allowance for doubtful accounts	(646)	(1,116)
Noncurrent Assets	693,120	686,836
Property, plant and equipment	520,939	505,438
Buildings and structures	135,653	134,456
Machinery, equipment and vehicles	134,649	136,603
Land	157,638	158,057
Lease assets	22,120	20,998
Construction in progress	48,678	32,647
Other	22,199	22,674
Intangible assets	30,875	33,038
Goodwill	321	777
Other	30,553	32,261
Investments and other assets	141,306	148,360
Investment securities	83,692	86,834
Long-term loans receivable	1,754	2,941
Deferred tax assets	17,109	17,484
Assets for retirement benefits	17,807	21,298
Other	28,374	28,341
Allowance for doubtful accounts	(7,432)	(8,539)
Total Assets	1,034,428	1,020,111

(Translation)

Account	FY2018 (as of March 31, 2019)	(Reference) FY2017 (as of March 31, 2018)
Liabilities		
Current liabilities	349,390	360,546
Notes and accounts payable-trade	96,275	91,113
Electronically recorded obligations-operating	8,716	4,670
Short-term loans payable	135,381	153,181
Commercial papers	4,000	—
Current portion of bonds	10,000	15,035
Income taxes payable	8,376	6,416
Provision for bonuses	6,046	6,021
Other provision	220	121
Other	80,373	83,986
Noncurrent liabilities	234,392	227,238
Bonds payable	30,000	20,000
Long-term loans payable	100,233	100,390
Deferred tax liabilities	7,630	8,024
Liability for retirement benefits	24,206	24,559
Provision for directors' retirement benefits	535	520
Provision for special repairs	75	128
Other provision	757	750
Lease obligations	17,616	18,844
Asset retirement obligations	7,619	7,553
Other	45,718	46,466
Total liabilities	583,783	587,785
Net Assets		
Shareholders' equity	424,767	395,582
Capital stock	86,174	86,174
Capital surplus	60,408	60,339
Retained earnings	294,265	260,016
Treasury stock	(16,081)	(10,947)
Accumulated other comprehensive income	(10,057)	(313)
Valuation difference on available-for-sale securities	8,688	10,941
Deferred gains or losses on hedges	(3)	1
Revaluation reserve for land	5,019	5,057
Foreign currency translation adjustments	(20,128)	(16,201)
Retirement benefits liability adjustments	(3,632)	(111)
Non-controlling interests	35,935	37,058
Total net assets	450,645	432,326
Total liabilities and net assets	1,034,428	1,020,111

(Note) Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ), Guidance No. 28, February 16, 2018), etc. has been applied from the beginning of the fiscal year under review, and the figures have been adjusted to retroactively apply said accounting standards.

(Translation)

Consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2018 (April 1, 2018 - March 31, 2019)	(Reference) FY2017 (April 1, 2017 - March 31, 2018)
Net sales	916,071	871,113
Cost of sales	712,660	664,996
Gross profit	203,411	206,117
Selling, general and administrative expenses	137,398	140,987
Operating income	66,012	65,129
Non-operating income	7,691	8,378
Interest and dividends income	1,860	1,969
Equity in earnings of unconsolidated subsidiaries and affiliates	2,288	3,196
Other	3,542	3,212
Non-operating expenses	9,397	9,141
Interest expenses	4,068	4,639
Loss on disposal of inventories	1,126	258
Provision of allowance for doubtful accounts	—	1,030
Other	4,202	3,213
Ordinary income	64,306	64,366
Extraordinary income	1,917	1,616
Gain on disposal of non-current assets	1,149	1,417
Gain on sales of investment securities	532	92
Other	234	106
Extraordinary loss	7,049	7,341
Loss on disposal of non-current assets	4,828	4,725
Loss on sales of investment securities	133	23
Loss on valuation of investment securities	326	1,356
Impairment loss	1,101	577
Other	660	658
Income before income taxes	59,174	58,642
Income taxes-current	11,760	10,200
Income taxes-deferred	1,796	7,356
Profit	45,616	41,085
Profit (loss) attributable to non-controlling interests	2,164	2,559
Profit attributable to owners of parent	43,452	38,525

(Translation)

Non-consolidated Financial Statements

(April 1, 2018 - March 31, 2019)

Non-consolidated Balance Sheets

(Unit: Millions of yen)

Account	FY2018 (as of March 31, 2019)	(Reference) FY2017 (as of March 31, 2018)
Assets		
Current assets	116,123	113,634
Cash and deposits	3,784	4,143
Notes receivable-trade	23,010	23,036
Electronically recorded monetary claims-operating	4,579	4,017
Accounts receivable-trade	52,017	51,950
Merchandise and finished goods	8,678	7,439
Raw materials and supplies	18,356	16,590
Prepaid expenses	490	409
Other	5,208	6,047
Allowance for doubtful accounts	(0)	(0)
Noncurrent Assets	470,906	460,475
Property, plant and equipment	210,264	203,659
Buildings	24,370	23,395
Structures	50,591	50,526
Machinery and equipment	39,104	37,403
Vehicles	131	118
Tools, furniture and fixtures	816	772
Raw materials land	12,711	12,897
Land	66,057	66,573
Lease assets	3,910	3,930
Construction in progress	12,569	8,039
Intangible assets	13,707	13,901
Mining rights	10,289	10,502
Software	491	561
Other	2,926	2,837
Investments and other assets	246,934	242,914
Investment securities	22,225	24,051
Shares of subsidiaries and affiliates	170,289	172,075
Investments in capital	35	36
Investments in capital of subsidiaries and affiliates	13,735	15,995
Long-term loans receivable	42	59
Long-term prepaid expenses	10,364	10,462
Prepaid pension costs	16,102	15,481
Other	38,718	28,132
Allowance for doubtful accounts	(24,580)	(23,379)
Total Assets	587,029	574,109

(Translation)

Account	FY2018 (as of March 31, 2019)	(Reference) FY2017 (as of March 31, 2018)
Liabilities		
Current liabilities	173,044	160,850
Electronically recorded obligations-operating	11,872	10,242
Accounts payable-trade	29,193	28,666
Short-term loans payable	65,259	62,025
Commercial papers	4,000	—
Current portion of bonds	10,000	15,000
Lease obligations	1,039	1,031
Accounts payable - other	11,592	10,672
Accrued expenses	19,289	18,464
Income taxes payable	4,572	2,292
Advances received	201	58
Deposits received	355	306
Unearned revenue	1,252	1,461
Provision for bonuses	2,124	2,247
Electronically recorded obligations-non-operating	12,291	8,382
Noncurrent liabilities	138,717	138,704
Bonds payable	30,000	20,000
Long-term loans payable	69,108	78,403
Lease obligations	3,206	3,230
Deferred tax liabilities	2,290	2,863
Provision for loss on guarantees	2,144	2,407
Guarantee deposits received	29,056	28,873
Asset retirement obligations	2,638	2,587
Other	271	337
Total liabilities	311,762	299,554
Net Assets		
Shareholders' equity	269,648	267,943
Capital stock	86,174	86,174
Capital surplus	56,276	56,276
Legal capital surplus	42,215	42,215
Other capital surplus	14,061	14,061
Retained earnings	142,811	136,080
Other retained earnings	142,811	136,080
Reserve for mine prospecting	269	261
Reserve for advanced depreciation of non-current assets	16,161	16,674
Retained earnings brought forward	126,380	119,144
Treasury stock	(15,613)	(10,586)
Valuation and translation adjustments	5,618	6,611
Valuation difference on available-for-sale securities	5,618	6,611
Total net assets	275,267	274,554
Total liabilities and net assets	587,029	574,109

(Note) Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ), Guidance No. 28, February 16, 2018), etc. has been applied from the beginning of the fiscal year under review, and the figures have been adjusted to retroactively apply said accounting standards.

(Translation)

Non-consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2018 (April 1, 2018 - March 31, 2019)	(Reference) FY2017 (April 1, 2017 - March 31, 2018)
Net sales	329,525	321,162
Cost of sales	237,289	225,888
Gross profit	92,235	95,273
Selling, general and administrative expenses	67,298	67,409
Operating income	24,937	27,863
Non-operating income	6,877	7,656
Dividends income	5,738	6,398
Reversal of allowance for doubtful accounts	—	26
Other	1,139	1,231
Non-operating expenses	4,477	3,160
Interest expenses	994	1,264
Provision of allowance for doubtful accounts	1,405	—
Other	2,076	1,895
Ordinary income	27,337	32,359
Extraordinary income	503	1,085
Gain on disposal of non-current assets	134	896
Gain on sales of investment securities	55	3
Gain on sales of shares of subsidiaries and affiliates	313	186
Extraordinary loss	5,878	3,883
Loss on disposal of non-current assets	3,037	3,155
Loss on liquidation of subsidiaries and affiliates	63	21
Loss on valuation of investment securities	269	4
Loss on valuation of shares of subsidiaries and affiliates	1,630	128
Loss on sales of investment securities	24	4
Loss on sales of shares of subsidiaries and associates	8	—
Impairment loss	843	568
Income before income taxes	21,963	29,562
Income taxes-current	5,441	2,501
Income taxes-deferred	(135)	3,806
Net income	16,656	23,254

(Translation)

Independent Auditor's Report

May 16, 2019

The Board of Directors
Taiheiyo Cement Corporation.

KPMG AZSA LLC

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

Akihisa Sada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshiaki Sekine (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Taiheiyo Cement Corporation as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

(Translation)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Taiheiyo Cement Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

(Translation)

Independent Auditor's Report

May 16, 2019

The Board of Directors
Taiheiyo Cement Corporation

KPMG AZSA LLC

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

Akihisa Sada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshiaki Sekine (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Taiheiyo Cement Corporation as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

(Translation)

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Taiheiyo Cement Corporation. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

(Translation)

Board of Auditors' Audit Report (Copy)

Audit Report

The Board of Auditors has prepared this Audit Report following deliberations based on the respective audit reports prepared by Corporate Auditors in relation to the execution of duties by Directors for the 21st fiscal term from April 1, 2018 to March 31, 2019. The report is as follows.

1. Method and Description of Audit by Corporate Auditors and the Board of Auditors

- (1) The Board of Auditors determined the audit policy, audit plan, etc., received reports from each Corporate Auditor on the progress and results of his/her audit, in addition to receiving reports from Directors, etc. and the Accounting Auditor on the execution status of their duties, and sought explanations as necessary.
- (2) Each Corporate Auditor, based on the audit standards for Corporate Auditors established by the Board of Auditors, followed the audit policy, audit plan, etc., communicated with Directors, the Internal Auditing Department and other employees, etc., endeavored to collect information and develop an environment for the audit, and implemented audits via the following methods.
 - 1) We attended the meetings of the Board of Directors and other important meetings, received reports from Directors, employees, etc. on the execution status of their duties, sought explanations as necessary, reviewed important approval documents, etc., and investigated the status of operations and assets at the head office and principal places of business. With respect to subsidiaries, we verified the status of their management at the Company's major meetings, and requested explanation as necessary. We also communicated and exchanged information with the directors, corporate auditors, etc. of subsidiaries by conducting site audits in accordance with audit plans and holding regular meetings with the corporate auditors of major subsidiaries.
 - 2) We also monitored and verified the content of the resolution passed by the Board of Directors regarding the development of a system to ensure that Directors comply with laws, ordinances and the Articles of Incorporation in executing their duties and other systems stipulated in paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act that are required to ensure proper operations of a company group comprised of a stock company and its subsidiaries, as well as the status of the system developed pursuant to such resolution (i.e., internal control system). In regards to internal controls over financial reporting, we received reports from Directors, etc. and KPMG AZSA LLC on the evaluation and audit status of such internal controls, and sought explanations as necessary.
 - 3) We monitored and verified whether or not the Accounting Auditor had maintained its independence and whether or not it had conducted its audit properly, received reports from the Accounting Auditor on the execution status of its duties, and sought explanations as necessary. In addition, we were notified by the Accounting Auditor that it is equipped with a *system for ensuring that duties are performed properly* (matters listed in the items of Article 131 of the Company Accounting Ordinance) in accordance with the Quality Control Standards for Audits (issued by the Business Accounting Council on October 28, 2005), etc., and sought explanations as necessary.

Based on the above methods, we examined the Business Report and its supplementary schedules, Non-consolidated Financial Statements (i.e., Non-consolidated Balance Sheets, Non-consolidated Statements of Income, Non-consolidated Statements of Changes in Net Assets and Notes to the Non-Consolidated Financial Statements) and their supplementary schedules as well as the Consolidated Financial Statements (i.e., Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Changes in Net Assets and Notes to the Consolidated Financial Statements) for the fiscal year under review.

(Translation)

2. Audit Results

(1) Results of audit of Business Report, etc.

1. In our opinion, the Business Report and the supplementary schedules are in compliance with laws, ordinances and the Articles of Incorporation, and fairly represent the Company's position.
2. No material facts were identified regarding misconduct or violation of any laws, ordinances or the Articles of Incorporation in relation to the execution of duties by Directors.
3. In our opinion, the Board of Directors' resolution on the internal control system (including internal controls over financial reporting) is adequate in content. We found no matters that need to be pointed out in regards to the content of the records in the Business Report and the execution of duties by Directors in relation to said internal control system. Of note, we received reports from Directors, etc. and KPMG AZSA LLC that there are no material inadequacies to be disclosed in relation to internal controls over financial reporting as at the time of preparation of this Audit Report.

(2) Results of audit of Non-consolidated Financial Statements and their supplementary schedules

In our opinion, the methods and results of the audit conducted by Accounting Auditor KPMG AZSA LLC are reasonable.

(3) Results of audit of Consolidated Financial Statements

In our opinion, the methods and results of the audit conducted by Accounting Auditor KPMG AZSA LLC are reasonable.

May 17, 2019

Board of Auditors, Taiheiyo Cement Corporation

Corporate Auditor (Standing) Hidehiko Kasamura [Seal]

Corporate Auditor (Standing) Toshihide Nishimura [Seal]

Outside Corporate Auditor Yoshio Narukage [Seal]

Outside Corporate Auditor Wakako Mitani [Seal]