

(Translation)

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Securities Code 5233

June 1, 2023

(Start Date of Measures for Electronic Provision: May 26, 2023)

## 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 25<sup>th</sup> ORDINARY GENERAL MEETING OF STOCKHOLDERS

You are cordially notified of the 25<sup>th</sup> Ordinary General Meeting of Stockholders of Taiheiyo Cement Corporation (the “Company”). The meeting will be held as stated below.

In convening this General Meeting of Stockholders, the Company has taken measures for electronic provision and matters subject to measures for electronic provision are posted on the following website.

The Company’s website: <https://www.taiheiyo-cement.co.jp/english/ir/kabunushi.html>

In addition to the above, the information is also posted on the following website.

- The Tokyo Stock Exchange’s website:

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

Please access the above website and enter the Company’s name or securities code to search, and then select “Basic information” followed by “Documents for public inspection/PR information” to view the information.

- “Net de Shoshu” (online convocation): <https://s.srdb.jp/5233/>

From the perspective of preventing spread of the novel coronavirus disease, we urge our stockholders to consider attending the meeting after confirming the status of the pandemic and self-health conditions on the day of the meeting.

**If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet, so please review the attached Reference Documents for the General Meeting of Stockholders and exercise your voting rights after reading the Voting Guide on page 3.**

- 1. Date and Time:** Thursday, June 29, 2023 at 10:00 a.m.
- 2. Place:** Head office of the Company  
1-1-1, Koishikawa, Bunkyo-ku, Tokyo
- 3. Agenda of the Meeting:**
  - Matters to be reported:**
    1. Business Report, Consolidated Financial Statements for the 25<sup>th</sup> Fiscal Term (from April 1, 2022 to March 31, 2023) 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 25<sup>th</sup> Fiscal Term (from April 1, 2022 to March 31, 2023)
  - Proposals to be resolved:**
    - Proposal No. 1:** Appropriation of Surplus
    - Proposal No. 2:** Election of Nine Directors
    - Proposal No. 3:** Election of One Corporate Auditor
    - Proposal No. 4:** Election of One Substitute Corporate Auditor

(Translation)

Notes:

- Regarding the matters subject to measures for electronic provision, “Accounting Auditor” and “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” of the Business Report, “Consolidated Statements of Changes in Net Assets” and “Notes to Consolidated Financial Statements” of the Consolidated Financial Statements, and “Non-consolidated Statements of Changes in Net Assets” and “Notes to Non-consolidated Financial Statements” of the Non-consolidated Financial Statements are not included in a paper copy delivered to stockholders who have requested the delivery of the paper copy, pursuant to the provisions of laws and regulations and the Articles of Incorporation of the Company. Therefore, the delivered paper copy is a part of the materials audited by Corporate Auditors and the Accounting Auditor in preparing their audit reports.
- If there are any revisions to the matters subject to measures for electronic provision, the details of the revisions will be posted on each website posting these matters.
- If there are any major changes to the operation of the meeting due to changes in the status of the novel coronavirus pandemic until the day of the meeting or other factors, the Company will post the details of the changes on the Company’s website. (<https://www.taiheiyo-cement.co.jp/english/>)
- We are planning to distribute video streaming of a part of the meeting on the Company’s website at a later date.  
Please understand in advance that we will be shooting a video for the video streaming in the meeting venue on the day of the meeting.

(Translation)

## 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.

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

- Please indicate your vote for or against the Proposals on the Voting Rights Exercise Form and send it back, making sure that it will arrive by 5:00 p.m. on Wednesday, June 28, 2023 (Japan Standard Time).
- If you make no indication on the Voting Rights Exercise Form whether you are voting for or against the Proposals, you shall be deemed to have voted FOR the Proposals.

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

- Please exercise your voting right via the voting rights exercise site (<https://www.web54.net>) specified by the Company before 5:00 p.m. on Wednesday, June 28, 2023 (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.)

\* Thermometers will be placed at the entrance of the venue. Please be advised that those who have a fever may not be admitted to the venue.

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.

(Translation)

## Reference Documents for the General Meeting of Stockholders

### Proposals and References

#### Proposal No. 1: Appropriation of Surplus

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

Matters concerning the year-end dividend

(1) Type of Dividend

Cash

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

35 yen per share of common stock of the Company, for a total amount of 4,108,770,645 yen.

The annual dividend per share for the term under review will amount to 70 yen, which includes an interim dividend already paid.

(3) Effective Date of Dividends from surplus

June 30, 2023

(Translation)

**Proposal No. 2: Election of Nine Directors**

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

Accordingly, the election of nine Directors, including three Outside Directors, is proposed.

The candidates for Director are as follows.

No.	Name	Current position at the Company
1	Reappointment Masafumi Fushihara	President and Representative Director
2	Reappointment Yuuichi Kitabayashi	Vice President and Representative Director
3	Reappointment Kunihiro Ando	Vice President and Director
4	Reappointment Tetsuya Ohashi	Director and Senior Executive Officer
5	Reappointment Hideaki Asakura	Director and Senior Executive Officer
6	New Candidate Yoshifumi Taura	Senior Executive Officer
7	Reappointment Yoshiko Koizumi Outside Director Independent Director	Director
8	Reappointment Shinhachiro Emori Outside Director Independent Director	Director
9	Reappointment Hideyuki Furikado Outside Director Independent Director	Director

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
1	<p>Masafumi Fushihara  <u>Reappointment</u>            (May 18, 1954)            Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 8 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>	15,971

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

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
2	<p>Yuuichi Kitabayashi  <u>Reappointment</u>                      (June 2, 1955)                      Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 10 years at close of this General Meeting of Stockholders</p>	<p>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                      April 2021      Vice President and Representative Director Overseeing Carbon Neutral Technology Development Project Team and TCPI Renewal Project Team                      June 2022      Vice President and Representative Director Assistant to the President                      Overseeing Carbon Neutral Technology Development Project Team and TCPI Renewal Project Team (to present)</p> <p><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. Moreover, since 2021, he has been making significant contribution to the development of the Group as an officer overseeing the Carbon Neutral Technology Development Project Team and TCPI Renewal Project Team. 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>	14,482

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

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
3	<p>Kunihiro Ando <u>Reappointment</u> (May 4, 1957)</p> <p>Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 7 years at close of this General Meeting of Stockholders</p>	<p>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 June 2022      Vice President and Director Assistant to the President Overseeing Mining Department and Mineral Resources Business Department (to present)</p> <p><b>Reason for nominating Kunihiro Ando as Director</b> Since 2016, Mr. Kunihiro Ando has engaged in management of the Company as Director, and since 2022, has served as Vice President and Director. He therefore has a wealth of experience, achievements, and knowledge as a manager. Moreover, he has been making significant contribution to the development of the Group as an officer overseeing the mineral resources business. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	14,010

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



(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
4	<p>Tetsuya Ohashi  <u>Reappointment</u>  (March 7, 1960)  Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 2 years at close of this General Meeting of Stockholders</p>	<p>April 1982    Joined Onoda Cement Co., Ltd.  October 2010    President of Taiheiyo Cement U.S.A., Inc.  April 2015    General Manager, Business Development Department, International Business Division of Taiheiyo Cement Corporation  April 2016    Executive Officer and General Manager, Business Development Department, International Business Division  April 2019    Managing Executive Officer  June 2019    Director and Managing Executive Officer  June 2020    Managing Executive Officer  April 2021    Senior Executive Officer  June 2021    Director and Senior Executive Officer (to present)</p> <p><b>Reason for nominating Tetsuya Ohashi as Director</b>  Since 2021, Mr. Tetsuya Ohashi 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 sustainability promotion divisions, and real estate business. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	15,223

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

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
5	<p>Hideaki Asakura <u>Reappointment</u> (November 20, 1959) Attended 11 out of 11 meetings of the Board of Directors (100%) and will have served as Director for 1 year at close of this General Meeting of Stockholders</p>	<p>April 1982      Joined Nihon Cement Co., Ltd. April 2011      General Director of Nghi Son Cement Corporation April 2016      Executive Officer of Taiheiyo Cement Corporation General Director of Nghi Son Cement Corporation April 2018      Executive Officer and General Manager, Sales Department, Cement Business Division of Taiheiyo Cement Corporation April 2019      Managing Executive Officer June 2019      Director and Managing Executive Officer June 2020      Managing Executive Officer April 2022      Senior Executive Officer June 2022      Director and Senior Executive Officer (to present)</p> <p><b>Reason for nominating Hideaki Asakura as Director</b> Since 2022, Mr. Hideaki Asakura 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 corporate planning and legal divisions. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group and requests that he continue to be a candidate for Director.</p>	9,834

Notes:

1. Mr. Hideaki Asakura was newly appointed at the 24th Ordinary General Meeting of Stockholders held on June 29, 2022, and took office as Director on the same day. Accordingly, his attendance at meetings of the Board of Directors refers to those convened since he took office.
2. No special relationship exists between the Company and Mr. Hideaki Asakura.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
6	Yoshifumi Taura <u>New Candidate</u> (March 4, 1960)	<p>April 1983    Joined Onoda Cement Co., Ltd.</p> <p>April 2013    General Manager, Sales Department, International Business Division of Taiheiyo Cement Corporation</p> <p>April 2017    Executive Officer and General Manager, Sales Department, International Business Division</p> <p>April 2019    Managing Executive Officer and Senior General Manager, International Business Division</p> <p>June 2019    Director, Managing Executive Officer and Senior General Manager, International Business Division</p> <p>August 2019    Director, Managing Executive Officer and Senior General Manager, International Business Division Chairman of Taiheiyo Cement (China) Investment Co., Ltd.</p> <p>June 2020    Managing Executive Officer, Senior General Manager, International Business Division Chairman of Taiheiyo Cement (China) Investment Co., Ltd.</p> <p>April 2022    Managing Executive Officer, Senior General Manager, International Business Division</p> <p>April 2023    Senior Executive Officer, Senior General Manager, International Business Division (to present)</p> <p><b>Reason for nominating Yoshifumi Taura as Director</b> Since 2023, Mr. Yoshifumi Taura has served as Senior Executive Officer and has been making significant contribution to the development of the Group as an officer overseeing the international business. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group and requests that he be a new candidate for Director.</p>	11,335

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

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
7	<p>Yoshiko Koizumi  Candidate for  Outside Director  Reappointment  (September 25, 1943)  Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 8 years at close of this General Meeting of Stockholders</p>	<p>April 1972 Registered as a lawyer (Daini Tokyo Bar Association)  January 1980 Partner, Masuda and Ejiri Law Office (predecessor of Nishimura &amp; Asahi)  January 2008 Counsel, Nishimura &amp; Asahi  April 2009 Partner, City-Yuwa Partners (to present)  June 2015 Outside Director of Taiheiyo Cement Corporation (to present)  Outside Director of Dowa Holdings Co., Ltd. (to present)  June 2016 Outside Corporate Auditor of Sumitomo Bakelite Co., Ltd.  September 2017 Outside Corporate Auditor of Nippon Koei Co., Ltd. (to present)</p> <p>(Significant concurrent positions)  Outside Director of Dowa Holdings Co., Ltd.  Outside Corporate Auditor of Nippon Koei Co., Ltd.  Lawyer, Partner of City-Yuwa Partners</p> <p><b>Reason for nominating Yoshiko Koizumi as Outside Director and outline of expected roles</b>  Although Ms. Yoshiko Koizumi has not engaged in corporate management in the past other than serving as an outside officer of listed companies, as a lawyer, she has a wealth of experience, achievements, and knowledge regarding corporate law. The Company expects that she will provide precise recommendations and advice from this perspective in the Board of Directors of the Company, and promote the enhancement of the fairness, transparency and objectivity of the procedures for determining the nomination and compensation of Directors as Chairman of the Nomination and Compensation Advisory Committee. The Company has judged that she makes significant contribution to the monitoring and supervision of overall management from an objective standpoint independent from the management team that executes business, 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 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 said agreement with her.
- 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 18.
- 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.
- No special relationship exists between the Company and Ms. Yoshiko Koizumi.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
8	<p>Shinhachiro Emori</p> <p>Candidate for Outside Director</p> <p>Reappointment (February 2, 1953)</p> <p>Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 3 years at close of this General Meeting of Stockholders</p>	<p>April 1975      Joined Toyo Soda Manufacturing Co., Ltd. (currently Tosoh Corporation)</p> <p>June 2010      Director of Tosoh Corporation</p> <p>June 2011      Managing Director of Tosoh Corporation</p> <p>June 2012      Representative Managing Director of Tosoh Corporation</p> <p>June 2015      President and Representative Director of Taiyo Vinyl Corporation</p> <p>June 2020      Outside Director of Taiheiyo Cement Corporation (to present)</p> <p><b>Reason for nominating Shinhachiro Emori as Outside Director and outline of expected roles</b></p> <p>Mr. Shinhachiro Emori has a wealth of experience, achievements, and insight as a corporate manager. The Company expects that he will provide precise recommendations and advice from this perspective in the Board of Directors of the Company, and strive for the enhancement of the fairness, transparency and objectivity of the procedures for determining the nomination and compensation of Directors as member of the Nomination and Compensation Advisory Committee. The Company has judged that he makes significant contribution to the monitoring and supervision of overall management from an objective standpoint independent from the management team that executes business, and requests that he continue to be a candidate for Director.</p>	600

Notes:

1. Mr. Shinhachiro Emori is nominated as an Outside Director.
2. The Company currently has an agreement with Mr. Shinhachiro Emori, 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. Shinhachiro Emori is approved, the Company plans to continue said agreement with him.
3. Mr. Shinhachiro Emori satisfies the Independence Criteria for Outside Officers defined by the Company, and the Company has registered Mr. Shinhachiro Emori 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 18.
4. No special relationship exists between the Company and Mr. Shinhachiro Emori.

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
9	Hideyuki Furikado Candidate for Outside Director Reappointment (August 3, 1954) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 2 years at close of this General Meeting of Stockholders	April 1977      Joined Ministry of Finance July 2004      Deputy Director-General of Financial Services Agency July 2010      Director of Policy Research Institute, Ministry of Finance December 2013      Retired from Ministry of Finance June 2014      Senior Managing Director of Trust Companies Association of Japan June 2021      Outside Director of Taiheiyo Cement Corporation (to present)  <b>Reason for nominating Hideyuki Furikado as Outside Director and outline of expected roles</b> Although Mr. Hideyuki Furikado has not engaged in corporate management in the past, as a government official, he has a wealth of experience and extensive knowledge regarding public administration. The Company expects that he will provide precise recommendations and advice from this perspective in the Board of Directors of the Company, and strive for the enhancement of the fairness, transparency and objectivity of the procedures for determining the nomination and compensation of Directors as member of the Nomination and Compensation Advisory Committee. The Company has judged that he will make significant contribution to the monitoring and supervision of overall management from an objective standpoint independent from the management team that executes business, and requests that he continue to be a candidate for Director.	900

Notes:

1. Mr. Hideyuki Furikado is nominated as an Outside Director.
2. The Company currently has an agreement with Mr. Hideyuki Furikado, 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. Hideyuki Furikado is approved, the Company plans to continue said agreement with him.
3. Mr. Hideyuki Furikado satisfies the Independence Criteria for Outside Officers defined by the Company, and the Company has registered Mr. Hideyuki Furikado 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 18.
4. No special relationship exists between the Company and Mr. Hideyuki Furikado.

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#### Directors and officers liability insurance contract

The Company has concluded a directors and officers liability insurance contract provided for in Article 430-3, Paragraph 1 of the Companies Act, that insures all Directors, Corporate Auditors and Executive Officers with an insurance company. Said insurance contract covers damages that may arise when the insured assumes liability for the execution of his or her duties as corporate officer. If the election of candidates is approved, each of them will be insured under the insurance contract. In addition, the Company plans to renew said insurance contract in July 2023.

(Translation)

(Reference) Expertise and experience held by candidates for Director

Name	Attributes	Nomination and Compensation Advisory Committee	Expertise and experience					
			Corporate Management	Production Technologies Research	Marketing Sales	Finance Accounting	Legal Risk Management	Global Business
Masafumi Fushihara			●		●	●	●	●
Yuuichi Kitabayashi			●	●			●	●
Kunihiro Ando		●	●	●	●			●
Tetsuya Ohashi			●	●		●		●
Hideaki Asakura			●		●	●	●	●
Yoshifumi Taura			●	●	●			●
Yoshiko Koizumi	Outside Director Independent Director	● (Chairman)					●	●
Shinhachiro Emori	Outside Director Independent Director	●	●		●	●		
Hideyuki Furikado	Outside Director Independent Director	●				●	●	●

(Translation)

**Proposal No. 3: Election of One Corporate Auditor**

The term of office of Corporate Auditor Mr. Yoshio Fujima will expire at the close of this General Meeting of Stockholders. Accordingly, the Company would like to propose the election of one Corporate Auditor.

The candidate for Corporate Auditor is as follows.

The Board of Auditors has previously given its approval to this proposal.

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 New Candidate (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 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 be a new candidate for Outside Corporate Auditor.</p>	<p>0</p>

Notes:

1. Mr. Toshihito Aoki is nominated as an Outside Corporate Auditor.
2. If the election of Mr. Toshihito Aoki is approved, the Company plans to enter into an agreement with him, which would limit his liability for damages in respect of his responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that he executes his duties in good faith and without gross negligence.
3. The Company has concluded a directors and officers liability insurance contract provided for in Article 430-3, Paragraph 1 of the Companies Act, that insures all Directors, Corporate Auditors and Executive Officers with an insurance company. Said insurance contract covers damage to be borne by the insured that may arise as a result of claims for damages caused by the execution of his or her duties as corporate officer. If the election of Mr. Toshihito Aoki is approved, he will be insured under the insurance contract. In addition, the Company plans to renew said insurance contract in July 2023.
4. Mr. Toshihito Aoki satisfies the Independence Criteria for Outside Officers defined by the Company. If his election is approved, 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 18.
5. No special relationship exists between the Company and Mr. Toshihito Aoki.



(Translation)

**Proposal No. 4: Election of One Substitute Corporate Auditor**

In order to prepare for a case 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 to this proposal.

Name (Date of birth)	Career summary, position and significant concurrent positions	Number of shares of the Company held
<p>Akihisa Sada Candidate for Outside Corporate Auditor (January 18, 1971)</p>	<p>October 1993    Joined Asahi Audit Corporation (currently KPMG AZSA LLC) April 1996    Registered as a Certified Public Accountant June 2010    Partner of KPMG AZSA LLC June 2021    Retired from KPMG AZSA LLC July 2021    Registered as a Certified Public Tax Accountant Representative Partner, Tax Accountant Corporation AI Taxfirm (to present)</p> <p>(Significant concurrent positions) Certified Public Accountant Certified Public Tax Accountant Representative Partner, Tax Accountant Corporation AI Taxfirm</p> <p><b>Reason for nominating Akihisa Sada as substitute Outside Corporate Auditor</b> Although Mr. Akihisa Sada 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 and certified public tax accountant. The Company has judged that he can audit the business execution of Directors from an objective, independent, and fair standpoint, and requests that he be a new candidate for substitute Outside Corporate Auditor.</p>	<p>0</p>

Notes:

1. Mr. Akihisa Sada is nominated as a substitute Outside Corporate Auditor.
2. In the event that Mr. Akihisa Sada 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. The Company has concluded a directors and officers liability insurance contract provided for in Article 430-3, Paragraph 1 of the Companies Act, that insures all Directors, Corporate Auditors and Executive Officers with an insurance company. Said insurance contract covers damage to be borne by the insured that may arise as a result of claims for damages caused by the execution of his or her duties as corporate officer. If Mr. Akihisa Sada assumes the office of Outside Corporate Auditor, he will be insured under the insurance contract. In addition, the Company plans to renew said insurance contract in July 2023.
4. Mr. Akihisa Sada 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 18.
5. No special relationship exists between the Company and Mr. Akihisa Sada.

(Translation)

(Reference)

### Independence Criteria for Outside Officers

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

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

Notes:

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

(Translation)

(Appendix)

## **Business Report**

(April 1, 2022 - March 31, 2023)

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

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

During FY2022, Japan's economy has been recovering gradually, as restrictions on activities under the impact of the spread of the novel coronavirus disease were eased and economic activities, particularly consumer spending and corporate capital investment are recovering. However, fuel and raw material prices remained unstable due to the protracted situation between Russia and Ukraine and sharp exchange rate fluctuations, which had a significant impact on corporate earnings.

Regarding the world economy, the U.S. economy showed signs of slowdown due to high inflation and higher policy interest rates, and the Chinese economy slowed down as the rapid spread of the novel coronavirus disease suppressed economic activity.

Under these circumstances, in FY2022, the Group's consolidated sales increased ¥101,340 million from the previous year to ¥809,542 million. Consolidated operating profit was ¥4,456 million, down ¥42,245 million, while consolidated ordinary profit was ¥1,015 million, down ¥49,177 million and as a result of recording various expenses associated with the suspension of production and sales in the cement business in China as extraordinary losses, profit and loss attributable to owners of parent decreased ¥62,178 million to ¥33,206 million as loss.

Reviews of operation by each business segment are as follows. The presented amounts are figures before eliminating transactions between business segments.

#### **Cement Business**

**Sales ¥553,041 million (up 19.3 % year-on-year)**

**Operating Loss ¥14,898 million (down 161.5% year-on-year)**

Domestic cement demand in the private sector was flat year on year due to a certain level of demand for urban redevelopment projects and the construction of new logistics facilities, while residential demand declined due to concerns over higher construction costs and rising mortgage rates. In addition, domestic cement demand in the public sector was weak due to a decrease in the basic unit of cement caused by rising labor and construction material costs and process delays caused by chronic labor shortages at construction sites. Due to this, as a whole, domestic cement demand decreased 1.5% from the previous year to 37.28 million tons, of which, imported cement increased 51.3% from the previous year to 0.01 million tons. Total exports decreased 29.1% from the previous year to 8.13 million tons.

Under these circumstances, the Group's domestic cement sales by volume, including consignment sales, decreased 1.7% from the previous year to 13.12 million tons, whilst exports decreased 41.2% to 2.43 million tons. In addition, due to a remaining severe situation in cost affairs such as the high price of coal, which is used in cement production, sales prices for cement were modified.

At US West Coast cement businesses, due to the acquisition of the Redding Plant and other assets, etc., sales volumes have increased from the previous year. The cement business in China saw a decrease in sales volumes from the previous year due to the impact of the lockdown associated with the zero-corona policy, etc. In the cement business in Vietnam, sales volumes have decreased from the previous year due to lower exports resulting from sluggish demand in China and slow growth in domestic demand. In the cement business in the Philippines, the sales volumes have decreased from the previous year due to a decrease in sales of imported cement caused by anti-dumping duties on imports from Vietnam.

As a result of the above, sales increased ¥89,827 million from the previous year to ¥553,041 million, and operating loss of ¥14,898 million was recorded, a deterioration of ¥39,087 million from the previous year.

(Translation)

### Mineral Resources Business

**Sales ¥82,706 million (up 7.1% year-on-year)**

**Operating Profit ¥5,556 million (down 7.9% year-on-year)**

In the aggregates business, sales remained strong especially in the Kanto region and the Chubu region. Sales by volume of limestone for domestic steel corporations in the mineral products business decreased, and intake of surplus construction soil in the geo-solutions business decreased from the previous year. In addition, the entire business was affected by various cost increases, despite efforts to pass on these costs to selling prices.

As a result, sales increased ¥5,523 million from the previous year to ¥82,706 million, and operating profit decreased ¥478 million to ¥5,556 million from the previous year.

### Environmental Business

**Sales ¥77,911 million (up 7.7% year-on-year)**

**Operating Profit ¥5,871 million (down 11.6% year-on-year)**

Sales in calcium carbonate used for flue gas desulfurization, gypsum, and fuel remained solid, but sales in coal processing was sluggish. Biomass fuels were also affected by international exchange rate fluctuations.

As a result, sales increased ¥5,595 million from the previous year to ¥77,911 million, and operating profit decreased ¥776 million to ¥5,871 million from the previous year.

### Construction Materials Business

**Sales ¥68,270 million (up 4.8% year-on-year)**

**Operating Profit ¥2,351 million (down 32.6% year-on-year)**

Sales for ALC (Autoclaved Lightweight aerated Concrete) and construction materials remained solid but were affected by the sharp rise in raw material prices. In addition, ground improvement projects were sluggish.

As a result, sales increased ¥3,173 million from the previous year to ¥68,270 million, and operating profit decreased ¥1,141 million to ¥2,351 million from the previous year.

### Other Business

**Sales ¥86,926 million (down 2.3% year-on-year)**

**Operating Profit ¥5,108 million (down 26.1% year-on-year)**

Although the chemical products business picked up, the power supply business, the engineering business, and the transportation and warehousing business remained sluggish.

As a result, sales decreased ¥2,099 million from the previous year to ¥86,926 million, and operating profit decreased ¥1,811 million to ¥5,108 million from the previous year.

### Sales and Operating Profit by Business Segment

(Unit: Millions of yen)

Business Segment	Sales	Year-on-year increase (decrease)	Operating profit (loss)	Year-on-year increase (decrease)
Cement	553,041	89,827	(14,898)	(39,087)
Mineral Resources	82,706	5,523	5,556	(478)
Environmental	77,911	5,595	5,871	(776)
Construction Materials	68,270	3,173	2,351	(1,141)
Other	86,926	(2,099)	5,108	(1,811)
Subtotal	868,855	102,020	3,989	(43,295)
Elimination or unallocated amounts	(59,313)	(679)	466	1,050
Total	809,542	101,340	4,456	(42,245)

(Translation)

## 2) Capital Investments

The total amount of capital investments by the Group in the fiscal year under review increased ¥31,722 million from the previous year to ¥105,095 million, consisting of ¥87,646 million in the Cement Business, ¥11,374 million in the Mineral Resources Business, ¥435 million in the Environmental Business, ¥2,157 million in the Construction Materials Business, ¥2,816 million in the Other Business and ¥666 million in Group wide assets.

## 3) Status of Acquisition of Businesses of Other Companies

On March 31, 2023, the Company acquired the cement sales business of Denka Company Limited.

## 4) Trends in Assets and Income

Item	22 <sup>nd</sup> fiscal year ended March 31, 2020	23 <sup>rd</sup> fiscal year ended March 31, 2021	24 <sup>th</sup> fiscal year ended March 31, 2022	25 <sup>th</sup> fiscal year ended March 31, 2023 (Current)
Net sales (millions of yen)	884,350	863,903	708,201	809,542
Ordinary profit (millions of yen)	60,541	65,744	50,193	1,015
Profit attributable to owners of parent (millions of yen)	39,151	46,800	28,971	(33,206)
Profit per share (yen)	319.89	387.79	245.80	(283.68)
Total assets (millions of yen)	1,032,923	1,044,227	1,103,007	1,268,862
Net assets (millions of yen)	473,241	506,821	544,799	528,857

Note: Figures in parentheses represent losses.

## 5) Issues to be Addressed

Looking ahead, the Japanese economy is expected to continue to recover due to the recovery of economic and social activities with the conclusion of the novel coronavirus pandemic, etc. On the other hand, we need to pay attention to sharp fluctuations in fuel and raw material prices.

Under these circumstances, 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 redevelopment investment in urban areas, construction related to the Linear Chuo Shinkansen, countermeasure construction for national resilience, disaster prevention and mitigation measures and renewal of aging social infrastructure, etc. On the other hand, as the high prices of raw materials and fuels such as coal have had a significant impact on the Company's business performance, it will be necessary that we continue to adjust our sales prices for cement in accordance with the rising prices of raw materials, fuels and other various costs. Moreover, we need to pay attention to the impact of rising construction costs and the shortage of skilled workers on construction projects. In addition to the driver shortage in the logistics industry, it is also necessary to address various issues associated with the overtime work hour cap.

In the U.S., the Biden administration has passed an infrastructure investment bill worth more than \$1 trillion and the U.S. is expected to continue to see growing demand for cement in the future, as the Los Angeles Olympics and Paralympics are scheduled to be held in 2028. However, there are concerns about a prolonged period of high inflation, and the economic trends must be monitored closely.

Under these circumstances, the Group aims "to become an enterprise group that utilizes all of its capabilities to provide a sense of safety and security to society in the Pacific Rim region," within the framework of our vision and direction targeting the mid-2020s. The Group is working to achieve this goal in three steps. The Group has positioned the 23 Medium-Term Management Plan which covers the three-year period from FY2021 until FY2023 as its third step. In FY 2023, the final year of the Medium-Term Management Plan, the Group will actively work toward the following management tasks in addition to the above issues.

(Translation)

### **Basic Policies of 23 Medium-Term Management Plan**

In the 23 Medium-Term Management Plan, the Group aims to establish a new business model that only the Company can achieve, in which all the businesses of the Group function comprehensively and in an integrated manner, that is, to become an “overwhelming leading company” in accordance with the following basic policies.

- (i) Establish an enterprise group that keeps moving forward to development.
- (ii) Contribute to establishment of a safe and secure society as a member of the social infrastructure industry.
- (iii) Strengthen the earnings base and steadily implement investment in growth areas.

### **Efforts to Achieve Carbon Neutrality**

The Group has formulated the roadmap for technology development for “Carbon Neutral Strategy 2050” and concrete measures for the 2030 mid-term targets, established technologies ready for public implementation at an early stage as a global front runner, and aims to achieve net carbon neutrality by 2050 throughout our supply chain.

### **Business Strategies**

#### **< Cement (Domestic) >**

In a market environment where large growth in domestic cement demand cannot be expected, the Group will maximize its overall capacity and provide a stable supply to national projects, etc., and actively work toward the achievement of carbon neutrality by applying a variety of measures.

#### **< Cement (Overseas) >**

The Group will work to strengthen its business in North America, establish a new business portfolio in Asia, expand its business in Southeast Asia, restructure its logistics network and expand its trading business throughout the Pacific Rim including Indonesia, which will be the new trading hub.

#### **< Mineral Resources >**

The Group will promote the establishment of a foundation for stable long-term supply of resources such as limestone, which it has in abundance, demonstrate the overall capacity of the Group, increase the earnings of existing core businesses, and focus on development of new businesses to enable sustainable development.

#### **< Environmental Business >**

The Group will accurately grasp changes in the external environment and expand into new businesses that meet the trends of the times under the keywords “climate change response,” “digital,” “materials” and “energy,” as well as establish a new resource recycling model and work to contribute to realizing a carbon-neutral society.

#### **< Construction Materials >**

By strengthening market competitiveness, the Group will improve the profitability of its existing businesses, and actively develop new business areas that can generate synergies within the Group.

#### **< Other (Individual companies) >**

While strengthening the profitability of individual companies, the Group will work to establish a new business model in which synergy effects of the Group can be expected.

### **Research & Development Strategies**

In order to contribute to society and the sustainable growth of the Group, the Group will position and eagerly pursue technological development for the achievement of carbon neutrality as its biggest theme, and will focus particularly on the deepening of its fundamental technologies, development of recycling technologies, innovative materials, and development of technologies for the future.

### **Strengthening Management Foundations**

The Group will seek to improve corporate value through continuous efforts to enhance and strengthen corporate governance. In addition, the Group will steadily work toward the realization of the three quantitative targets (Prevention of Accidents, Reduction of Greenhouse Gas Emissions and Workplace Diversity) as prescribed in the “CSR Objectives for 2025.”

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

(Translation)

## 6) 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.	99.2	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
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. Jiangnan-Onoda Cement Co., Ltd. ceased its business activities on February 28, 2023.  
3. Dalian Onoda Cement Co., Ltd. ceased its business activities on December 30, 2022.

## 7) Principal Businesses

Businesses of the Group's 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, 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)

**8) Principal Business Locations**

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

**Head Office:** 1-1-1, Koishikawa, Bunkyo-ku, Tokyo, Japan

**Central Research Laboratory:** Sakura City, Chiba Prefecture, Japan

**Branches and Plants**

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

**(ii) Principal business locations of material subsidiaries**

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



(Translation)

## 9) Employees

Business Segment	Number of Employees (persons)
Cement	7,806
Mineral Resources	1,045
Environmental	158
Construction Materials	1,257
Other	2,167
Group-wide (common)	287
Total	12,720

- (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. (466 persons).

Number of employees	Increase or decrease from previous year	Average age	Average length of service
1,841 persons	Decreased of 33 persons	40.1 years old	17.8 years

## 10) Major Lenders and Amount of Borrowings

Lender	Outstanding borrowings (millions of yen)
Mizuho Bank, Ltd.	50,088
Japan Bank for International Cooperation	34,611
Sumitomo Mitsui Banking Corporation	32,087
MUFG Bank, Ltd.	21,505

(Translation)

## 2. Shares of the Company

- 1) Total number of shares authorized to be issued 197,730,800 shares
- 2) Total number of shares outstanding 121,985,078 shares  
Note: Total number of shares outstanding includes 4,591,631 shares of treasury stock
- 3) Number of stockholders 49,096 persons
- 4) Major stockholders

Stockholder name	Holding (thousand shares)	Stockholding ratio (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	20,397	17.3
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT)	8,688	7.4
STATE STREET BANK AND TRUST COMPANY 505001	4,425	3.7
JP MORGAN CHASE BANK 385632	4,228	3.6
JP MORGAN CHASE BANK 380072	2,445	2.0
MIZUHO BANK, LTD.	2,000	1.7
SSBTC CLIENT OMNIBUS ACCOUNT	1,845	1.5
JPMorgan Securities Japan Co., Ltd.	1,738	1.4
MSIP CLIENT SECURITIES	1,721	1.4
JP MORGAN CHASE BANK 385781	1,543	1.3

- (Notes) 1. The Company holds 4,591,631 shares of treasury stock.  
2. The stockholding ratio is calculated by excluding treasury stock.

### 5) Shares granted to Company Officers during the fiscal year under review as consideration for their execution of business

Officer classification	Number of shares	Number of persons granted to
Directors (excluding Outside Directors)	21,991 shares	6 persons

(Translation)

### 3. Company Officers

#### 1) Name, etc. of Directors and Corporate Auditors

Position	Name	Significant concurrent positions
President and Representative Director	Masafumi Fushihara	
Vice President and Representative Director	Yuuichi Kitabayashi	Assistant to the President, Overseeing Carbon Neutral Technology Development Project Team and TCPI Renewal Project Team
Vice President and Director	Kunihiro Ando	Assistant to the President, Overseeing Mining Department and Mineral Resources Business Department
Director	Tetsuya Ohashi	
Director	Hideaki Asakura	
Director	Yukimasa Nakano	Outside Director of P.S. Mitsubishi Construction Co., Ltd.
Director	Yoshiko Koizumi	Lawyer, Partner of City-Yuwa Partners Outside Director of Dowa Holdings Co., Ltd. Outside Corporate Auditor of Nippon Koei Co., Ltd.
Director	Shinhachiro Emori	
Director	Hideyuki Furikado	
Corporate Auditor (Standing)	Katsuhide Fukuhara	
Corporate Auditor (Standing)	Masahiro Karino	
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, Shinhachiro Emori and Hideyuki Furikado are Outside Directors.
  2. Corporate Auditors Wakako Mitani and Yoshio Fujima are Outside Corporate Auditors.
  3. Directors Hideaki Asakura and Yukimasa Nakano, and Corporate Auditor Masahiro Karino were newly elected at the 24<sup>th</sup> Ordinary General Meeting of Stockholders held on June 29, 2022 and took office on the same day.
  4. Directors Shuji Fukuda and Masahiro Karino, and Corporate Auditor Shigeru Matsushima retired or resigned from office at the close of the 24<sup>th</sup> Ordinary General Meeting of Stockholders held on June 29, 2022.
  5. Corporate Auditors Katsuhide Fukuhara and Masahiro Karino have practical experience in the business management division of the Company and have considerable financial and accounting expertise.
  6. Corporate Auditor Yoshio Fujima has the qualification of Certified Public Accountant and has considerable financial and accounting expertise.
  7. 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.
  8. The Company has registered Directors Yoshiko Koizumi, Shinhachiro Emori and Hideyuki Furikado 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.

(Translation)

9. The following executive changes were made on June 29, 2022:

Name	Position, assignment and significant concurrent positions	
	Before	After
Yuuichi Kitabayashi	Vice President and Representative Director Overseeing Carbon Neutral Technology Development Project Team and TCPI Renewal Project Team	Vice President and Representative Director Assistant to the President Overseeing Carbon Neutral Technology Development Project Team and TCPI Renewal Project Team
Kunihiro Ando	Director and Senior Executive Officer	Vice President and Director Assistant to the President Overseeing Mining Department and Mineral Resources Business Department

10. The Company has introduced an executive officer system; executive officers as of April 1, 2023 are as follows.

Position	Name	Assignment
Senior Executive Officer	Tetsuya Ohashi*	Overseeing Human Resources Department, Sustainability Promotion Department, and Real Estate Business Department
Senior Executive Officer	Hideaki Asakura*	Overseeing Corporate Planning Department and Legal Department
Senior Executive Officer	Yoshifumi Taura	Senior General Manager of International Business Division
Managing Executive Officer	Takayoshi Okamura	Overseeing Intellectual Property Department and Central Research Laboratory
Managing Executive Officer	Koshiro Hidaka	Overseeing Production Department and Maintenance & Engineering Department
Managing Executive Officer	Shinji Fukami	Overseeing Secretarial Department, Purchasing Department and Environmental Business Development Department
Managing Executive Officer	Isao Matsui	Overseeing Internal Auditing Department, Construction Materials Business Department and Business Planning & Administration Department
Managing Executive Officer	Naoyuki Kira	Senior General Manager of Cement Business Division General Manager of Sales Department, Cement Business Division
Managing Executive Officer	Masahiro Ban	Overseeing Accounting & Finance Department and General Affairs Department
Executive Officer	Hideki Mori	General Manager of Tokyo Branch
Executive Officer	Yoshihito Izawa	General Director of Taiheiyō Cement Philippines, Inc.
Executive Officer	Hiroyuki Takano	General Manager of Central Research Laboratory
Executive Officer	Kenichi Hirata	General Manager of Mining Department
Executive Officer	Michitomo Beppu	General Manager of Environmental Business Development Department
Executive Officer	Kazuhiko Ichizawa	General Director of Nghi Son Cement Corporation
Executive Officer	Yusuke Nemoto	General Manager of Human Resources Department
Executive Officer	Tsuyoshi Hara	President of Taiheiyō Cement U.S.A., Inc.
Executive Officer	Takashi Miyashita	General Manager of Purchasing Department
Executive Officer	Takeshi Miyazaki	General Manager of Maintenance & Engineering Department
Executive Officer	Yutaka Murakami	General Manager of Marketing & Trading Department, International Business Division
Executive Officer	Fujio Nakamura	General Manager of Chubu Hokuriku Branch

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 Yoshiko Koizumi, Shinhachiro Emori, Hideyuki Furikado 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) Directors and Officers Liability Insurance Contract**

The Company has concluded a directors and officers liability insurance contract provided for in Article 430-3 Paragraph 1 of the Companies Act, that insures all Directors, Corporate Auditors and Executive Officers with an insurance company. Said insurance contract covers damages that may arise when the insured assumes liability for the execution of his or her duties as corporate officer.

**4) Compensation, etc. to Directors and Corporate Auditors for the Current Fiscal Year**

(i) Matters concerning the policy for determining compensation, etc. for individual Directors

The Company has determined policy for determining compensation, etc. for individual Directors at the meeting of Board of Directors. When determining compensation for Directors, the Company will clarify management responsibilities, raise awareness of improving business performance, and strengthen the link between the compensation and stockholders' benefit, while offering the Directors incentives to achieve improvement of the long-term business performance and corporate value of the Group and sharing more of that value with the stockholders. The outline of Directors' compensation determination process is as follows: The Company establishes the Nomination and Compensation Advisory Committee, the majority of whose members are Outside Directors and is chaired by an Outside Director, as an advisory body to the Board of Directors. From the view of enhancing the fairness, transparency, and objectivity, the compensation shall be discussed by said Committee, which reports to the Board of Directors, and shall be determined at the discretion of Representative Directors at the Board of Directors meeting, within the range of suitable amount based on a resolution of the General Meeting of Stockholders and the regulations of the Company, while also respecting the contents of report of the Nomination and Compensation Advisory Committee to the maximum extent possible.

The compensation plan for Directors (excluding Outside Directors) consists of fixed compensation, stock compensation and performance-linked compensation whereas the compensation plan for Outside Directors consists only of fixed compensation.

- The amounts of fixed compensation and stock compensation are determined according to the rank of position.
- The amount of the performance-linked compensation of Directors (excluding Outside Directors) is calculated by multiplying the amount calculated as profit attributable to owners of parent for the current fiscal year times 1% (an upper limit of ¥400 million) by the multiplier assigned to each position. It is paid starting from July in the fiscal year following the end of the current fiscal year. However, this amount can be reduced in consideration of the financial performance of the Company or other circumstances. In principle, performance-linked compensation is not paid if the amount of annual dividend for the current fiscal year is less than ¥30 per share.
- Stock compensation is paid every year by granting restricted stock according to the rank of position. The transfer restrictions will be canceled when a Director retires.
- The composition ratio of fixed compensation, stock compensation and performance-linked compensation in the amount of compensation is approximately 90% to 45% for fixed compensation, approximately 10% to 15% for stock compensation, and 0% to approximately 40% for performance-linked compensation, depending on profit attributable to owners of parent.
- Profit attributable to owners of parent was chosen as an indicator with an aim to strengthen the link between the compensation and stockholders' benefit. Performance-linked compensation makes up 32% of the total compensation for the current fiscal year. The actual result of profit attributable to owners of parent for FY2021, which serves as a basis for calculating the performance-linked compensation for the current fiscal year, was ¥28.9 billion.

Based on the above, the Board of Directors of the Company has judged that the content of compensation, etc. for individual Director for FY2022 is in line with the determination policy.

(ii) Matters concerning the policy for determining compensation, etc. for individual Corporate Auditor

The compensation plans for Corporate Auditors of the Company consist only of fixed compensation. The amounts of compensation of individual Corporate Auditors are determined by consultation among Corporate Auditors.

(Translation)

- (iii) Matters concerning resolutions of the General Meetings of Stockholders regarding compensation, etc. for Directors and Corporate Auditors

The upper limits of compensation for Directors and Corporate Auditors are separately set by a resolution of the General Meeting of Stockholders. The date of resolution of the General Meeting of Stockholders on the compensation for Directors was June 29, 2021, and the number of Directors after said General Meeting of Stockholders was nine (including three Outside Directors). The date of resolution on the compensation for Corporate Auditors was June 29, 2000, and the number of Corporate Auditors after said General Meeting of Stockholders was four. The content of the resolution of the General Meeting of Stockholders on the compensation for Directors is such that the amount shall be not more than ¥1,200 million per year (including an amount of ¥100 million for Outside Directors), and not more than ¥200 million yen per year (200,000 shares per year) shall be provided to Directors other than Outside Directors as restricted stock compensation within the scope of the said compensation amount. The content of the resolution on the compensation for Corporate Auditors is such that the amount shall be not more than ¥13 million per month.

- (iv) Matters concerning delegation related to determination of compensation, etc. for individual Director

Since it is appropriate that the amount of compensation for each Director is determined by Representative Director who supervises the overall business, the Company has made a resolution to leave the determination of the amount of compensation, etc. for individual Director to the discretion of President and Representative Director Masafumi Fushihara and Vice President and Representative Director (Assistant to the President, Overseeing Carbon Neutral Technology Development Project Team and TCPI Renewal Project Team) Yuuichi Kitabayashi at the Board of Directors meeting including Outside Directors held in June 2022, within the range of suitable amount based on a resolution of the General Meeting of Stockholders and the regulations of the Company.

- (v) Total Amount of Compensation, etc. to Directors and Corporate Auditors

Officer classification	Total amount of compensation, etc. (millions of yen)	Total amount by type of compensation, etc. (millions of yen)			Number of target Officers (persons)
		Fixed compensation	Performance-linked compensation	Non-monetary compensation, etc.	
Directors	510	315	149	45	11
Corporate Auditors	72	72	-	-	5
(of which, Outside Officers)	(67)	(67)	(-)	(-)	(5)

(Note) The number of persons paid above includes two Directors and one Corporate Auditor who retired or resigned at the close of the 24<sup>th</sup> Ordinary General Meeting of Stockholders held on June 29, 2022.

(Translation)

## 5) Outside Officers

### (i) Main Activities in Fiscal Year under Review

Position	Name	Attendance at meetings of Board of Directors	Attendance at meetings of Board of Auditors	Comment status
Director	Yoshiko Koizumi	15 out of 15 meetings	-	Made comments as appropriate at the meetings of the Board of Directors based on her wealth of experience and insight in corporate management mainly as a lawyer.
Director	Shinhachiro Emori	15 out of 15 meetings	-	Made comments as appropriate at the meetings of the Board of Directors based on his wealth of experience mainly as a management executive of a business corporation.
Director	Hideyuki Furikado	15 out of 15 meetings	-	Made comments as appropriate at the meetings of the Board of Directors based on his wealth of experience mainly as a government official.
Corporate Auditor	Wakako Mitani	15 out of 15 meetings	16 out of 16 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	15 out of 15 meetings	16 out of 16 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.

(Translation)

**(ii) Outline of duties performed by Outside Directors regarding their expected roles**

Director	Yoshiko Koizumi	As a lawyer, she has a wealth of experience, achievements, and knowledge in corporate legal affairs. The Company expects that she will fulfill monitoring and supervision functions from this perspective. She has provided active statements such as asking questions and making suggestions regarding risk management system, new business projects of the Group, etc. based on this perspective, and has played appropriate roles including supervision and advice on business execution as Outside Director of the Company. She also attends the Nomination and Compensation Advisory Committee as the Chairman of such committee, and has played a leading role especially in the consideration process of determining compensations as the Chairman of such committee.
Director	Shinhachiro Emori	As a manager of a business corporation, he has a wealth of experience, achievements, and knowledge. The Company expects that he will fulfill monitoring and supervision functions from this perspective. He has provided active statements such as asking questions and making suggestions regarding overseas investment, capital investment plans of the Group, etc. based on this perspective, and has played appropriate roles including supervision and advice on business execution as Outside Director of the Company. He also attends the Nomination and Compensation Advisory Committee as a member of such committee, and has provided active statements especially in the consideration process of determining compensations as a member of such committee.
Director	Hideyuki Furikado	As a government official, he has a wealth of experience, achievements, and knowledge regarding public administration. The Company expects that he will fulfill monitoring and supervision functions from this perspective. He has provided active statements such as asking questions and making suggestions regarding financial strategies, overseas investment of the Group, etc. based on this perspective, and has played appropriate roles including supervision and advice on business execution as Outside Director of the Company. He also attends the Nomination and Compensation Advisory Committee as a member of such committee, and has provided active statements especially in the consideration process of determining compensations as a member of such committee.

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 *profit 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, 2022 - March 31, 2023)

### Consolidated Balance Sheets

(Unit: Millions of yen)

Account	FY2022 (as of March 31, 2023)	(Reference) FY2021 (as of March 31, 2022)
<b>Assets</b>		
<b>Current assets</b>	<b>430,408</b>	<b>340,550</b>
Cash and deposits	79,842	60,271
Notes and accounts receivable-trade, and contract assets	158,136	143,178
Electronically recorded monetary claims-operating	24,826	23,354
Merchandise and finished goods	47,460	34,409
Work in process	1,529	1,277
Raw materials and supplies	89,383	58,502
Short-term loans receivable	1,459	1,921
Other	27,920	17,942
Allowance for doubtful accounts	(150)	(307)
<b>Non-current assets</b>	<b>838,454</b>	<b>762,457</b>
<b>Property, plant and equipment</b>	<b>620,083</b>	<b>557,829</b>
Buildings and structures	157,312	153,705
Machinery, equipment and vehicles	191,081	170,433
Land	165,027	156,031
Leased assets	13,398	19,064
Construction in progress	34,286	32,676
Other	58,977	25,917
<b>Intangible assets</b>	<b>39,766</b>	<b>27,566</b>
Goodwill	101	80
Other	39,665	27,485
<b>Investments and other assets</b>	<b>178,604</b>	<b>177,061</b>
Investment securities	117,839	118,359
Long-term loans receivable	2,376	1,391
Retirement benefit asset	23,697	22,680
Deferred tax assets	8,167	11,081
Other	27,832	25,431
Allowance for doubtful accounts	(1,309)	(1,883)
<b>Total assets</b>	<b>1,268,862</b>	<b>1,103,007</b>

(Translation)

Account	FY2022 (as of March 31, 2023)	(Reference) FY2021 (as of March 31, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>385,784</b>	<b>309,768</b>
Notes and accounts payable-trade	84,162	79,685
Electronically recorded obligations-operating	11,613	8,751
Short-term borrowings	149,573	102,986
Commercial papers	27,000	21,000
Current portion of bonds payable	10,000	—
Income taxes payable	3,687	4,198
Provision for bonuses	5,677	6,246
Provision for loss on business withdrawal	2,564	—
Other provisions	108	213
Other	91,395	86,685
<b>Non-current liabilities</b>	<b>354,221</b>	<b>248,440</b>
Bonds payable	50,000	60,000
Long-term borrowings	166,911	86,600
Deferred tax liabilities	18,329	10,020
Retirement benefit liability	21,380	22,701
Provision for retirement benefits for directors (and other officers)	536	512
Provision for special repairs	227	258
Provision for product compensation	4,498	3,330
Provision for loss on business withdrawal	1,924	—
Other provisions	472	478
Lease liabilities	26,514	13,481
Asset retirement obligations	9,379	8,703
Other	54,045	42,352
<b>Total liabilities</b>	<b>740,005</b>	<b>558,208</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>465,045</b>	<b>506,291</b>
<b>Share capital</b>	<b>86,174</b>	<b>86,174</b>
<b>Capital surplus</b>	<b>49,729</b>	<b>49,729</b>
<b>Retained earnings</b>	<b>342,880</b>	<b>384,154</b>
<b>Treasury shares</b>	<b>(13,738)</b>	<b>(13,766)</b>
<b>Accumulated other comprehensive income</b>	<b>29,911</b>	<b>4,325</b>
Valuation difference on available-for-sale securities	12,038	11,737
Deferred gains or losses on hedges	0	6
Revaluation reserve for land	3,610	4,897
Foreign currency translation adjustment	13,730	(11,322)
Remeasurements of defined benefit plans	530	(992)
<b>Non-controlling interests</b>	<b>33,899</b>	<b>34,181</b>
<b>Total net assets</b>	<b>528,857</b>	<b>544,799</b>
<b>Total liabilities and net assets</b>	<b>1,268,862</b>	<b>1,103,007</b>

(Translation)

## Consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2022 (April 1, 2022 - March 31, 2023)	(Reference) FY2021 (April 1, 2021 - March 31, 2022)
<b>Net sales</b>	<b>809,542</b>	<b>708,201</b>
<b>Cost of sales</b>	<b>668,324</b>	<b>532,818</b>
<b>Gross profit</b>	<b>141,218</b>	<b>175,382</b>
<b>Selling, general and administrative expenses</b>	<b>136,761</b>	<b>128,681</b>
<b>Operating profit</b>	<b>4,456</b>	<b>46,701</b>
<b>Non-operating income</b>	<b>4,911</b>	<b>8,311</b>
Interest and dividend income	2,392	2,193
Share of profit of entities accounted for using equity method	—	1,913
Other	2,519	4,204
<b>Non-operating expenses</b>	<b>8,352</b>	<b>4,819</b>
Interest expenses	2,746	2,195
Share of loss of entities accounted for using equity method	2,771	—
Other	2,834	2,623
<b>Ordinary profit</b>	<b>1,015</b>	<b>50,193</b>
<b>Extraordinary income</b>	<b>4,348</b>	<b>8,054</b>
Gain on disposal of non-current assets	1,053	6,386
Gain on sale of investment securities	1,307	615
Compensation income	1,766	—
Other	221	1,051
<b>Extraordinary losses</b>	<b>21,730</b>	<b>15,426</b>
Loss on disposal of non-current assets	5,255	7,301
Loss on sale of investment securities	442	428
Loss on valuation of investment securities	6	20
Impairment losses	6,061	2,407
Business withdrawal loss	7,984	—
Product compensation expenses	1,277	3,506
Other	702	1,762
<b>Profit (loss) before income taxes</b>	<b>(16,366)</b>	<b>42,820</b>
Income taxes-current	7,671	11,542
Income taxes-deferred	10,200	227
<b>Profit (loss)</b>	<b>(34,239)</b>	<b>31,051</b>
Profit (loss) attributable to non-controlling interests	(1,032)	2,079
<b>Profit (loss) attributable to owners of parent</b>	<b>(33,206)</b>	<b>28,971</b>

(Translation)

## **Non-consolidated Financial Statements**

(April 1, 2022 - March 31, 2023)

### **Non-consolidated Balance Sheets**

(Unit: Millions of yen)

Account	FY2022 (as of March 31, 2023)	(Reference) FY2021 (as of March 31, 2022)
<b>Assets</b>		
<b>Current assets</b>	<b>148,145</b>	<b>113,027</b>
Cash and deposits	4,436	2,387
Notes receivable-trade	7,345	7,926
Electronically recorded monetary claims-operating	10,741	7,763
Accounts receivable-trade	55,017	48,737
Merchandise and finished goods	15,816	11,198
Raw materials and supplies	42,294	27,480
Prepaid expenses	675	571
Other	11,818	6,963
Allowance for doubtful accounts	(0)	(0)
<b>Non-current assets</b>	<b>570,013</b>	<b>512,020</b>
<b>Property, plant and equipment</b>	<b>228,860</b>	<b>227,344</b>
Buildings	28,789	28,179
Structures	59,062	58,929
Machinery and equipment	48,934	48,453
Vehicles	1,562	1,687
Tools, furniture and fixtures	1,133	1,265
Land providing raw materials	12,612	12,661
Land	63,709	63,880
Leased assets	3,722	4,066
Construction in progress	9,332	8,219
<b>Intangible assets</b>	<b>16,209</b>	<b>16,295</b>
Mining right	9,273	9,521
Software	3,223	2,617
Other	3,713	4,156
<b>Investments and other assets</b>	<b>324,943</b>	<b>268,379</b>
Investment securities	24,718	23,567
Shares of subsidiaries and associates	245,633	200,284
Investments in capital	35	35
Investments in capital of subsidiaries and associates	2,950	7,240
Long-term loans receivable	17	17
Long-term prepaid expenses	12,068	11,647
Prepaid pension costs	19,720	19,071
Other	41,093	27,332
Allowance for doubtful accounts	(21,296)	(20,817)
<b>Total assets</b>	<b>718,159</b>	<b>625,047</b>

(Translation)

Account	FY2022 (as of March 31, 2023)	(Reference) FY2021 (as of March 31, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>202,188</b>	<b>153,372</b>
Electronically recorded obligations-operating	6,222	7,498
Accounts payable-trade	26,138	27,073
Short-term borrowings	93,942	53,874
Commercial papers	27,000	21,000
Current portion of bonds payable	10,000	—
Lease liabilities	1,043	1,053
Accounts payable - other	9,928	11,731
Accrued expenses	14,055	13,248
Income taxes payable	345	354
Advances received	79	1,477
Deposits received	207	301
Unearned revenue	1,807	1,571
Provision for bonuses	1,663	2,178
Electronically recorded obligations-non-operating	9,753	12,009
<b>Non-current liabilities</b>	<b>259,099</b>	<b>175,058</b>
Bonds payable	50,000	60,000
Long-term borrowings	151,779	68,181
Lease liabilities	3,006	3,361
Deferred tax liabilities	12,710	4,710
Provision for loss on guarantees	2,380	1,933
Provision for loss on business of subsidiaries and associates	4,501	2,425
Long-term guarantee deposits	30,833	30,631
Asset retirement obligations	3,543	3,479
Other	344	334
<b>Total liabilities</b>	<b>461,287</b>	<b>328,431</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>248,504</b>	<b>289,546</b>
<b>Share capital</b>	<b>86,174</b>	<b>86,174</b>
<b>Capital surplus</b>	<b>42,215</b>	<b>42,215</b>
Legal capital surplus	42,215	42,215
<b>Retained earnings</b>	<b>133,331</b>	<b>174,458</b>
Other retained earnings	133,331	174,458
Reserve for mine prospecting	424	523
Reserve for tax basis adjustments of non-current assets	14,868	15,189
Retained earnings brought forward	118,038	158,745
<b>Treasury shares</b>	<b>(13,216)</b>	<b>(13,302)</b>
<b>Valuation and translation adjustments</b>	<b>8,367</b>	<b>7,070</b>
Valuation difference on available-for-sale securities	8,367	7,070
<b>Total net assets</b>	<b>256,871</b>	<b>296,616</b>
<b>Total liabilities and net assets</b>	<b>718,159</b>	<b>625,047</b>

(Translation)

## Non-consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2022	(Reference)
	(April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)
<b>Net sales</b>	<b>309,486</b>	<b>287,525</b>
<b>Cost of sales</b>	<b>278,392</b>	<b>221,803</b>
<b>Gross profit</b>	<b>31,093</b>	<b>65,721</b>
<b>Selling, general and administrative expenses</b>	<b>64,736</b>	<b>64,137</b>
<b>Operating profit (loss)</b>	<b>(33,643)</b>	<b>1,584</b>
<b>Non-operating income</b>	<b>22,147</b>	<b>31,101</b>
Dividend income	20,923	29,239
Reversal of allowance for doubtful accounts	—	757
Foreign exchange gains	—	95
Other	1,224	1,008
<b>Non-operating expenses</b>	<b>5,237</b>	<b>2,135</b>
Interest expenses	1,156	822
Provision of allowance for doubtful accounts	6	—
Foreign exchange losses	189	—
Provision for loss on business of subsidiaries and associates	2,075	—
Other	1,809	1,313
<b>Ordinary profit (loss)</b>	<b>(16,733)</b>	<b>30,551</b>
<b>Extraordinary income</b>	<b>546</b>	<b>1,001</b>
Gain on disposal of non-current assets	155	211
Gain on sale of investment securities	331	498
Gain on sale of shares of subsidiaries and associates	—	204
Gain on sale of investments in capital of subsidiaries and associates	59	—
Gain on exchange from dividends in kind	—	87
<b>Extraordinary losses</b>	<b>9,268</b>	<b>9,134</b>
Loss on disposal of non-current assets	3,283	3,649
Provision of allowance for doubtful accounts	1,009	—
Loss on liquidation of subsidiaries and associates	0	359
Loss on valuation of investment securities	5	9
Loss on valuation of shares of subsidiaries and associates	734	—
Loss on valuation of investments in capital of subsidiaries and associates	3,587	—
Loss on sale of investment securities	123	92
Provision for loss on guarantees	—	1,022
Provision for loss on business of subsidiaries and associates	—	2,425
Impairment losses	526	958
Accident related loss	—	616
<b>Profit (loss) before income taxes</b>	<b>(25,455)</b>	<b>22,418</b>
Income taxes-current	(1)	193
Income taxes-deferred	7,428	(298)
<b>Profit (loss)</b>	<b>(32,882)</b>	<b>22,524</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, 2022 and for the year from April 1, 2022 to March 31, 2023 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.

### **Other Information**

Other Information consists of the Business Report and the supplementary schedules.

Management is responsible for the preparation and presentation of Other Information. 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 reporting process on Other Information.

Our audit opinion on the consolidated financial statements does not cover Other Information and we do not express an opinion on Other Information.

Our responsibilities for the audit of the consolidated financial statements are to read through Other Information and examine whether Other Information is materially inconsistent with the consolidated financial statements or with the knowledge we obtained throughout our audit process, or if it otherwise appears to be materially misstated.

If, based on the work performed, we conclude that there is a material misstatement in Other Information, we are required to report such fact.

We have nothing to report concerning Other Information.

### **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.

(Translation)

### **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.
- 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.



(Translation)

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  
Designated Engagement Partner  
Certified Public Accountant

Yoshihiro Uehara  
Designated Engagement Partner  
Certified Public Accountant

Hiroko Sakurada  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
May 15, 2023

(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, 2023 and for the year from April 1, 2022 to March 31, 2023 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.

### **Other Information**

Other Information consists of the Business Report and the supplementary schedules.

Management is responsible for the preparation and presentation of Other Information. 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 reporting process on Other Information.

Our audit opinion on the financial statements and the supplementary schedules does not cover Other Information and we do not express an opinion on Other Information.

Our responsibilities for the audit of the financial statements and the supplementary schedules are to read through Other Information and examine whether Other Information is materially inconsistent with the financial statements and the supplementary schedules or with the knowledge we obtained throughout our audit process, or if it otherwise appears to be materially misstated.

If, based on the work performed, we conclude that there is a material misstatement in Other Information, we are required to report such fact.

We have nothing to report concerning Other Information.

### **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.

(Translation)

### **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.
- 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.

(Translation)

**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  
Designated Engagement Partner  
Certified Public Accountant

Yoshihiro Uehara  
Designated Engagement Partner  
Certified Public Accountant

Hiroko Sakurada  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
May 15, 2023

(Translation)

## 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 25<sup>th</sup> fiscal term from April 1, 2022 to March 31, 2023. 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 besides conducting site audits, etc. in accordance with audit plans.
  - 2) We also monitored and verified the content of the resolution passed by the Board of Directors regarding the development of a system to ensure that Directors comply with laws, ordinances and the Articles of Incorporation in executing their duties and other systems stipulated in paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act that are required to ensure proper operations of a company group comprised of a stock company and its subsidiaries, as well as the status of the system developed pursuant to such resolution (i.e., internal control system). In regards to internal controls over financial reporting, we received reports from Directors, etc. and KPMG AZSA LLC on the evaluation and audit status of such internal controls, and sought explanations as necessary.
  - 3) We monitored and verified whether or not the Accounting Auditor had maintained its independence and whether or not it had conducted its audit properly, received reports from the Accounting Auditor on the execution status of its duties, and sought explanations as necessary. In addition, we were notified by the Accounting Auditor that it is equipped with a *system for ensuring that duties are performed properly* (matters listed in the items of Article 131 of the Company Accounting Ordinance) in accordance with the Quality Control Standards for Audits (issued by the Business Accounting Council on October 28, 2005), etc., and sought explanations as necessary.

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

(Translation)

## 2. Audit Results

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

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

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

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

### (3) Results of audit of Consolidated Financial Statements

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

May 17, 2023

Board of Auditors, Taiheiyo Cement Corporation

Corporate Auditor (Standing)      Katsuhide Fukuhara      [Seal]

Corporate Auditor (Standing)      Masahiro Karino      [Seal]

Outside Corporate Auditor      Wakako Mitani      [Seal]

Outside Corporate Auditor      Yoshio Fujima      [Seal]

(Translation)

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Start Date of Measures for Electronic Provision: May 26, 2023)

**MATTERS TO BE PROVIDED ELECTRONICALLY  
ACCOMPANYING THE NOTICE OF THE 25<sup>th</sup> ORDINARY  
GENERAL MEETING OF STOCKHOLDERS**

**Accounting Auditor**

**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**

**Consolidated Statements of Changes in Net Assets**

**Notes to Consolidated Financial Statements**

**Non-consolidated Statements of Changes in Net Assets**

**Notes to Non-consolidated Financial Statements**

**(from April 1, 2022 to March 31, 2023)**

**Taiheiyo Cement Corporation**

The content of this document is omitted from the paper copy provided to stockholders who made requests for the provision of the paper copy, pursuant to laws and regulations and the Articles of Incorporation of the Company.

(Translation)

## **Accounting Auditor**

**(1) Name of the Company's Accounting Auditor**  
KPMG AZSA LLC

**(2) Accounting Auditor's Compensation, etc. in Fiscal Year under Review**  
¥ 119 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**

¥ 255 million

(Note) Among significant subsidiaries of the Company, CalPortland Company, Jiangnan-Onoda 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)

## **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**

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

(Translation)

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

In addition, we are promoting sustainability management from the perspectives of the environment, society, and governance, and have reviewed our organizational structure in order to strengthen our efforts in this area. To this end, we have revised part of 1) (ii) and 3) (i) above in April 2023 as follows. (The underlined parts are the revised parts.)

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

- (ii) The Sustainability Management Committee, an interdepartmental committee under the direct

(Translation)

authority of the Board of Directors, pursues policies to promote compliance awareness among Directors, Executive Officers and employees in accordance with the Sustainability Prospectus.

**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 Sustainability Management Committee is in charge of pursuing specific measures, and reports to the Board of Directors about the status of these activities.

**(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 nine persons, including three Outside Directors, and meetings were held 15 times during the fiscal year under review, where deliberation and determination was made regarding important matters defined by laws and regulations and the Articles of Incorporation, in addition to supervision of the execution of business by Directors.
- (ii) For important matters other than those to be deliberated by the Board of Directors, Executive Committee meetings were held 15 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.

(Translation)

## Consolidated Statements of Changes in Net Assets

(April 1, 2022 - March 31, 2023)

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at beginning of period</b>	<b>86,174</b>	<b>49,729</b>	<b>384,154</b>	<b>(13,766)</b>	<b>506,291</b>
<b>Changes during period</b>					
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Dividends of surplus			(8,204)		(8,204)
Loss attributable to owners of parent			(33,206)		(33,206)
Purchase of treasury shares				(69)	(69)
Disposal of treasury shares		(28)		97	69
Change in scope of consolidation			135		135
Increasing and decreasing by consolidated subsidiaries merging with unconsolidated subsidiaries			5		5
Increasing and decreasing by absorption split			24		24
Transfer from retained earnings to capital surplus		28	(28)		-
Net changes in items other than shareholders' equity					
<b>Total changes during period</b>	<b>-</b>	<b>0</b>	<b>(41,273)</b>	<b>27</b>	<b>(41,245)</b>
<b>Balance at end of period</b>	<b>86,174</b>	<b>49,729</b>	<b>342,880</b>	<b>(13,738)</b>	<b>465,045</b>

(Translation)

(Unit: Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
<b>Balance at beginning of period</b>	<b>11,737</b>	<b>6</b>	<b>4,897</b>	<b>(11,322)</b>	<b>(992)</b>	<b>4,325</b>	<b>34,181</b>	<b>544,799</b>
<b>Changes during period</b>								
Change in ownership interest of parent due to transactions with non-controlling interests								0
Dividends of surplus								(8,204)
Loss attributable to owners of parent								(33,206)
Purchase of treasury shares								(69)
Disposal of treasury shares								69
Change in scope of consolidation								135
Increasing and decreasing by consolidated subsidiaries merging with unconsolidated subsidiaries								5
Increasing and decreasing by absorption split								24
Transfer from retained earnings to capital surplus								-
Net changes in items other than shareholders' equity	301	(5)	(1,286)	25,053	1,523	25,585	(281)	25,303
<b>Total changes during period</b>	<b>301</b>	<b>(5)</b>	<b>(1,286)</b>	<b>25,053</b>	<b>1,523</b>	<b>25,585</b>	<b>(281)</b>	<b>(15,941)</b>
<b>Balance at end of period</b>	<b>12,038</b>	<b>0</b>	<b>3,610</b>	<b>13,730</b>	<b>530</b>	<b>29,911</b>	<b>33,899</b>	<b>528,857</b>

(Translation)

## Notes to the Consolidated Financial Statements

### 1. Notes, etc. on Significant Matters serving as the Basis for Preparation of Consolidated Financial Statements

#### (1) Matters concerning Scope of Consolidation

##### (i) Number of consolidated subsidiaries and name of major consolidated subsidiaries

Number of consolidated subsidiaries: 111

Name of major consolidated subsidiaries:

Major consolidated subsidiaries are DC Co., Ltd., Clion Co., Ltd., Myojyo Cement Co., Ltd., Taiheiyo Materials Corporation, CalPortland Company, Jiangnan-Onoda Cement Co., Ltd., Dalian Onoda Cement Co., Ltd., Nghi Son Cement Corporation and Taiheiyo Cement Philippines, Inc.

Of note, DC Chiba Shigen CO., LTD. is included in the scope of consolidation due to its increased importance. Nanjing Hongyang Yuhua Concrete Co., Ltd. completed the transfer of equity and was excluded from the scope of consolidation. Nichimei Unyu Co., Ltd. was excluded from the scope of consolidation as a result of disappearance due to an absorption-type merger wherein the Company's consolidated subsidiary Sangi-Tuun Co., Ltd. is the surviving company.

##### (ii) Name, etc. of major unconsolidated subsidiaries

Name of major unconsolidated subsidiaries:

Major unconsolidated subsidiaries are Taiheiyo Singapore Pte., Ltd., and Taiheiyo Services Co., Ltd.

Reason for excluding from the scope of consolidation:

All unconsolidated subsidiaries are small companies, and none of them have a material impact on the consolidated financial statements in terms of the amount of equity interest including total assets, net sales, net income and retained earnings as a whole; accordingly, they were excluded from the scope of consolidation.

#### (2) Matters concerning Application of Equity Method

##### (i) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method and name of major companies, etc.

Number of unconsolidated subsidiaries accounted for by the equity method: 5

Name of major companies, etc.:

Major unconsolidated subsidiary accounted for by the equity method is Taiheiyo Singapore Pte., Ltd.

Number of affiliates accounted for by the equity method: 38

Name of major companies, etc.:

Major equity-method affiliates are Okutama Kogyo Co., Ltd., A&A Material Corporation, Fuji P.S Corporation, Yakushima Denko Co., Ltd., Chichibu Railway Co., Ltd., Azuma Shipping Co., Ltd. and PT Solusi Bangun Indonesia Tbk.

(Translation)

(ii) Name, etc. of unconsolidated subsidiaries and affiliates not accounted for by the equity method

Name of major companies, etc.:

(Unconsolidated subsidiaries)

Unconsolidated subsidiaries not accounted for by the equity method are Taiheiyo Services Co., Ltd. and 67 other companies.

(Affiliates)

Affiliates not accounted for by the equity method are Cement Terminal Corporation and 65 other companies.

Reason for not applying the equity method:

Unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of the equity method because the amount of equity interest including their respective net income and retained earnings all have minimal impact on the consolidated financial statements.

(iii) Particularly noteworthy matters concerning procedures for application of the equity method

For companies accounted for by the equity method whose fiscal year-end is different from the consolidated fiscal year-end, their respective non-consolidated financial statements for the most recent fiscal year have been used.

(3) Fiscal periods of consolidated subsidiaries

Of the consolidated subsidiaries, Taiheiyo Cement U.S.A., Inc., Jiangnan-Onoda Cement Co., Ltd., Nghi Son Cement Corporation, Dalian Onoda Cement Co., Ltd., GLACIER NORTHWEST, INC., Taiheiyo Cement (China) Investment Co., Ltd., CalPortland Company, Taiheiyo Cement Philippines, Inc., Coronet Industries Co., Ltd. and eight other companies use December 31 as their closing date. In preparing the consolidated financial statements, the Company used financial statements prepared as of that closing date and made necessary consolidation adjustments for important transactions that occurred in the period through the consolidated closing date.

(4) Matters concerning Accounting Policies

(i) Standards and methods for valuation of significant assets

a. Available-for-sale securities

a) Securities other than shares, etc. without market price:

Such securities are stated at market value.

(Valuation differences are all charged/credited directly to net assets, and the cost of selling the securities is determined by the moving-average method.)

b) Shares, etc. without market price:

Such securities are stated at cost, based on the moving-average method.

b. Derivatives

Derivatives are stated at market value.

c. Inventories

Inventories are mainly stated at cost, which is determined by the moving average method (subject to



(Translation)

write-down due to diminished profitability.)

However, the cost for contract work in process is determined by the specific identification cost method. Of note, inventories at the consolidated subsidiary in the U.S. are stated at lower of cost or market, based on the gross average method.

(ii) Depreciation method for significant depreciable assets

a. Property, plant and equipment (excluding leased assets)

The declining balance method is adopted by the Company and its domestic consolidated subsidiaries, and the straight-line method by its consolidated overseas subsidiaries.

However, the depreciation of buildings (excluding accompanying facilities) purchased on and after April 1, 1998 and accompanying facilities and structures purchased on and after April 1, 2016 is computed based on the straight-line method by the Company and its domestic consolidated subsidiaries.

The range of useful lives of main property, plant and equipment is as follows:

Buildings and structures: 10 - 75 years

Machinery, equipment and vehicles: 4 - 15 years

b. Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method.

However, mining rights are mainly amortized by the unit of production method and software is amortized by the straight-line method over its useful life assuming in-house use (5 years).

c. Leased assets

Leased assets are depreciated by the straight-line method that assumes their lease periods are useful lives and residual values are zero (or if there is a residual value guarantee, the guaranteed residual value).

(iii) Accounting standards for significant provisions

a. Allowance for doubtful accounts

Allowance for doubtful accounts is provided for by the Company and its domestic consolidated subsidiaries at the estimated uncollectible amount, which is calculated based on the historical credit loss ratio with respect to ordinary receivables, and in consideration of collectibility on a case-by-case basis with respect to specified receivables such as doubtful accounts. Consolidated overseas subsidiaries mainly provide for such allowance at the estimated uncollectible amount with respect to specified receivables.

b. Provision for bonuses

To prepare for the payment of bonuses payable to employees, the Company and its domestic consolidated subsidiaries record the estimated payable amount to be borne in the consolidated fiscal year under review.

c. Provision for retirement benefits for directors (and other officers)

Certain consolidated subsidiaries provide for retirement allowances for directors and corporate auditors at the necessary payment amount in full at the year-end based on their internal regulations.

d. Provision for special repairs

To prepare for the payment of expenses for special repairs of business-purpose facilities, certain consolidated subsidiaries record the estimated amount for repairs in the future.

(Translation)

e. Provision for product compensation

To prepare for the payment of expenses for measures against product malfunctions, certain consolidated subsidiaries record the estimated amount for payments in the future.

f. Provision for loss on business withdrawal

Some consolidated subsidiaries in China provide for expenditures related to withdrawal from business based on the estimated amount of future expenditures.

(iv) Accounting standards for revenue and expenses recognition

The Group recognizes revenue based on the following five-step approach.

Step 1: Identify the contract with a customer.

Step 2: Identify separate performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate transaction price to performance obligations in the contract.

Step 5: Recognize revenue when each performance obligation is satisfied.

The Group's main businesses are "Cement Business," "Mineral Resources Business," "Environmental Business," and "Construction Materials Business." The Group sells goods and provides services in these businesses.

For sales of goods, as goods are transferred to customers at the time of inspection of such goods, it is deemed that performance obligations are satisfied, and revenue is recognized at the time of inspection of such goods. In addition, applying the transitional treatment provided for in Paragraph 98 of "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30), for some domestic transactions, revenue is recognized at the time of shipment when the period between shipment of the goods to said goods being transferred to the customer is standard.

For provision of services, performance obligations are deemed satisfied in accordance with contents of the contract, and revenue is recognized when service is provided or when service is completed.

In the cases where the Group act as a principal in a direct transaction, revenue is presented in the total amount of consideration received from the customer. In the cases where the Group act as an agent for a third party to conduct the transaction, revenue is presented in the amount of the fee calculated by deducting the amount collected for the benefit of the third party from the consideration received from the customer.

Moreover, revenue is recognized in the amount of the consideration, etc. paid by the customer, which is calculated by deducting discounts, kickbacks, sales incentives, rebates, etc. from the amount of consideration expected to be entitled to by the corporation as goods or services is transferred to or exchanged with the customer.

(v) Standards for translating significant foreign currency assets and liabilities into Japanese yen

Monetary claims and obligations denominated in foreign currencies are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, and translation gains (losses) are recognized in profit (loss). Of note, consolidated overseas subsidiaries' assets and liabilities are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, revenue and expenses are translated into Japanese yen based on the average exchange rate for the fiscal year, and translation

(Translation)

gains (losses) are included in “Foreign currency translation adjustment” and “Non-controlling interests” under Net Assets.

(vi) Significant hedge accounting methods

a. Method of hedge accounting

Gains/losses on hedges are deferred. Allocation treatment is applied when the currency swaps meet the conditions for application of such allocation treatment. Exceptional treatment is applied when the interest rate swaps meet the conditions for application of such exceptional treatment.

b. Hedging instruments and hedged items

Hedging instruments:

Interest rate swaps, currency swaps, raw materials and fuel swaps, interest-rate options, currency options, raw materials and fuel options and forward exchange contracts are employed as hedging instruments.

Hedged items:

Borrowings, accounts payable-trade, raw materials and fuel, etc.

c. Hedging policy

Hedging is limited to those aimed at hedging against the risk of interest rate, exchange rate, and raw materials and fuel price fluctuations of the hedged items and those aimed at eliminating hedging.

d. Method of evaluating hedge effectiveness

Hedge effectiveness is verified on a transaction-by-transaction basis at the end of each accounting period with respect to hedging instruments and hedged items; however, if the principal, interest rate, period, and other such significant terms of the hedging instruments and hedged items are the same, such verification is omitted.

(vii) Method and period of amortization of goodwill

Goodwill is amortized over the estimated number of years in cases that the number of years can be estimated based on practical judgment starting from the fiscal year of acquisition while the entire amount of goodwill is amortized in the fiscal year of acquisition without analyzing the causes in cases that the amount of goodwill is insignificant.

(viii) Accounting procedures for retirement benefit liability

To prepare for the payment of retirement benefits to employees, retirement benefit liability is recorded in the amount of retirement benefit obligation less plan assets based on the projected amount at the end of the consolidated financial year under review.

Actuarial gains and losses and prior service cost are amortized in equal amounts as expenses by the straight-line method over a certain number of years (primarily 10 years) within the average remaining years of service of employees at the time of accrual, commencing in the consolidated fiscal year following the year of accrual for actuarial gains and losses and in the consolidated fiscal year of accrual for prior service cost.

Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded as “Remeasurements of defined benefit plans” in “Accumulated other comprehensive income” under Net Assets, after making tax effect adjustments. When the value of plan assets exceeds the amount of the

(Translation)

retirement benefit obligation, the amount of such excess is recorded in “Retirement benefit asset”.

(ix) Amounts shown in these consolidated financial statements are rounded down to the nearest million yen.

## 2. Changes in Accounting Policy

Application of the “Implementation Guidance on Accounting Standard for Fair Value Measurement”

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. There is no impact on the consolidated financial statements.

Application of FASB Accounting Standards Codification (ASC) No. 842, “Leases”

Effective from the beginning of the current fiscal year, foreign consolidated subsidiaries that have adopted U.S. GAAP have adopted ASC No. 842, “Leases.” As a result, in principle, all leases at the lessee are recognized as assets and liabilities in the consolidated balance sheets. In addition, the cumulative effect of the transitional provisions is recognized on the effective date of adoption.

As a result, other (net) in property, plant and equipment increased ¥29,589 million, other in current liabilities increased ¥5,593 million, lease liabilities (non-current) in non-current liabilities increased ¥13,146 million and other increased ¥10,414 million for the consolidated balance sheets of the consolidated fiscal year under review.

The impact of this change on profit and loss for the consolidated fiscal year under review is immaterial.

## 3. Changes in Presentation

Not applicable.

## 4. Notes on Accounting Estimates

Among the items recorded in the consolidated financial statements for the consolidated fiscal year under review based on accounting estimates, the items that may have a significant impact on the consolidated financial statements for the next consolidated fiscal year are as follows.

Impairment of non-current assets

(i) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

(Unit: Millions of yen)

	Fiscal year under review
Non-current assets	838,454
Non-current assets in the Company’s cement business	121,424
Property, plant and equipment	116,853
Intangible assets etc.	4,571

(Translation)

(ii) Information contributing to the understanding of the contents of accounting estimates

When there is an indication of impairment of a business non-current asset, the Company determines whether an impairment loss should be recognized by comparing the carrying amount of the asset with the total undiscounted future cash flows to be derived from the asset group. If the assessment indicates that an impairment loss should be recognized, the carrying amount of the asset is reduced to its recoverable amount, and the reduction in the carrying amount is recognized as an impairment loss.

Although the Company's cement business in the consolidated fiscal year under review showed signs of impairment due to continuous negative operating income (loss), the Company determined that no impairment loss was required because the undiscounted future cash flows exceeded the carrying amount of the assets.

The estimates of future cash flows used in this determination are based on profit-and-loss plans prepared by management and are based on key assumptions such as domestic cement demand forecasts, sales share ratios of competitors, unit selling prices of cement, and coal prices. These estimates may be affected by the future economic environment and other factors.

## 5. Notes to the Consolidated Balance Sheets

### (1) Assets pledged as collateral and secured liabilities

#### (i) Assets pledged as collateral

Cash and deposits	¥653 million
Property, plant and equipment	¥31,041 million
Intangible assets	¥28 million
Investment securities	¥66 million
Investments and other assets-other	¥2,582 million
Total	¥34,371 million

#### (ii) Secured liabilities

Notes and accounts payable-trade	¥4,954 million
Short-term borrowings	¥3,877 million
Long-term borrowings	¥997 million
Total	¥9,829 million

### (2) Accumulated depreciation of property, plant and equipment

¥ 1,277,089 million

### (3) Guarantee obligations

Guarantees for loans payable from banks, etc.	¥6,484 million
Guarantees for account payables to Ready-mixed Cooperative Association, etc.	¥1,182 million

### (4) Discounted trade notes receivable and Trade notes receivable transferred by endorsement

Discounted trade notes receivable	¥1,412 million
Trade notes receivable transferred by endorsement	¥1,029 million
Discounts on electronically recorded monetary claims-operating	¥965 million
Electronically recorded monetary claims transferred by endorsement	¥19 million

(Translation)

(5) Revaluation of Land

A&A Material Corporation and Chichibu Railway Co., Ltd., the Company's affiliates accounted for by the equity method, revalued their business-purpose land in accordance with the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998) and the Act on Partial Revision of the Act on Revaluation of Land (revised on March 31, 1999). With respect to the valuation difference, the amount of the Company's share in the valuation difference is recorded in Net Assets as "Revaluation reserve for land."

## 6. Notes to the Consolidated Statements of Income

### Business withdrawal loss

Estimated loss from withdrawal from business of some consolidated subsidiaries in China is recorded.

## 7. Notes to the Consolidated Statements of Changes in Net Assets

(1) Class and total number of outstanding shares as at the end of the consolidated fiscal year under review:

Common stock                      121,985,078 shares

(2) Matters concerning dividends

(i) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Amount of dividend per share	Record date	Effective date
Ordinary General Meeting of Stockholders held on June 29, 2022	Common stock	4,107 (Note 1)	¥35.00	March 31, 2022	June 30, 2022
Meeting of Board of Directors held on November 10, 2022	Common stock	4,108 (Note 2)	¥35.00	September 30, 2022	December 2, 2022

(Notes) 1. Includes dividends of ¥5 million associated with treasury shares held by consolidated subsidiaries.

2. Includes dividends of ¥5 million associated with treasury shares held by consolidated subsidiaries.

(ii) Dividends whose record date is at the end of the consolidated fiscal year under review whereas its effective date falls in the next consolidated fiscal year

The following matters concerning dividends for common stock are scheduled to be proposed at the Ordinary General Meeting of Stockholders.

Total amount of dividends:                      ¥4,108 million

Amount of dividend per share:                      ¥35.00

Record date:    March 31, 2023

Effective date:    June 30, 2023

Of note, the source of funding dividend payments is scheduled to be retained earnings.

Total amount of dividends includes dividends of ¥5 million associated with treasury shares held by consolidated subsidiaries.

(Translation)

- (iii) Class and number of shares to be issued upon exercise of share options at the end of the consolidated fiscal year under review (excluding those for which the first day of the exercise period has not yet arrived)

Not applicable

## 8. Notes on Financial Instruments

### (1) Matters concerning Status of Financial Instruments

The Taiheiyo Cement Group limits its fund management activities to short-term deposits, etc., and raises funds principally by bank borrowings and corporate bonds. It performs derivative transactions for the purpose of averting risks due to future exchange-rate, interest-rate, and raw materials and fuel price fluctuations and does not perform speculative transactions.

While notes and accounts receivable-trade and electronically recorded monetary claims-operating, which are operating receivables, are exposed to credit risk in relation to customers, each responsible department periodically identifies the financial position, etc. of the counterparties and manages the due date and outstanding balance with respect to each counterparty, in an effort to identify and reduce collectibility concerns in the early stages. In addition, operating receivables denominated in foreign currencies related to export transactions are exposed to exchange rate fluctuation risks. Investment securities are primarily shares of companies with which the Company has a business relationship, and are exposed to the risk of market price fluctuations.

Notes and accounts payable-trade and electronically recorded obligations-operating, which are operating payables, have payment due dates within one year. For a portion of raw materials and fuel procurement, derivative transactions (foreign exchange contracts and raw fuel swap transactions) are used as hedging methods to limit risk of exchange and price fluctuations of raw materials and fuel. Among borrowings, short-term borrowings are mainly funds raised in connection with business transactions, and long-term borrowings and bonds payable are principally funds raised for the purpose of making capital investments. Some long-term borrowings have financial covenants and may influence liquidity risks regarding fund raising activities. Borrowings with variable interest rates are exposed to interest rate fluctuation risk; however, to avert the risk of fluctuations of interest payable and fix interest expenses for some long-term borrowings, derivatives (interest rate swap transactions) are used as hedging instruments on a contract-by-contract basis. Additionally, borrowings in foreign currencies are exposed to foreign exchange risk, but of these, for a portion of long-term borrowings, derivative transactions (currency swap transactions) are used as a hedging method to avoid foreign currency fluctuation risk.

### (2) Matters concerning Market Value, etc. of Financial Instruments and Market Value Information by Level within the Market Value Hierarchy

The consolidated balance sheet amount and market value of financial instruments and the difference between the two at March 31, 2023 (i.e., end of the consolidated fiscal year under review) are shown in the following table. Shares, etc. without market price (consolidated balance sheet amount: ¥48,390 million) are not included in investment securities. In addition, cash and deposits, notes and accounts receivable-trade, electronically

(Translation)

recorded monetary claims-operating, notes and accounts payable-trade, electronically recorded obligations-operating, short-term borrowings, and commercial papers are settled in a short period of time and their market value is more or less the same as carrying value market value of financial instruments, therefore the notes thereof are omitted.

Market value of financial instruments are categorized into the following three levels according to the observability and materiality of the input used for calculation of market value.

Level 1 market value: Market value calculated based on quoted market price (unadjusted) of the same asset or liability in active markets

Level 2 market value: Market value calculated using directly or indirectly observable inputs other than inputs of Level 1

Level 3 market value: Market value calculated using material unobservable inputs

In the case where multiple inputs that have material impact on the calculation of market value are used, among the levels of each input, the financial instrument is categorized into the level that is least prioritized when calculating market value.

(i) Financial assets and financial liabilities recorded in market value in the consolidated balance sheet

(Unit: Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Shares of affiliates	-	-	-	-
Available-for-sale securities	29,280	372	-	29,652
Total assets	29,280	372	-	29,652
Derivative transactions*	-	2,371	1,595	3,966

\* Net receivables and payables arising from derivative transactions are shown in net amount, and net payables are presented in parentheses.

(ii) Financial assets and financial liabilities not recorded in market value in the consolidated balance sheet

(Unit: Millions of yen)

Category	Market value				Consolidated balance sheet amount	Difference
	Level 1	Level 2	Level 3	Total		
Investment securities						
Shares of affiliates	25,242	-	-	25,242	39,796	(14,553)
Available-for-sale securities	-	-	-	-	-	-
Total assets	25,242	-	-	25,242	39,796	(14,553)
Bonds payable	-	58,434	-	58,434	60,000	(1,565)
Long-term borrowings	-	225,419	-	225,419	225,808	(389)
Total liabilities	-	283,854	-	283,854	285,808	(1,954)



(Translation)

(Note) Details of valuation method used in calculation of market value and inputs used in calculation of market value

Investment securities

For listed stocks, the market value shall be marked at the closing price or the closing quote at the main stock exchange, and it is categorized as Level 1. For other investment securities, when only observable inputs are used in the calculation, or when no material impact occurred from using unobservable inputs in the calculation, it will be categorized as Level 2.

Bonds payable

The calculation method involves discounting the sum of the principal and interest by an interest rate that takes into account the credit risk and is categorized as Level 2. The presentation of market value of bonds payable includes the current portion of bonds payable.

Long-term borrowings

The calculation method involves discounting the sum of the principal and interest by the interest rate that is expected to be applied if a similar new loan is taken out. A portion of long-term borrowings are subject to appropriated treatment for currency swaps and exceptional treatment for interest rate swaps, and the calculation method involves discounting the sum of the principal, which is an aggregate of the currency swap and interest rate swap, with a reasonably-estimated interest rate that would be applied if a similar loan is taken out, with all long-term borrowings categorized as Level 2. The presentation of market value of long-term borrowings includes the current portion of long-term borrowings that is presented as short-term borrowings.

Derivative transactions

Those categorized as Level 2 are interest rate swaps and forward exchange, etc., of which their market value is calculated by an appropriate valuation method based on observable inputs.

Those categorized as Level 3 are option transactions for the acquisition of non-current assets and are calculated based on the most recent information available from the counterparty company or third parties, taking into account the possibility of acquiring non-current assets in the company. A significant unobservable input in the calculation is the possibility of non-current assets.

**9. Notes on Real Estate for Rent, etc.**

(1) Matters concerning status of real estate for rent, etc.

The Company and some of its consolidated subsidiaries have plants, warehouses (including land), etc. for lease purposes in Tokyo and other regions.

(2) Matters concerning market value of real estate for rent, etc.

(Unit: Millions of yen)

Consolidated balance sheet amount	Market value
50,435	117,000

(Notes) 1. Consolidated balance sheet amount equals the acquisition cost minus accumulated depreciation and accumulated impairment loss.

(Translation)

2. The market value of major properties as at the end of the consolidated fiscal year under review is the amount based on a real estate appraisal conducted by an outside real estate appraiser, whereas the market value of other properties is a certain appraisal value or the amount calculated in-house based on indicators deemed to properly reflect the market price. However, if there are no significant changes in a certain level of valuation amounts or indices which are believed to accurately reflect market values from the most recent evaluation, amounts utilizing these valuations and indices are applied.

## 10. Notes on Per Share Information

Net assets per share:	¥4,228.48
Loss per share:	¥283.68

## 11. Notes on Significant Subsequent Events

Termination of purchase of cement and related business assets in western United States from Martin Marietta Materials, Inc.

As announced on April 28, 2023, the Company's consolidated subsidiary, CalPortland Company (Head office: California, USA) has reached an agreement with Martin Marietta Materials, Inc. (Head office: North Carolina, USA, hereinafter, "MM") to terminate the purchase of certain cement businesses in western United States from MM as the parties have been unable to timely obtain the necessary approval by the U.S. Federal Trade Commission. Assets to cease to be purchased are the two locations of the Tehachapi cement facility (California) and related cement distribution terminals.

## 12. Notes on Revenue Recognition

### (1) Breakdown of revenue

The Group runs Cement Business, Mineral Resources Business, Environmental Business, Construction Materials Business, and Other Business, and net sales to each of the businesses were ¥545,742 million, ¥61,929 million, ¥73,456 million, ¥67,081 million, and ¥61,331 million. These amounts are net sales against external customers.

Within net sales, revenue generated from contracts with customers were ¥803,521 million.

### (2) Outstanding contract amount

The balance of receivables from contracts with customers, contract assets, and contract liabilities at the end of the consolidated fiscal year under review are as follows.

	(Unit: Millions of yen)
Receivables from contracts with customers	¥181,805
Notes receivable-trade	¥21,932
Accounts receivable-trade	¥135,046
Electronically recorded monetary claims-operating	¥24,826
Contract assets	¥1,066
Contract liabilities	¥4,681

(Translation)

(3) Transaction price allocated to remaining performance obligations

The transaction price allocated to performance obligations not yet satisfied (or, partially not yet satisfied) at the end of the consolidated fiscal year under review were ¥9,125 million. Such performance obligations consist of mainly construction contracts and system development contracts that take more than one year to complete such long-term performance obligations.

### 13. Other Notes

(Notes on Impairment Loss)

The Company's assets are grouped together based on segments by business type, except for assets for rent, important idle properties and assets scheduled for disposal, which are grouped together by treating individual property as a single unit.

In the case of consolidated subsidiaries, in principle, a business company is deemed as a single asset group, and in the case of important companies, assets are grouped together based on management accounting classifications, etc., except for important assets for rent, idle properties and assets scheduled for disposal, which are grouped together by treating individual property as a single unit.

As a result, the carrying value was reduced to the recoverable amount with respect to assets for business and assets for rent with reduced profitability due to a substantial fall in the market value of land, etc., idle properties that are not expected to be used in the future, and assets scheduled for disposal due to suspension of business of Jiangnan Onoda Cement Co., Ltd. and Dalian Onoda Cement Co., Ltd. as follows, and such reduction in the amount of ¥6,061 million was recorded as impairment losses under extraordinary losses.

(Unit: Millions of yen)

Purpose	Location	Type	Impairment loss
Assets for business	Hinode-cho, Nishitama-gun, Tokyo	Buildings and structures, machinery, equipment and vehicles, etc.	60
Assets for rent	Asahikawa-shi, Hokkaido, etc.	Buildings and structures, machinery, equipment and vehicles, land, etc.	337
Idle properties	Ogawa-machi, Hiki-gun, Saitama Prefecture, etc.	Buildings and structures, machinery, equipment and vehicles, land, etc.	212
Assets scheduled for disposal	Liaoning, China etc.	Buildings and structures, machinery, equipment and vehicles, etc.	5,450

\* Breakdown of impairment loss by purpose

(Unit: Millions of yen)

Purpose	Breakdown
Assets for business	Buildings and structures: 23, Machinery, equipment and vehicles: 21, Other: 15, Total: 60
Assets for rent	Buildings and structures: 4, Machinery, equipment and vehicles: 0, Land: 332, Other: 0, Total: 337
Idle properties	Buildings and structures: 6, Machinery, equipment and vehicles: 6, Land: 181, Other: 18, Total: 212
Assets scheduled for disposal	Buildings and structures: 1,742, Machinery, equipment and vehicles: 3,631, Other: 76, Total: 5,450

(Translation)

Recoverable amount is measured at the higher of net selling price or value in use.

If it is measured at net selling price, it is calculated by making reasonable adjustments based on real estate appraisal standards, etc.

If it is measured at value in use, it is calculated by discounting future cash flows by 7.21%.

(Notes to Business Combinations)

Acquisition of business by a subsidiary of the Company (business combination through acquisition)

(1) Outline of business combination

(i) Name of the counterparty and description of the acquired business

Name of the counterparty                      Martin Marietta Materials, Inc.

Business of the counterparty                Cement and ready-mixed concrete business

(ii) Main reasons for business combination

In order to build a supply system that can meet the increasing demand for cement in northern California, Oregon, and Nevada in the U.S., as well as to strengthen the ready-mixed concrete business in California and to secure a stable sales outlet for the cement business, the Company acquired Martin Marietta Materials, Inc.'s cement and ready-mixed concrete business assets in California (the Redding Plant and related cement terminals and 14 ready-mixed concrete plants). The Redding Plant is a valuable plant located in northern California, and the Company expects to improve customer satisfaction through additional capital investment and increased efficiency, including at the existing terminal.

(iii) Date of the business combination

June 30, 2022

(iv) Legal form of business combination

Business transfer by a subsidiary of the Company CalPortland Company

(2) Period of the results of the acquired business included in the consolidated financial statements

July 1, 2022 to December 31, 2022

(3) Acquisition cost of acquired business and its breakdown

Consideration for acquisition    Cash    ¥32,119 million

(Note) The amount is based on the exchange rate on June 30, 2022.

(4) Amount of goodwill, cause of occurrence, and method and period of amortization

No goodwill or negative goodwill has arisen.

(Translation)

Acquisition of business by the Company (business combination through acquisition)

(1) Outline of business combination

(i) Name of the counterparty and description of the acquired business

Name of the counterparty            Denka Company Limited

Business of the counterparty        Cement sales business

(ii) Main reasons for business combination

The Company acquired all the shares of 100% subsidiaries, etc. of Denka Company Limited (“Denka”), newly established by Denka, and transferred over the Denka’s cement sales business because it was consistent with both companies’ growth strategies: Taiheiyo Cement’s “strengthening the earnings capacity of domestic business” and Denka’s “shifting management resources to the specialty field.”

(iii) Date of business combination

March 31, 2023

(iv) Legal form of business combination

Business transfer through stock acquisition of new companies established by Denka

(2) Period of the results of the acquired business included in the consolidated financial statements

As the date of acquisition of the business is the last day of the consolidated fiscal year under review, it is reflected only in the consolidated balance sheets, and the results of the acquired business are not included in the consolidated statements of income.

(3) Acquisition cost of acquired business and breakdown by type of consideration

The acquisition price is undisclosed due to confidentiality obligations between the parties.

(4) Amount of goodwill, cause of occurrence, and method and period of amortization

(i) Amount of goodwill

¥5 million

(ii) Cause of occurrence

Since the acquisition cost exceeded the net amount allocated to the assets acquired and liabilities assumed, the excess was recorded as goodwill.

(iii) Method and period of amortization

Since they are immaterial, they are amortized at once when incurred.

(Recognition of deferred tax assets)

Deferred tax assets are recorded to the extent that it is probable that future taxable income will be generated, based on accounting estimates of the impact of the situation in Ukraine and a review of the probability of recovery at the end of the consolidated fiscal year under review.

(Translation)

## Non-consolidated Statements of Changes in Net Assets

(April 1, 2022 - March 31, 2023)

(Unit: Millions of yen)

	Shareholders' equity						Valuation and translation adjustments		Total net assets	
	Share capital	Capital surplus			Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		Total valuation and translation adjustments
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings (Note)					
<b>Balance at beginning of period</b>	<b>86,174</b>	<b>42,215</b>	<b>-</b>	<b>42,215</b>	<b>174,458</b>	<b>(13,302)</b>	<b>289,546</b>	<b>7,070</b>	<b>7,070</b>	<b>296,616</b>
<b>Changes during period</b>										
Dividends of surplus					(8,216)		(8,216)			(8,216)
Loss					(32,882)		(32,882)			(32,882)
Purchase of treasury shares						(12)	(12)			(12)
Disposal of treasury shares			(28)	(28)		97	69			69
Transfer from retained earnings to capital surplus			28	28	(28)		-			-
Net changes in items other than shareholders' equity								1,296	1,296	1,296
<b>Total changes during period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(41,127)</b>	<b>85</b>	<b>(41,041)</b>	<b>1,296</b>	<b>1,296</b>	<b>(39,744)</b>
<b>Balance at end of period</b>	<b>86,174</b>	<b>42,215</b>	<b>-</b>	<b>42,215</b>	<b>133,331</b>	<b>(13,216)</b>	<b>248,504</b>	<b>8,367</b>	<b>8,367</b>	<b>256,871</b>

(Translation)

(Note) The breakdown of other retained earnings is as follows.

(Unit: Millions of yen)

	Other retained earnings			
	Reserve for mine prospecting	Reserve for tax basis adjustments of non-current assets	Retained earnings brought forward	Total other retained earnings
<b>Balance at beginning of period</b>	<b>523</b>	<b>15,189</b>	<b>158,745</b>	<b>174,458</b>
<b>Changes during period</b>				
Reversal of reserve for mine prospecting	(99)		99	-
Reversal of reserve for tax basis adjustments of non-current assets		(320)	320	-
Dividends of surplus			(8,216)	(8,216)
Loss			(32,882)	(32,882)
Transfer from retained earnings to capital surplus			(28)	(28)
<b>Total changes during period</b>	<b>(99)</b>	<b>(320)</b>	<b>(40,707)</b>	<b>(41,127)</b>
<b>Balance at end of period</b>	<b>424</b>	<b>14,868</b>	<b>118,038</b>	<b>133,331</b>

(Translation)

## Notes to the Non-Consolidated Financial Statements

### 1. Notes on Matters concerning Significant Accounting Policies

(1) Standards and methods for valuation of assets

(i) Standards and methods for valuation of securities

a. Shares of subsidiaries and shares of affiliates

Stated at cost, based on the moving-average method.

b. Available-for-sale securities

a) Securities other than shares, etc. without market price:

Such securities are stated at market value. (Valuation differences are all charged/credited directly to net assets, and the cost of selling the securities is determined by the moving-average method.)

b) Shares, etc. without market price:

Stated at cost, based on the moving-average method.

In addition, if net asset value has significantly decreased, the Company records loss on valuation, except when substantiated by proof of sufficient recoverability.

(ii) Method for valuation of derivatives

Stated at market value.

(iii) Standards and methods for valuation of inventories

Stated at cost, based on the moving average method (subject to write-down due to diminished profitability.)

(2) Depreciation method for non-current assets

(i) Property, plant and equipment (excluding structures for mining purposes, land providing raw materials and leased assets)

Declining balance method, except for buildings (excluding accompanying facilities) purchased on and after April 1, 1998 and accompanying facilities and structures purchased on and after April 1, 2016, which are computed based on the straight-line method.

(ii) Property, plant and equipment (structures for mining purposes, raw materials land)

Unit of production method

(iii) Intangible assets (excluding mining rights and software)

Straight-line method

(iv) Intangible assets (mining rights)

Unit of production method

(v) Intangible assets (software)

Amortized by the straight-line method over its useful life assuming in-house use (5 years).

(vi) Leased assets (leased assets in finance lease transactions that do not transfer ownership)

Leased assets are depreciated by the straight-line method that assumes their lease periods are useful lives and residual values are zero (or if there is a residual value guarantee, the guaranteed residual value).



(Translation)

(3) Accounting standards for provisions

(i) Allowance for doubtful accounts

To prepare against losses from notes and accounts receivable-trade, loans receivable, etc. turning into bad debt, allowance for doubtful accounts is provided for at the estimated uncollectible amount, which is calculated based on the historical credit loss ratio with respect to ordinary receivables, and in consideration of collectibility on a case-by-case basis with respect to specified receivables such as doubtful accounts.

(ii) Provision for bonuses

To prepare for the payment of bonuses to employees, the estimated payable amount is recorded.

(iii) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, provision for retirement benefits is recorded in the amount deemed to have accrued at the end of the fiscal year under review based on the projected amount of retirement benefit obligation and plan assets at the end of the financial year under review.

Actuarial gains and losses and prior service cost are amortized in equal amounts as expenses by the straight-line method over a certain number of years (10 years) within the average remaining years of service of employees at the time of accrual in each period, commencing in the period following the period of accrual in the case of the former and in the period of accrual in the case of the latter.

As plan assets to be recognized at the end of the fiscal year under review exceeds the amount of the retirement benefit obligation minus actuarial gains and losses etc., the amount of such excess is recorded as prepaid pension costs.

Also, the Company established a retirement benefit trust by contributing some shares from its holdings.

(iv) Provision for loss on guarantees

To prepare against losses from debt guarantees to subsidiaries and affiliates, the estimated amount of losses at the end of the fiscal year under review is recorded in consideration of the financial position, etc. of those provided with such guarantees.

(v) Provision for loss on business of subsidiaries and affiliates

To prepare against losses from businesses of subsidiaries and affiliates, the estimated amount of losses is recorded in consideration of the financial position, etc. of such companies.

(4) Accounting standards for revenue and expenses recognition

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. have been applied that the Company recognizes revenue when promised goods or services are transferred to a customer, in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services.

(5) Accounting method for retirement benefits

In the non-consolidated financial statements, the treatment of unrecognized actuarial gains and losses and unrecognized prior service cost in the non-consolidated balance sheets is different from the treatment in the consolidated financial statements. In the non-consolidated balance sheets, the amount of retirement benefit obligation after making adjustments for unrecognized actuarial gains and losses and unrecognized

(Translation)

prior service costs, less the amount of plan assets, is recorded as prepaid pension costs.

(6) Amounts shown in these non-consolidated financial statements are rounded down to the nearest million yen.

## 2. Changes in Accounting Policy

Application of “Implementation Guidance on Accounting Standard for Fair Value Measurement”

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. There is no impact on the financial statements.

## 3. Changes in Presentation

Not applicable.

## 4. Notes on Accounting Estimates

Among the items recorded in the non-consolidated financial statements for the fiscal year under review based on accounting estimates, the items that may have a significant impact on the non-consolidated financial statements for the next fiscal year are as follows.

Impairment of non-current assets

(i) Amount recorded in the non-consolidated financial statements for the fiscal year under review

(Unit: Millions of yen)

	Fiscal year under review
Non-current assets	570,013
Non-current assets in the Company’s cement business	121,424
Property, plant and equipment	116,853
Intangible assets etc.	4,571

(ii) Information contributing to the understanding of the contents of accounting estimates

Omitted as already presented “4. Notes on Accounting Estimates” in the notes to the consolidated financial statements.

(Translation)

#### **5. Notes to the Non-consolidated Balance Sheets**

(1) Assets pledged as collateral and secured liabilities	
Not applicable	
(2) Accumulated depreciation of property, plant and equipment	¥683,949 million
(3) Outstanding balance of guarantee obligations	¥10,434 million
(4) Monetary claims and obligations to subsidiaries and affiliates	
Short-term monetary claims	¥33,680 million
Long-term monetary claims	¥26,609 million
Short-term monetary obligations	¥24,706 million
Long-term monetary obligations	¥2,444 million

#### **6. Notes to the Non-consolidated Statements of Income**

Amount of transactions with subsidiaries and affiliates	
Amount of business transactions	
Sales	¥110,138 million
Purchases	¥99,082 million
Amount of non-business transactions	¥20,802 million

#### **7. Notes to the Non-consolidated Statements of Changes in Net Assets**

Class and number of shares of treasury stock as at the end of the fiscal year under review:

Common stock	4,591,631 shares
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(Translation)

## 8. Notes on Tax-effect Accounting

Breakdown of major components of deferred tax assets and deferred tax liabilities

(i) Deferred tax assets	
Allowance for doubtful accounts	¥6,441 million
Provision for bonuses	¥490 million
Provision for retirement benefits	¥6,687 million
Loss on valuation of shares, etc. of subsidiaries and affiliates	¥12,422 million
Loss on valuation of golf memberships	¥142 million
Depreciation and amortization	¥153 million
Impairment loss	¥5,707 million
Business structure reform expenses	¥2,479 million
Losses carried forward	¥13,408 million
Other	¥5,227 million
Deferred tax assets - Subtotal	¥53,160 million
Valuation allowance	¥(50,574) million
Deferred tax assets - Total	¥2,586 million
(ii) Deferred tax liabilities	
Reserve for mine prospecting	¥(187) million
Reserve for tax basis adjustments of non-current assets	¥(6,562) million
Exchange gains (losses), etc. in equity transactions	¥(526) million
Valuation difference on available-for-sale securities	¥(3,704) million
Gain on contribution of securities to retirement benefit trust	¥(3,669) million
Other	¥(647) million
Deferred tax liabilities - Total	¥(15,297) million
Net deferred tax liabilities	¥(12,710) million

(Translation)

## 9. Notes on Transactions with Related Parties

(Unit: Millions of yen)

Attribute	Name of company, etc.	Percentage of voting rights, etc. of related party held by the Company (or vice versa)	Relationship with related party	Description of transaction	Transaction amount	Account	Closing balance
Subsidiary	Kiyosumi Golf Club Co., Ltd.	Directly holds 100%	Payment of deposits Dispatch of officer	Payment of deposits (Note 1)	—	“Other” in Investments and other assets (Note 2)	13,304
Subsidiary	Ichihara Ecocement Corporation	Directly holds 100%	Financial assistance Dispatch of officer	Lending of funds (Note 1)	—	“Other” in Investments and other assets (Note 2)	9,100
Subsidiary	Taiheiyo Cement U.S.A., Inc.	Directly holds 100%	Dispatch of officer	Acceptance of capital increase (Note 3)	31,774	—	—
Subsidiary	Taiheiyo Cement Philippines, Inc.	Directly holds 100%	Dispatch of officer	Acceptance of capital increase (Note 4)	21,103	—	—
Subsidiary	Ofunato Power Inc.	Directly holds 65%	Debt guarantee Dispatch of officer	Debt guarantee (Note 5)	8,773	—	—
Subsidiary	TC Trading Co., Ltd.	Directly holds 69.3% Indirectly holds 5.8%	Sales of the Company's products Dispatch of officer	Sales of the Company's products (Note 6)	22,438	Accounts receivable-trade	6,310

Terms of transactions, policies for determining terms of transactions, etc.

(Note 1) No interest is charged for lending funds, etc. to these companies.

(Note 2) For loans receivable, etc. from these companies, allowance for doubtful accounts totaling ¥19,852 million is recorded.

(Note 3) Capital increase by allotment of shares to existing stockholders.

(Note 4) Capital increase by allotment of shares to existing stockholders. Additionally, the transaction amount includes ¥8,681 million of incomplete stock issuances for the fiscal year.

(Note 5) The Company provides a debt guarantee for borrowing from a financial institution.

(Note 6) The terms of sales of the Company's products are determined by referring to market prices, etc.

(Translation)

**10. Notes on Per Share Information**

Net assets per share:       ¥2,188.12

Loss per share:             ¥280.12

**11. Notes on Significant Subsequent Events**

Not applicable.

**12. Notes on Revenue Recognition**

Information that is the foundation to understand revenue generated from contracts with customers is already presented in “12. Notes on Revenue Recognition” in the notes to the consolidated financial statements, thus omitted.