

(Translation)

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Securities Code 5233

June 9, 2020

## To Those Stockholders with Voting Rights

Masafumi Fushihara  
President and Representative Director  
Taiheiyo Cement Corporation  
1-1-1, Koishikawa, Bunkyo-ku, Tokyo

## NOTICE OF THE 22<sup>nd</sup> ORDINARY GENERAL MEETING OF STOCKHOLDERS

You are cordially notified of the 22<sup>nd</sup> Ordinary General Meeting of Stockholders of Taiheiyo Cement Corporation (the “Company”). The meeting will be held as stated below.

Considering the circumstances where it is strongly requested to stay at home and from the perspective of preventing further spread of the novel coronavirus disease, we firmly urge our stockholders to exercise their voting rights by paper ballot or via the Internet and refrain from attending the meeting regardless of their health conditions.

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:** Friday, June 26, 2020 at 10:00 a.m.
- 2. Place:** Head office of the Company  
1-1-1, Koishikawa, Bunkyo-ku, Tokyo  
(Please note that the venue is different from the previous year.)
- 3. Agenda of the Meeting:**
  - Matters to be reported:**
    1. Business Report, Consolidated Financial Statements for the 22<sup>nd</sup> Fiscal Term (from April 1, 2019 to March 31, 2020) 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 22<sup>nd</sup> Fiscal Term (from April 1, 2019 to March 31, 2020)
  - 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 Seven Directors
    - Proposal No. 4:** Election of One Substitute Corporate Auditor

## 4. Voting Guide

### If you are exercising your voting right prior to 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.

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(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 Thursday, June 25, 2020 (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 Thursday, June 25, 2020 (Japan Standard Time).
- If you exercise your voting right via the Internet, etc. more than once, your final vote shall prevail.

**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.)

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 (<https://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 (<https://www.taiheiyo-cement.co.jp>).

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## Measures against Further Spread of the Novel Coronavirus Disease

We have taken the following measures to prevent further spread of the novel coronavirus disease. We ask for your understanding and cooperation.

### ■ Requests to our stockholders

- In order to prevent further spread of the novel coronavirus disease, we firmly urge our stockholders to refrain from attending the meeting and exercise their voting rights by paper ballot or via the Internet.
- Other than the notice of convocation, documents such as summaries of financial results, annual reports, and CSR reports are also posted on the Company's website (<https://www.taiheiyo-cement.co.jp>). Access to a wide variety of information is guaranteed without attending the meeting.

### ■ Information for our stockholders who will attend the meeting

This year, the General Meeting of Stockholders is operated differently from the past years in order to prevent further spread of the novel coronavirus disease. We ask for your understanding.

If, due to change of conditions up to the date of this General Meeting of Stockholders, there are significant changes to these measures, details of the changes made will be posted on the Company's website (<https://www.taiheiyo-cement.co.jp>).

- Please wear a face mask when attending the meeting. You may be denied admission if you are not wearing a face mask. In addition, please cooperate in using the alcohol disinfectant solution, which will be available at the venue.
- We will measure your body temperature at the entrance. If you have a fever or show signs of ill health, you may not be admitted to the venue.
- The Company has cut down a significant number of seats as we must ensure adequate space between stockholders. There may be a case where you may not be admitted even if you come to the venue.
- All Officers attending and staff operating this General Meeting of Stockholders will be wearing a face mask.
- In the perspective of shortening the time duration of this General Meeting of Stockholders, detailed explanation for the matters to be reported and the proposals will be omitted at the meeting.

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## 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 3,681,352,500 yen.

The annual dividend per share for the term under review will amount to 60 yen, which includes an interim dividend already paid.

(3) Effective Date of Dividends from surplus

June 29, 2020

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

1. Reasons for the amendments

(1) The Company proposes to amend Article 15 of the current Articles of Incorporation in order to ensure flexibility in the operation of the General Meeting of Stockholders.

(2) To promote speedy decision-making by the Board of Directors and the separation between supervisory functions and business execution functions of the management, the Company proposes to amend Article 19 of the current Articles of Incorporation to reduce the number of Directors from no more than 15 Directors to no more than 10 Directors.

(3) The Company proposes to amend Article 23 of the current Articles of Incorporation to enable the election of the President not only from among Representative Directors but also from among Executive Officers in order to facilitate agile formation of an optimal management structure, and to abolish the positions of Senior Managing Director and Managing Director in order to improve the supervisory functions of the Board of Directors. In line with these amendments, the Company proposes to add new provisions in relation to Executive Officers so as to clarify election methods and responsibilities of Executive Officers.

(4) In line with the additions to the articles, other necessary amendments to the number of the articles shall be made.

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2. Details of the proposed amendments  
 Details of the proposed amendments are stated below.

(Underlined parts are amended.)

Current Articles of Incorporation	Proposed Amendments
<p>(Person with Right to Convene and Chairperson)            Article 15. <u>The President and Director shall convene a General Meeting of Stockholders and act as the Chairperson.</u></p> <p>2. <u>In the case where the President and Director is unable to act due to an accident,</u> another Director shall <u>convene the General Meeting of Stockholders and act as the Chairperson</u> in accordance with the order pre-determined by the Board of Directors.</p> <p>(Number of Directors)            Article 19. The Company shall have no more than <u>15</u> Directors.</p> <p>(Representative Directors and Directors with Titles)            Article 23. (omitted)            (New)</p> <p><u>2. The Board of Directors may, by its resolution, appoint one Chairman and Director, one Vice Chairman and Director, one President and Director, several Vice President and Directors, several Senior Managing Directors, and several Managing Directors.</u></p>	<p>(Person with Right to Convene and Chairperson)            Article 15. <u>Director shall convene a General Meeting of Stockholders in accordance with the order pre-determined by the Board of Directors.</u></p> <p>2. <u>The President shall be the Chairperson of the General Meeting of Stockholders. In case there are circumstances where the President is unable to act,</u> another Director or <u>Executive Officer</u> shall act as the Chairperson in accordance with the order pre-determined by the Board of Directors.</p> <p>(Number of Directors)            Article 19. The Company shall have no more than <u>10</u> Directors.</p> <p>(Representative Directors and Directors with Titles, etc.)            Article 23. (unchanged)</p> <p><u>2. The Board of Directors may, by its resolution, elect one President from among the Directors or the Executive Officers.</u></p> <p><u>3. The Board of Directors may, by its resolution, appoint one Chairman and Director, one Vice Chairman and Director, and one Vice President and Director.</u></p>
<p>(New)</p> <p>Article <u>27.</u> to Article <u>37.</u> (omitted)</p>	<p>(Executive Officers)  <u>Article 27. The Board of Directors may, by its resolution, appoint Executive Officers and assign them to execute businesses of the Company.</u></p> <p><u>2. The Board of Directors may, by its resolution, appoint Vice President and Executive Officers, Senior Executive Officers, Managing Executive Officers, and other Executive Officers with Titles from among Executive Officers.</u></p> <p>Article <u>28.</u> to Article <u>38.</u> (unchanged)</p>

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**Proposal No. 3: Election of Seven Directors**

The term of office of all fourteen Directors will expire at the close of this General Meeting of Stockholders.

Accordingly, to promote speedy decision-making by the Board of Directors and the separation between supervisory functions and business execution functions of the management, reducing the number of Directors by seven, the Company would like to propose the election of seven 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 Masahiro Karino	Director and Senior Executive Officer
5	Reappointment Kunihiro Ando	Director and Senior Executive Officer
6	Reappointment Yoshiko Koizumi Outside Director Independent Director	Director
7	New Candidate Shinhachiro Emori Outside Director Independent Director	

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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 14 out of 14 meetings of the Board of Directors (100%) and will have served as Director for 9 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 &amp; Finance Department of Taiheiyo Cement Corporation April 2004      General Manager, Accounting &amp; Finance Department and General Manager, Accounting &amp; 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><b>Reason for nominating Shuji Fukuda as Director</b> 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>	3,500

Notes:

1. The Company currently has an agreement with Mr. Shuji Fukuda, 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. Shuji Fukuda is approved, the Company plans to continue the said agreement with him.
2. Mr. Shuji Fukuda is scheduled to take office as Outside Audit & Supervisory Board Members of TOBU RAILWAY CO., LTD. on June 23, 2020
3. No special relationship exists between the Company and Mr. Shuji Fukuda.

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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 14 out of 14 meetings of the Board of Directors (100%) and will have served as Director for 5 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><b>Reason for nominating Masafumi Fushihara as Director</b>            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>	4,600

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



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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 14 out of 14 meetings of the Board of Directors (100%) and will have served as Director for 7 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)  <b>Reason for nominating Yuuichi Kitabayashi as Director</b> 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.	5,600

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

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
4	Masahiro Karino <u>Reappointment</u> (March 23, 1957) Attended 14 out of 14 meetings of the Board of Directors (100%) and will have served as Director for 4 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)  <b>Reason for nominating Masahiro Karino as Director</b> 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.	5,500

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

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
5	Kunihiro Ando <u>Reappointment</u> (May 4, 1957) Attended 14 out of 14 meetings of the Board of Directors (100%) and will have served as Director for 4 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 April 2020      Director and Senior Executive Officer (to present)  <b>Reason for nominating Kunihiro Ando as Director</b> 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.	5,500

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

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
6	<p>Yoshiko Koizumi</p> <p>Candidate for Outside Director</p> <p>Reappointment</p> <p>(September 25, 1943)</p> <p>Attended 14 out of 14 meetings of the Board of Directors (100%) and will have served as Director for 5 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 &amp; Asahi)</p> <p>January 2008 Counsel, Nishimura &amp; 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</p> <p>June 2019 Outside Director of Taiheiyo Cement Corporation</p> <p>Outside Director, Dowa Holdings 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><b>Reason for nominating Yoshiko Koizumi as Outside Director</b></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.
- The Company currently has an agreement with Ms. Yoshiko Koizumi, which limits her liability for

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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.

3. Ms. Yoshiko Koizumi satisfies the Independence Criteria for Outside Officers defined by the Company, 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 16.
4. 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.
5. No special relationship exists between the Company and Ms. Yoshiko Koizumi.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
7	Shinhachiro Emori Candidate for Outside Director New Candidate (February 2, 1953)	April 1975      Joined Toyo Soda Manufacturing Co., Ltd. (currently TOSOH CORPORATION) June 2010      Director of TOSOH CORPORATION June 2011      Managing Director of TOSOH CORPORATION June 2012      Representative Managing Director of TOSOH CORPORATION June 2015      President and Representative Director of TAIYO VINYL CORPORATION (to present)  <b>Reason for nominating Shinhachiro Emori as Outside Director</b> Mr. Shinhachiro Emori has a wealth of experience, achievements, and insight as a corporate manager. By providing 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 will make significant contribution to the monitoring and supervision of overall management, and requests that he be a new candidate for Director.	0

Notes:

1. Mr. Shinhachiro Emori is nominated as an Outside Director.
2. If the election of Mr. Shinhachiro Emori is approved, the Company plans to enter into an agreement with him, 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.
3. Mr. Shinhachiro Emori satisfies the Independence Criteria for Outside Officers defined by the Company, and in the event that he takes office as an Outside Director, the Company plans to register him 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 16.
4. No special relationship exists between the Company and Mr. Shinhachiro Emori.

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**Proposal No. 4: 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 &amp; Co. (currently Ernst &amp; Young ShinNihon LLC)            August 1987    Registered as a Certified Public Accountant            July 1999       Partner of Showa Ota &amp; Co. (currently Ernst &amp; Young ShinNihon LLC)            August 2014    Retired from Ernst &amp; Young ShinNihon LLC</p> <p>(Significant concurrent positions)            Certified Public Accountant</p> <p><b>Reason for nominating Toshihito Aoki as substitute Outside Corporate Auditor</b>            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 16.
4. No special relationship exists between the Company and Mr. Toshihito Aoki.

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### 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.



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(Appendix)

## **Business Report**

(April 1, 2019 - March 31, 2020)

### **1. Overview of the Company Group**

#### **1) Business Progress and Results**

During FY2019, although Japan's economy continued to undergo a moderate recovery on the back of improvements in employment and earnings, corporate earnings mainly in the manufacturing industries were weak and the future remained in an unclear condition.

The U.S. economy underwent solid growth, maintaining a low unemployment rate with an expansion in consumer spending.

China's economy saw a slowdown in its growth pace owing to the prolongation of trade conflict with the U.S. In Vietnam, the economy remained solid on the back of strong consumer spending and exports. In the Philippines, the economy continued expanding despite a temporary decrease in public investment due to midterm elections.

However, the global economy is facing escalating uncertainties due to the a slowdown in the Chinese economy caused by prolongation of the trade conflict between the U.S. and China as well as by the U.K. exit from the EU in addition to concerns over the prolongation of serious effects caused by the pandemic of novel coronavirus disease since the start of 2020.

Under these circumstances, in FY2019, the Group's consolidated sales decreased ¥31,721 million from the previous year to ¥884,350 million. Consolidated operating income was ¥61,008 million, down ¥5,004 million, while consolidated ordinary income was ¥60,541 million, down ¥3,765 million and profit attributable to owners of parent decreased ¥4,301 million to ¥39,151 million.

Reviews of operation by each segment are as follows.

#### **Cement Business**

**Sales**                      **¥628,416 million (down 2.7% year-on-year)**  
**Operating Income**    **¥36,526 million (down 12.5% year-on-year)**

Domestic cement demand in both the public and private sector decreased from the previous fiscal year due to the end for demand related to the Tokyo Olympics and Paralympics and reconstruction following the Great East Japan Earthquake, in addition to the impact by the prolongation of construction periods caused by the lack of labor at construction sites nationwide. As a whole, domestic cement demand decreased 3.8% from the previous year to 40.97 million tons, of which, imported cement decreased 75.3% from the previous year to 0.02 million tons. Total exports increased 1.5% from the previous year to 10.53 million tons.

Under these circumstances, the Taiheiyo Cement Group's domestic cement sales by volume, including consignment sales, decreased 5.0% from the previous year to 14.47 million tons, whilst exports increased 10.8% to 3.86 million tons.

Shipment volume served by our U.S. West Coast cement and ready-mixed concrete businesses was stagnant mainly due to bad weather while prices show signs of an increasing trend. Our cement business in China saw a recovery trend in shipping volume. Our cement business in Vietnam remained affected by competition with other products, among other factors. For our cement business in the Philippines, demand and market conditions show a flattening trend due to a decrease in public investment caused by midterm elections.

As a result of the above, consolidated sales decreased ¥18,060 million from the previous year to ¥628,416 million, and consolidated operating income decreased ¥5,216 million to ¥36,526 million.

(Translation)

### Mineral Resources Business

**Sales** ¥80,147 million (down 4.8% year-on-year)  
**Operating Income** ¥7,179 million (down 12.9% year-on-year)

In the aggregates business, sales by volume in the Kanto region and the Tohoku region decreased from the previous year due the end in demand related to the Tokyo Olympics and Paralympics and reconstruction following the Great East Japan Earthquake. In the mineral products business, shipments of limestone for domestic steel corporations were sluggish. In the geo-solutions business, sales of materials for immobilizing heavy metals remained solid.

As a result of the above, consolidated sales decreased ¥4,114 million from the previous year to ¥80,147 million, and consolidated operating income decreased ¥1,063 million to ¥7,179 million.

### Environmental Business

**Sales** ¥84,422 million (down 8.9% year-on-year)  
**Operating Income** ¥7,707 million (up 16.5% year-on-year)

Although sales of fuels, calcium carbonate used for flue gas desulfurization, and gypsum decreased, waste processing operations in waste plastics expanded, and sales of biomass fuel increased following the operation commencement of the Ofunato Power business, etc. Furthermore, efforts were made in disaster waste processing operations amid the aftermath of Typhoon Hagibis.

As a result, consolidated sales decreased ¥8,271 million from the previous year to ¥84,422 million, and consolidated operating income increased ¥1,093 million to ¥7,707 million.

### Construction Materials Business

**Sales** ¥81,303 million (down 1.0% year-on-year)  
**Operating Income** ¥4,537 million (down 9.2% year-on-year)

Due to the impact of delays in the commencement of ground improvement projects, etc., consolidated sales decreased ¥881 million from the previous year to ¥81,303 million, and consolidated operating income decreased ¥462 million to ¥4,537 million.

### Other Business

**Sales** ¥83,031 million (down 3.4% year-on-year)  
**Operating Income** ¥5,327 million (up 14.3% year-on-year)

Although performance in the engineering business and the transportation and warehousing business remained at low levels, due to the operation commencement of biomass power generation in Ofunato City, Iwate Prefecture, in addition to the real estate business remaining solid, consolidated sales decreased ¥2,997 million from the previous year to ¥83,031 million, and consolidated operating income increased ¥669 million to ¥5,327 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	628,416	(18,060)	36,526	(5,216)
Mineral Resources	80,147	(4,114)	7,179	(1,063)
Environmental	84,422	(8,271)	7,707	1,093
Construction Materials	81,303	(881)	4,537	(462)
Other	83,031	(2,997)	5,327	669
Subtotal	957,321	(34,325)	61,279	(4,978)
Elimination or unallocated amounts	(72,971)	2,604	(270)	(25)
Total	884,350	(31,721)	61,008	(5,004)

(Translation)

## 2) Capital Investments

The total amount of capital investments by the Group in the fiscal year under review increased ¥9,880 million from the previous year to ¥77,677 million, consisting of ¥45,709 million in the Cement Business, ¥10,972 million in the Mineral Resources Business, ¥2,750 million in the Environmental Business, ¥3,035 million in the Construction Materials Business, ¥13,246 million in the Other Business and ¥1,963 million in Group wide assets.

## 3) Trends in Assets and Income

Item	19 <sup>th</sup> fiscal year ended March 31, 2017	20 <sup>th</sup> fiscal year ended March 31, 2018	21 <sup>st</sup> fiscal year ended March 31, 2019	22 <sup>nd</sup> fiscal year ended March 31, 2020 (Current)
Net sales (millions of yen)	798,588	871,113	916,071	884,350
Ordinary income (millions of yen)	59,802	64,366	64,306	60,541
Profit attributable to owners of parent (millions of yen)	47,597	38,525	43,452	39,151
Net income per share (yen)	383.91	311.40	351.72	319.89
Total assets (millions of yen)	1,015,415	1,020,111	1,034,428	1,032,923
Net assets (millions of yen)	400,034	432,326	450,645	473,241

(Note) 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 19<sup>th</sup> fiscal year ended March 31, 2017.

## 4) Issues to be Addressed

Looking ahead, the Japanese economy is expected to remain unpredictable in the midst of escalating uncertainties in the global economy and confusion in international politics such as concerns over the prolongation of the pandemic of novel coronavirus disease, the impact from trade conflicts between foreign countries and the U.K. exit from the EU, etc.

Turning our attention to the Group's business environment, in our core domestic cement business, it is expected that a certain amount of demand will continue owing to the redevelopment investment in urban areas, disaster prevention and mitigation measures, and upcoming full-fledged construction related to Linear Chuo Shinkansen.

Meanwhile, there are risks that demand for cement will be pushed down due to concerns that demand may be greatly affected by the impact on economic activities owing to the prevalence of the novel coronavirus disease. In the short term, there are the effects of construction works having been put on hold or postponed, while in the medium- to long-term there are concerns over possibilities of oppressed demand in private capital investments and redevelopment investments.

Furthermore, the impact on the construction industry due to the postponement of the Tokyo Olympics and Paralympics, rising logistics costs, a worsening labor shortage for skilled construction workers, and the aging of the population must be taken into consideration.

Additionally, the U.S. economy should be monitored closely to grasp how much it will be oppressed as a consequence of current restricted economic activities due to novel coronavirus disease.

Under these circumstances, the Group is working on the 20 Medium-Term Management Plan which covers the three-year period until FY2020. As the final fiscal year of the plan, the Group has positioned FY2020 as a significant year to serve as a bridge to the next Medium-Term Management Plan. While at present it is difficult to predict how severe the impacts of the novel coronavirus disease will be, the

(Translation)

Group will strive to grasp the situation and will actively work toward achieving the following management tasks in the 20 Medium-Term Management Plan.

### **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, disaster prevention and mitigation measures against a series of natural disasters, construction related to Linear Chuo Shinkansen, 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, power supply 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		

(Note) The Company relocated its head office and Tokyo Branch from Minato-ku, Tokyo to Bunkyo-ku, Tokyo on May 11, 2020.

**(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	8,366
Mineral Resources	948
Environmental	157
Construction Materials	1,204
Other	2,159
Group-wide (common)	285
Total	13,119

- (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. (552 persons).

Number of employees	Increase or decrease from previous year	Average age	Average length of service
1,798 persons	Increase of 38 persons	41.2 years old	19.2 years

(Translation)

## 9) Major Lenders and Amount of Borrowings

Lender	Outstanding borrowings (millions of yen)
Mizuho Bank, Ltd.	38,396
Sumitomo Mitsui Banking Corporation	27,766

## 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 4,428,528 shares of treasury stock)
- 3) Number of stockholders 52,477 persons
- 4) Major stockholders

Stockholder name	Holding (thousand shares)	Stockholding ratio (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	10,949	8.9
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	8,460	6.8
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 9)	3,880	3.1
STATE STREET BANK AND TRUST COMPANY 505001	2,672	2.1
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 5)	2,572	2.0
MIZUHO BANK, LTD.	2,234	1.8
JP MORGAN CHASE BANK 385151	2,105	1.7
GOVERNMENT OF NORWAY	1,910	1.5
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,807	1.4
STATE STREET BANK WEST CLIENT-TREATY 505234	1,755	1.4

- (Notes) 1. The Company holds 4,428,528 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	Keiichi Miura	
Director	Masahiro Karino	
Director	Kunihiro Ando	
Director	Katsuhide Fukuhara	
Director	Toshiaki Suzuki	Outside Director of P.S. Mitsubishi Construction Co., Ltd.
Director	Yoshiyuki Uenoyama	
Director	Hideaki Asakura	
Director	Tetsuya Ohashi	
Director	Yoshifumi Taura	
Director	Yoshiko Koizumi	Outside Director of Dowa Holdings Co., Ltd. Outside Corporate Auditor of Nippon Koei Co., Ltd. Lawyer, Partner of City-Yuwa Partners
Director	Yuzo Arima	
Corporate Auditor (Standing)	Toshihide Nishimura	Outside Corporate Auditor of NIPPON CONCRETE INDUSTRIES CO., LTD.
Corporate Auditor (Standing)	Shigeru Matsushima	
Corporate Auditor	Wakako Mitani (Name on family registration: Wakako Akamatsu)	Lawyer, Partner of TANABE & PARTNERS
Corporate Auditor	Yoshio Fujima	Certified Public Accountant

- (Notes)
1. Directors Yoshiko Koizumi and Yuzo Arima are Outside Directors.
  2. Corporate Auditors Wakako Mitani and Yoshio Fujima are Outside Corporate Auditors.
  3. Directors Yoshiyuki Uenoyama, Hideaki Asakura, Tetsuya Ohashi, Yoshifumi Taura and Corporate Auditors Shigeru Matsushima and Yoshio Fujima were newly elected at the 21st Ordinary General Meeting of Stockholders held on June 27, 2019, and took office on the same day.
  4. Directors Shigeru Matsushima, Youichi Funakubo, Ichiro Egami, Tomoya Sakamoto, and Corporate Auditor Yoshio Narukage retired from office at the close of the 21st Ordinary General Meeting of Stockholders held on June 27, 2019.

(Translation)

5. Corporate Auditor Hidehiko Kasamura resigned from office at the close of the 21st Ordinary General Meeting of Stockholders held on June 27, 2019.
6. Corporate Auditors Toshihide Nishimura and Shigeru Matsushima have hands-on experience in the business management division of the Company and have considerable financial and accounting expertise.
7. Corporate Auditor Yoshio Fujima has the qualification of Certified Public Accountant and has considerable financial and accounting expertise.
8. 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.
9. The Company has registered Directors Yoshiko Koizumi and Yuzo Arima as independent directors and Corporate Auditors Wakako Mitani and Yoshio Fujima as independent corporate auditors at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange.
10. Retirements in significant concurrent positions during the fiscal year under review are as follows:

Name	Position	Significant concurrent positions	Retirement date
Yoshiko Koizumi	Director	Outside Corporate Auditor of Sumitomo Bakelite Co., Ltd.	June 24, 2019

No relationship exists between the Company and Sumitomo Bakelite Co., Ltd.

11. The Company has introduced an executive officer system; executive officers as of April 1, 2020 are as follows.

Position	Name	Assignment
Senior Executive Officer	Masahiro Karino*	Overseeing Human Resources Department, Legal Department and Internal Auditing Department
Senior 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	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 Chairman of Taiheiyo Cement (China) Investment Co., Ltd.
Managing Executive Officer	Yukimasa Nakano	Senior General Manager of Cement Business Division
Managing Executive Officer	Takayoshi Okamura	Overseeing Intellectual Property Department and Central Research Laboratory
Executive Officer	Atsuhiko Koike	General Director of Nghi Son Cement Corporation
Executive Officer	Koshiro Hidaka	General Manager of Maintenance & Engineering Department

(Translation)

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
Executive Officer	Tetsuya Suemura	General Manager of Internal Auditing Department
Executive Officer	Hiroaki Matsubara	General Manager of Tohoku Branch
Executive Officer	Hidenobu Makino	General Manager of Human Resources Department
Executive Officer	Akihiko Domoto	General Manager of Mineral Resources Business Department
Executive Officer	Isao Matsui	General Manager of Construction Materials Business Department

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

(Translation)

## 2) Overview of Limited Liability Agreement

The Company has concluded an agreement with each of Directors Shuji Fukuda, Yoshiko Koizumi, Yuzo Arima and each Corporate Auditor, 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.

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

Classification	Number of persons paid (persons)	Amount paid (millions of yen)
Directors	18	853
Corporate Auditors	6	72
Total	24	926

(Notes) 1. The number of persons paid regarding Directors and Corporate Auditors above includes four Directors and two Corporate Auditor who retired or resigned at the close of the 21st Ordinary General Meeting of Stockholders held on June 27, 2019.

2. Above compensation, etc. includes compensation, etc. to outside officers totaling ¥51 million. There were five outside officers who received payment.

## 4) Outside Officers

### 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	14 out of 14 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	14 out of 14 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	Wakako Mitani	14 out of 14 meetings	12 out of 12 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.
Corporate Auditor	Yoshio Fujima	10 out of 10 meetings	8 out of 8 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 and insight in corporate accounting mainly as a Certified Public Accountant.

(Notes) 1. During the fiscal year under review, 14 Board of Directors meetings were held. Ten Board of Directors meetings were held after Corporate Auditor Yoshio Fujima took office.

(Translation)

2. In addition to the number of Board of Directors meetings held as stated above, pursuant to the provisions of Article 370 of the Companies Act and Article 24 of the Articles of Incorporation of the Company, a written resolution was made, for which the Company deems that the resolution was made at the Board of Directors meeting.
3. During the fiscal year under review, 12 Board of Auditors meetings were held. Eight Board of Auditors meetings were held after Corporate Auditor Yoshio Fujima took office.

(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**

¥ 113 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) 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.

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

¥ 243 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.

**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 other training programs 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.
- (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.

(Translation)

**4) Execution of business by Directors**

- (i) The Board of Directors is composed of 14 persons, including two Outside Directors, and meetings were held 14 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. In addition to the number of Board of Directors meetings held as stated above, a written resolution was made, for which the Company deems that the resolution was made at the Board of Directors meeting, pursuant to the provisions of Article 370 of the Companies Act and Article 24 of the Articles of Incorporation of the Company.
- (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 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.

**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.

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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, 2019 - March 31, 2020)

### **Consolidated Balance Sheets**

(Unit: Millions of yen)

Account	FY2019 (as of March 31, 2020)	(Reference) FY2018 (as of March 31, 2019)
<b>Assets</b>		
<b>Current assets</b>	<b>318,502</b>	<b>341,307</b>
Cash and deposits	51,641	56,561
Notes and accounts receivable-trade	159,048	180,535
Electronically recorded monetary claims-operating	13,507	12,998
Merchandise and finished goods	30,897	31,138
Work in process	2,310	2,268
Raw materials and supplies	45,075	43,314
Short-term loans receivable	3,289	3,421
Other	14,035	11,714
Allowance for doubtful accounts	(1,302)	(646)
<b>Noncurrent Assets</b>	<b>714,420</b>	<b>693,120</b>
<b>Property, plant and equipment</b>	<b>544,553</b>	<b>520,939</b>
Buildings and structures	138,947	135,653
Machinery, equipment and vehicles	162,944	134,649
Land	164,869	157,638
Lease assets	21,941	22,120
Construction in progress	30,665	48,678
Other	25,184	22,199
<b>Intangible assets</b>	<b>29,814</b>	<b>30,875</b>
Goodwill	179	321
Other	29,634	30,553
<b>Investments and other assets</b>	<b>140,053</b>	<b>141,306</b>
Investment securities	82,931	83,692
Long-term loans receivable	1,880	1,754
Deferred tax assets	21,118	17,109
Assets for retirement benefits	11,090	17,807
Other	29,359	28,374
Allowance for doubtful accounts	(6,327)	(7,432)
<b>Total Assets</b>	<b>1,032,923</b>	<b>1,034,428</b>

(Translation)

Account	FY2019 (as of March 31, 2020)	(Reference) FY2018 (as of March 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>313,771</b>	<b>349,390</b>
Notes and accounts payable-trade	83,430	96,275
Electronically recorded obligations-operating	5,330	8,716
Short-term loans payable	120,783	135,381
Commercial papers	12,000	4,000
Current portion of bonds	—	10,000
Income taxes payable	6,024	8,376
Provision for bonuses	6,158	6,046
Other provision	139	220
Other	79,906	80,373
<b>Noncurrent liabilities</b>	<b>245,910</b>	<b>234,392</b>
Bonds payable	30,000	30,000
Long-term loans payable	103,332	100,233
Deferred tax liabilities	7,491	7,630
Liability for retirement benefits	24,999	24,206
Provision for directors' retirement benefits	521	535
Provision for special repairs	128	75
Other provision	828	757
Lease obligations	17,996	17,616
Asset retirement obligations	7,341	7,619
Other	53,270	45,718
<b>Total liabilities</b>	<b>559,682</b>	<b>583,783</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>	<b>456,395</b>	<b>424,767</b>
<b>Capital stock</b>	<b>86,174</b>	<b>86,174</b>
<b>Capital surplus</b>	<b>60,233</b>	<b>60,408</b>
<b>Retained earnings</b>	<b>326,086</b>	<b>294,265</b>
<b>Treasury stock</b>	<b>(16,098)</b>	<b>(16,081)</b>
<b>Accumulated other comprehensive income</b>	<b>(19,716)</b>	<b>(10,057)</b>
Valuation difference on available-for-sale securities	6,723	8,688
Deferred gains or losses on hedges	(0)	(3)
Revaluation reserve for land	4,968	5,019
Foreign currency translation adjustments	(21,413)	(20,128)
Retirement benefits liability adjustments	(9,995)	(3,632)
<b>Non-controlling interests</b>	<b>36,563</b>	<b>35,935</b>
<b>Total net assets</b>	<b>473,241</b>	<b>450,645</b>
<b>Total liabilities and net assets</b>	<b>1,032,923</b>	<b>1,034,428</b>

(Translation)

## Consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2019 (April 1, 2019 - March 31, 2020)	(Reference) FY2018 (April 1, 2018 - March 31, 2019)
<b>Net sales</b>	<b>884,350</b>	<b>916,071</b>
<b>Cost of sales</b>	<b>689,321</b>	<b>712,660</b>
<b>Gross profit</b>	<b>195,029</b>	<b>203,411</b>
<b>Selling, general and administrative expenses</b>	<b>134,020</b>	<b>137,398</b>
<b>Operating income</b>	<b>61,008</b>	<b>66,012</b>
<b>Non-operating income</b>	<b>8,075</b>	<b>7,691</b>
Interest and dividends income	1,808	1,860
Equity in earnings of unconsolidated subsidiaries and affiliates	2,427	2,288
Foreign exchange gains	1,035	—
Other	2,803	3,542
<b>Non-operating expenses</b>	<b>8,541</b>	<b>9,397</b>
Interest expenses	3,876	4,068
Loss on disposal of inventories	126	1,126
Other	4,538	4,202
<b>Ordinary income</b>	<b>60,541</b>	<b>64,306</b>
<b>Extraordinary income</b>	<b>3,838</b>	<b>1,917</b>
Gain on disposal of non-current assets	754	1,149
Gain on sales of investment securities	205	532
Compensation income	2,730	—
Other	147	234
<b>Extraordinary loss</b>	<b>12,602</b>	<b>7,049</b>
Loss on disposal of non-current assets	5,580	4,828
Loss on sales of investment securities	36	133
Loss on valuation of investment securities	222	326
Impairment loss	5,451	1,101
Other	1,311	660
<b>Income before income taxes</b>	<b>51,777</b>	<b>59,174</b>
Income taxes-current	11,223	11,760
Income taxes-deferred	(300)	1,796
<b>Profit</b>	<b>40,854</b>	<b>45,616</b>
Profit (loss) attributable to non-controlling interests	1,703	2,164
<b>Profit attributable to owners of parent</b>	<b>39,151</b>	<b>43,452</b>

(Translation)

## Non-consolidated Financial Statements

(April 1, 2019 - March 31, 2020)

### Non-consolidated Balance Sheets

(Unit: Millions of yen)

Account	FY2019 (as of March 31, 2020)	(Reference) FY2018 (as of March 31, 2019)
<b>Assets</b>		
<b>Current assets</b>	<b>106,317</b>	<b>116,123</b>
Cash and deposits	4,011	3,784
Notes receivable-trade	14,725	23,010
Electronically recorded monetary claims-operating	3,289	4,579
Accounts receivable-trade	47,764	52,017
Merchandise and finished goods	8,092	8,678
Raw materials and supplies	17,537	18,356
Prepaid expenses	474	490
Other	10,422	5,208
Allowance for doubtful accounts	(0)	(0)
<b>Noncurrent Assets</b>	<b>471,832</b>	<b>470,906</b>
<b>Property, plant and equipment</b>	<b>216,012</b>	<b>210,264</b>
Buildings	24,651	24,370
Structures	50,704	50,591
Machinery and equipment	40,935	39,104
Vehicles	713	131
Tools, furniture and fixtures	1,082	816
Raw materials land	12,811	12,711
Land	65,782	66,057
Lease assets	4,096	3,910
Construction in progress	15,234	12,569
<b>Intangible assets</b>	<b>15,236</b>	<b>13,707</b>
Mining rights	10,052	10,289
Software	694	491
Other	4,489	2,926
<b>Investments and other assets</b>	<b>240,584</b>	<b>246,934</b>
Investment securities	20,536	22,225
Shares of subsidiaries and affiliates	170,554	170,289
Investments in capital	35	35
Investments in capital of subsidiaries and affiliates	12,155	13,735
Long-term loans receivable	39	42
Long-term prepaid expenses	10,613	10,364
Prepaid pension costs	17,434	16,102
Other	33,804	38,718
Allowance for doubtful accounts	(24,589)	(24,580)
<b>Total Assets</b>	<b>578,149</b>	<b>587,029</b>

(Translation)

Account	FY2019 (as of March 31, 2020)	(Reference) FY2018 (as of March 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>148,058</b>	<b>173,044</b>
Electronically recorded obligations-operating	8,861	11,872
Accounts payable-trade	21,552	29,193
Short-term loans payable	59,524	65,259
Commercial papers	12,000	4,000
Current portion of bonds	—	10,000
Lease obligations	958	1,039
Accounts payable - other	14,236	11,592
Accrued expenses	12,771	19,289
Income taxes payable	1,283	4,572
Advances received	907	201
Deposits received	293	355
Unearned revenue	1,394	1,252
Provision for bonuses	2,082	2,124
Electronically recorded obligations-non-operating	11,933	12,291
Other	257	—
<b>Noncurrent liabilities</b>	<b>148,003</b>	<b>138,717</b>
Bonds payable	30,000	30,000
Long-term loans payable	79,346	69,108
Lease obligations	3,459	3,206
Deferred tax liabilities	353	2,290
Provision for loss on guarantees	2,173	2,144
Guarantee deposits received	29,515	29,056
Asset retirement obligations	2,552	2,638
Other	602	271
<b>Total liabilities</b>	<b>296,061</b>	<b>311,762</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>	<b>277,613</b>	<b>269,648</b>
<b>Capital stock</b>	<b>86,174</b>	<b>86,174</b>
<b>Capital surplus</b>	<b>56,276</b>	<b>56,276</b>
Legal capital surplus	42,215	42,215
Other capital surplus	14,061	14,061
<b>Retained earnings</b>	<b>150,798</b>	<b>142,811</b>
Other retained earnings	150,798	142,811
Reserve for mine prospecting	285	269
Reserve for advanced depreciation of non-current assets	15,823	16,161
Retained earnings brought forward	134,689	126,380
<b>Treasury stock</b>	<b>(15,635)</b>	<b>(15,613)</b>
<b>Valuation and translation adjustments</b>	<b>4,474</b>	<b>5,618</b>
Valuation difference on available-for-sale securities	4,474	5,618
<b>Total net assets</b>	<b>282,088</b>	<b>275,267</b>
<b>Total liabilities and net assets</b>	<b>578,149</b>	<b>587,029</b>

(Translation)

## Non-consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2019 (April 1, 2019 - March 31, 2020)	(Reference) FY2018 (April 1, 2018 - March 31, 2019)
<b>Net sales</b>	<b>314,427</b>	<b>329,525</b>
<b>Cost of sales</b>	<b>228,648</b>	<b>237,289</b>
<b>Gross profit</b>	<b>85,778</b>	<b>92,235</b>
<b>Selling, general and administrative expenses</b>	<b>65,475</b>	<b>67,298</b>
<b>Operating income</b>	<b>20,302</b>	<b>24,937</b>
<b>Non-operating income</b>	<b>8,087</b>	<b>6,877</b>
Dividends income	6,158	5,738
Foreign exchange gains	1,162	—
Other	767	1,139
<b>Non-operating expenses</b>	<b>3,585</b>	<b>4,477</b>
Interest expenses	874	994
Provision of allowance for doubtful accounts	8	1,405
Other	2,702	2,076
<b>Ordinary income</b>	<b>24,804</b>	<b>27,337</b>
<b>Extraordinary income</b>	<b>466</b>	<b>503</b>
Gain on disposal of non-current assets	336	134
Gain on sales of investment securities	120	55
Gain on sales of shares of subsidiaries and affiliates	9	313
<b>Extraordinary loss</b>	<b>7,132</b>	<b>5,878</b>
Loss on disposal of non-current assets	3,844	3,037
Loss on liquidation of subsidiaries and affiliates	0	63
Loss on valuation of investment securities	32	269
Loss on valuation of shares of subsidiaries and affiliates	235	1,630
Loss on valuation of investments in capital of subsidiaries and affiliates	1,432	—
Loss on sales of investment securities	0	24
Loss on sales of shares of subsidiaries and associates	—	8
Impairment loss	645	843
Compensation expenses	943	—
<b>Income before income taxes</b>	<b>18,137</b>	<b>21,963</b>
Income taxes-current	4,220	5,441
Income taxes-deferred	(1,432)	(135)
<b>Net income</b>	<b>15,349</b>	<b>16,656</b>



(Translation)

## Independent Auditor's Report

The Board of Directors of Taiheiyo Cement Corporation:

### **Opinion**

We have audited the consolidated financial statements, which comprise 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 ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 444-4 of the Companies Act.

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

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Corporate auditors and the board of corporate auditors 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(Translation)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Reiji Kobayashi (Seal)  
Designated Engagement Partner  
Certified Public Accountant

Akihisa Sada (Seal)  
Designated Engagement Partner  
Certified Public Accountant

Yoshiaki Sekine (Seal)  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
May 21, 2020

(Translation)

## **Independent Auditor's Report**

The Board of Directors of Taiheiyo Cement Corporation:

### **Opinion**

We have audited the financial statements, which comprise 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 (“the Company”) as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 436-2-1 of the Companies Act.

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 the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors 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.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements and Others**

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(Translation)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Reiji Kobayashi (Seal)  
Designated Engagement Partner  
Certified Public Accountant

Akihisa Sada (Seal)  
Designated Engagement Partner  
Certified Public Accountant

Yoshiaki Sekine (Seal)  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
May 21, 2020

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(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 22<sup>nd</sup> fiscal term from April 1, 2019 to March 31, 2020. 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 25, 2020

Board of Auditors, Taiheiyo Cement Corporation

Corporate Auditor (Standing)      Toshihide Nishimura      [Seal]

Corporate Auditor (Standing)      Shigeru Matsushima      [Seal]

Outside Corporate Auditor      Wakako Mitani      [Seal]

Outside Corporate Auditor      Yoshio Fujima      [Seal]