

(Translation)

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Securities Code 5233

June 4, 2024

(Start Date of Measures for Electronic Provision: May 30, 2024)

To Those Stockholders with Voting Rights

Yoshifumi Taura
President and Representative Director
Taiheiyo Cement Corporation
1-1-1, Koishikawa, Bunkyo-ku, Tokyo

NOTICE OF THE 26th ORDINARY GENERAL MEETING OF STOCKHOLDERS

You are cordially notified of the 26th 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.

- The Portal of Shareholders’ Meeting: <https://www.soukai-portal.net>

Please scan the QR code on the enclosed Voting Rights Exercise Form or access the website above and enter the ID and password indicated on the form.

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 27, 2024 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 26th Fiscal Term (from April 1, 2023 to March 31, 2024) 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 26th Fiscal Term (from April 1, 2023 to March 31, 2024)
 - Proposals to be resolved:**
 - Proposal No. 1:** Appropriation of Surplus
 - Proposal No. 2:** Election of Nine Directors
 - Proposal No. 3:** Election of One Substitute Corporate Auditor

(Translation)

Notes:

- Regarding the matters subject to measures for electronic provision, the following matters 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. The documents subject to audit including the following matters have been audited by Corporate Auditors and the Accounting Auditor.
 - “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
 - “Non-consolidated Statements of Changes in Net Assets” and “Notes to Non-consolidated Financial Statements” of the Non-consolidated Financial Statements
- 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.
- 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.

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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 26, 2024 (Japan Standard Time).
- If you make no indication on the Voting Rights Exercise Form whether you are voting for or against the Proposals, you shall be deemed to have voted FOR the Proposals.

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

- Please exercise your voting right via the voting rights exercise site (<https://www.web54.net>) specified by the Company before 5:00 p.m. on Wednesday, June 26, 2024 (Japan Standard Time).
- If you exercise your voting right via the Internet, etc. more than once, your final vote shall prevail.

If you are attending the Meeting:

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

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

(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 4,054,944,215 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 28, 2024

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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	Chairman and Director
2	Reappointment Yoshifumi Taura	President and Representative Director
3	Reappointment Hideaki Asakura	Vice President and Representative Director
4	New Candidate Koshiro Hidaka	Senior Executive Officer
5	New Candidate Shinji Fukami	Senior Executive Officer
6	New Candidate Isao Matsui	Senior Executive Officer
7	Reappointment Yoshiko Koizumi Outside Director Independent Director	Director
8	Reappointment Hideyuki Furikado Outside Director Independent Director	Director
9	New Candidate Shingo Tsutsumi Outside Director Independent 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 9 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 April 2024 Chairman and Director (to present)</p> <p>Reason for nominating Masafumi Fushihara as Director Since 2015, Mr. Masafumi Fushihara has engaged in management of the Company as Director, and currently serves as Chairman and Director, after serving as President and Representative Director. He therefore has a wealth of experience, achievements, and knowledge as a manager. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group as he works on enhancing the functions of the Board of Directors as Chairman of the Board, determines important management matters, and supervises business execution, etc., and requests that he continue to be a candidate for Director.</p>	19,591

Notes:

1. If the election of Mr. Masafumi Fushihara 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.
2. 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>Yoshifumi Taura <u>Reappointment</u> (March 4, 1960) 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 1983 Joined Onoda Cement Co., Ltd. April 2013 General Manager, Marketing & Trading Department, International Business Division of Taiheiyo Cement Corporation April 2017 Executive Officer and General Manager, Marketing & Trading Department, International Business Division April 2019 Managing Executive Officer and Senior General Manager, International Business Division June 2019 Director, Managing Executive Officer and Senior General Manager, International Business Division August 2019 Director, Managing Executive Officer and Senior General Manager, International Business Division Chairman of Taiheiyo Cement (China) Investment Co., Ltd. June 2020 Managing Executive Officer, Senior General Manager, International Business Division Chairman of Taiheiyo Cement (China) Investment Co., Ltd. April 2022 Managing Executive Officer, Senior General Manager, International Business Division April 2023 Senior Executive Officer, Senior General Manager, International Business Division June 2023 Director, Senior Executive Officer, Senior General Manager, International Business Division April 2024 President and Representative Director (to present)</p> <p>Reason for nominating Yoshifumi Taura as Director Since 2023, Mr. Yoshifumi Taura has engaged in management of the Company as Director, and currently serves as President and Representative Director, after serving as Senior General Manager of International 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>	14,886

Notes:

1. Mr. Yoshifumi Taura was newly appointed at the 25th Ordinary General Meeting of Stockholders held on June 29, 2023, 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. Yoshifumi Taura.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
3	<p>Hideaki Asakura <u>Reappointment</u> (November 20, 1959) 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 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 April 2024 Vice President and Representative Director Assistant to the President Overseeing Corporate Planning Department, Sustainability Promotion Department and Legal Department (to present)</p> <p>Reason for nominating Hideaki Asakura as Director Since 2022, Mr. Hideaki Asakura has engaged in management of the Company as Director, and currently serves as Vice President and Representative Director. He therefore has a wealth of experience, achievements, and knowledge as a manager. The Company has judged that he is an appropriate person to aim to 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>	12,385

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

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
4	Koshiro Hidaka <u>New Candidate</u> (October 7, 1959)	April 1984 Joined Onoda Cement Co., Ltd. April 2015 General Manager, Ofunato Plant of Taiheiyo Cement Corporation April 2017 General Manager, Maintenance & Engineering Department and General Manager, Engineering & Technology Department, International Business Division October 2017 General Manager, Maintenance & Engineering Department April 2019 Executive Officer and General Manager, Maintenance & Engineering Department April 2021 Managing Executive Officer April 2024 Senior Executive Officer (to present) Reason for nominating Koshiro Hidaka as Director Mr. Koshiro Hidaka has been engaged in the operation of production and maintenance & engineering divisions for many years. Since 2019, he has served as Executive Officer and has a wealth of experience and insight on overall management. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group and requests that he be a new candidate for Director.	7,145

Note: No special relationship exists between the Company and Mr. Koshiro Hidaka.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
5	Shinji Fukami <u>New Candidate</u> (July 28, 1960)	April 1986 Joined Onoda Cement Co., Ltd. April 2015 General Manager, Business Planning Department, International Business Division of Taiheiyo Cement Corporation April 2018 General Manager, Environmental Business Development Department April 2019 Executive Officer and General Manager, Environmental Business Development Department April 2022 Managing Executive Officer April 2024 Senior Executive Officer and Senior General Manager, International Business Division (to present) Reason for nominating Shinji Fukami as Director Mr. Shinji Fukami has been engaged in the operation of international business and environmental business for many years. Since 2019, he has served as Executive Officer and has a wealth of experience and insight on overall management. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group and requests that he be a new candidate for Director.	7,556

Note: The Company lends funds to Jiangnan-Onoda Cement Co., Ltd., of which Mr. Shinji Fukami is the representative.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
6	Isao Matsui <u>New Candidate</u> (May 24, 1961)	<p>April 1985 Joined Nihon Cement Co., Ltd.</p> <p>April 2015 General Manager, Construction Materials Business Department of Taiheiyo Cement Corporation</p> <p>November 2018 General Manager, Construction Materials Business Department and General Manager, Business Planning & Administration Department</p> <p>April 2019 General Manager, Construction Materials Business Department</p> <p>April 2020 Executive Officer and General Manager, Construction Materials Business Department</p> <p>April 2021 Executive Officer of Taiheiyo Cement Corporation General Director of Nghi Son Cement Corporation</p> <p>April 2022 Managing Executive Officer and Deputy Senior General Manager of International Business Division of Taiheiyo Cement Corporation General Director of Nghi Son Cement Corporation</p> <p>April 2023 Managing Executive Officer</p> <p>April 2024 Senior Executive Officer (to present)</p> <p>Reason for nominating Isao Matsui as Director Mr. Isao Matsui has been engaged in the operation of construction materials business and international business for many years. Since 2020, he has served as Executive Officer and has a wealth of experience and insight on overall management. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group and requests that he be a new candidate for Director.</p>	5,854

Note: No special relationship exists between the Company and Mr. Isao Matsui.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
7	<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 9 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 & Asahi (Gaikokuho Kyodo Jigyo)) January 2008 Counsel, Nishimura & Asahi (Gaikokuho Kyodo Jigyo) 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. July 2023 Outside Director of Integrated Design & Engineering Holdings Co., Ltd. (to present)</p> <p>(Significant concurrent positions) Outside Director of Dowa Holdings Co., Ltd. Outside Director of Integrated Design & Engineering Holdings Co., Ltd. Lawyer, Partner of City-Yuwa Partners</p> <p>Reason for nominating Yoshiko Koizumi as Outside Director and outline of expected roles 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 Chairperson 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.

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Yoshiko Koizumi, where she serves as a partner, but the Company has not concluded an advisory agreement with the law firm. The advisory fees paid to the law firm are less than 1% of annual sales for each of the Company and the law firm, and there is no special interest relationship. Additionally, there are no special interest relationships between the Company and any of the significant concurrent positions.

5. No special relationship exists between the Company and Ms. Yoshiko Koizumi.

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No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
8	<p>Hideyuki Furikado</p> <p>Candidate for Outside Director</p> <p>Reappointment (August 3, 1954)</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 1977 Joined Ministry of Finance</p> <p>July 2004 Deputy Director-General of Financial Services Agency</p> <p>July 2010 Director of Policy Research Institute, Ministry of Finance</p> <p>December 2013 Retired from Ministry of Finance</p> <p>June 2014 Senior Managing Director of Trust Companies Association of Japan</p> <p>June 2021 Outside Director of Taiheiyo Cement Corporation (to present)</p> <p>Reason for nominating Hideyuki Furikado as Outside Director and outline of expected roles</p> <p>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.</p>	1,300

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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(Reference) Expertise and experience held by candidates for Director

Name	Gender	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	Male		●	●		●	●	●	●
Yoshifumi Taura	Male			●	●	●			●
Hideaki Asakura	Male			●		●	●	●	●
Koshiro Hidaka	Male			●	●				●
Shinji Fukami	Male			●	●	●			●
Isao Matsui	Male			●		●	●		●
Yoshiko Koizumi	Female	Outside Director Independent Director	● (Chairperson)					●	●
Hideyuki Furikado	Male	Outside Director Independent Director	●				●	●	●
Shingo Tsutsumi	Male	Outside Director Independent Director	●	●		●	●		●

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Proposal No. 3: 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>Shigeru Ino</p> <p>Candidate for Outside Corporate Auditor</p> <p>(January 4, 1962)</p>	<p>April 1987 Joined the National Tax Agency</p> <p>February 2008 U.S. Certified Public Accountant (Delaware)</p> <p>July 2020 Regional Commissioner of Sapporo Regional Taxation Bureau</p> <p>July 2021 Retired from the National Tax Agency</p> <p>September 2021 Registered as a Certified Public Tax Accountant Special Advisor of Hongo Tsuji Tax & Consulting (to present)</p> <p>December 2021 Director of Tsuji Hongo IT Consulting Co., Ltd. (to present)</p> <p>April 2024 Professor at Faculty of Law, Asia University (to present)</p> <p>(Significant concurrent positions) Certified Public Tax Accountant Professor at Faculty of Law, Asia University</p> <p>Reason for nominating Shigeru Ino as substitute Outside Corporate Auditor Mr. Shigeru Ino has served in important positions in the National Tax Agency and has a wealth of experience and extensive knowledge mainly as a government official 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. Shigeru Ino is nominated as a substitute Outside Corporate Auditor.
2. In the event that Mr. Shigeru Ino 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. Shigeru Ino 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 2024.
4. Mr. Shigeru Ino 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. Shigeru Ino.

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Independence Criteria for Outside Officers

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

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

Notes:

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

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(Appendix)

Business Report

(April 1, 2023 - March 31, 2024)

1. Overview of the Company Group

1) Business Progress and Results

During FY2023, the Japanese economy recovered gradually amid social and economic activities returning to normal following the reclassification of novel coronavirus disease into a Class V Infectious Disease, as well as improvements in the employment and income environment and corporate capital investment. However, the economic outlook remains uncertain due to factors such as growing tension in the Middle East, the protracted situation between Russia and Ukraine, and rising prices stemming from yen depreciation.

Regarding the world economy, while the U.S. economy has grown, supported by personal consumption and capital investments, the Chinese economy slowed due to weak consumer spending and the stagnant real estate market.

Under these circumstances, in FY2023, the Group's consolidated sales increased ¥76,733 million from the previous year to ¥886,275 million. Consolidated operating profit was ¥56,470 million, up ¥52,013 million, while consolidated ordinary profit was ¥59,472 million, up ¥58,457 million. Profit attributable to owners of parent increased ¥76,479 million to ¥43,272 million and recovered from 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 ¥629,870 million (up 13.9% year-on-year)

Operating Profit ¥32,783 million

While there was a certain level of demand for urban redevelopment projects and the construction of new logistics facilities, domestic cement demand in the private sector was generally weak due to rising costs and construction delays caused by the shortage of skilled workers at construction sites. Due to this, as a whole, domestic cement demand decreased 7.3% from the previous year to 34.57 million tons, of which, imported cement decreased 5.1% from the previous year to 0.01 million tons. Total exports decreased 15.8% from the previous year to 6.85 million tons.

Under these circumstances, the Group's domestic cement sales by volume, including consignment sales, decreased 1.4% from the previous year to 12.95 million tons, despite an increase in sales volume from April 2023 owing to the acquisition of the cement sales business of Denka Company Limited. Exports increased by 4.7% from the previous year to 2.55 million tons.

At U.S. West Coast cement businesses, sales volume increased from the previous year due to full-year impact of the acquisition the Redding Plant and other assets. The cement business in Vietnam saw an increase in sales volume from the previous year owing partly to an increase in exports, despite slow recovery in private-sector demand after monetary easing. In the cement business in the Philippines, sales volume increased from the previous year as production capacity recovered following equipment repairs.

As a result of the above, sales increased ¥76,828 million from the previous year to ¥629,870 million, and operating profit of ¥32,783 million was recorded, an improvement of ¥47,682 million from the previous year.

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Mineral Resources Business

Sales ¥87,674 million (up 6.0% year-on-year)

Operating Profit ¥8,455 million (up 52.2% year-on-year)

In the aggregates business, while sales volume decreased in the Tohoku region, sales remained robust in the Hokkaido and Kansai regions. In the mineral products business, sales volume of limestone for overseas steel corporations decreased. In the geo-solutions business, sales volume of immobilizers decreased from the previous year. In addition, the entire business saw efforts to pass various cost increases onto selling prices bear fruit.

As a result, sales increased ¥4,968 million from the previous year to ¥87,674 million, and operating profit increased ¥2,899 million to ¥8,455 million from the previous year.

Environmental Business

Sales ¥68,254 million (down 12.4% year-on-year)

Operating Profit ¥6,138 million (up 4.5% year-on-year)

Sales of calcium carbonate used for flue gas desulfurization and gypsum remained solid, but sales remained sluggish in coal processing, fuel, and waste processing such as waste incineration ash processing.

As a result, sales decreased ¥9,656 million from the previous year to ¥68,254 million, and operating profit increased ¥266 million to ¥6,138 million from the previous year.

Construction Materials Business

Sales ¥73,456 million (up 7.6% year-on-year)

Operating Profit ¥4,208 million (up 78.9% year-on-year)

In addition to the strong performance for ground improvement projects and the shield tunnel construction-related business, the Company worked to optimize selling prices for ALC (Autoclaved Lightweight aerated Concrete) and construction and civil engineering materials.

As a result, sales increased ¥5,185 million from the previous year to ¥73,456 million, and operating profit increased ¥1,856 million to ¥4,208 million from the previous year.

Other Business

Sales ¥89,397 million (up 2.8% year-on-year)

Operating Profit ¥4,691 million (down 8.2% year-on-year)

Although the data processing, transportation and warehousing, and engineering businesses performed well, the chemical products business and the power supply business remained sluggish.

As a result, sales increased ¥2,471 million from the previous year to ¥89,397 million, and operating profit decreased ¥417 million to ¥4,691 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	629,870	76,828	32,783	47,682
Mineral Resources	87,674	4,968	8,455	2,899
Environmental	68,254	(9,656)	6,138	266
Construction Materials	73,456	5,185	4,208	1,856
Other	89,397	2,471	4,691	(417)
Subtotal	948,653	79,797	56,276	52,286
Elimination or unallocated amounts	(62,378)	(3,064)	193	(273)
Total	886,275	76,733	56,470	52,013

(Translation)

2) Capital Investments

The total amount of capital investments by the Group in the fiscal year under review decreased ¥15,687 million from the previous year to ¥89,408 million, consisting of ¥67,855 million in the Cement Business, ¥13,603 million in the Mineral Resources Business, ¥1,450 million in the Environmental Business, ¥2,604 million in the Construction Materials Business, ¥3,736 million in the Other Business and ¥158 million in Group wide assets.

3) Financing

In September 2023, the Company issued the 31st unsecured straight corporate bonds of ¥12,700 million and 32nd unsecured straight corporate bonds of ¥7,300 million.

4) Trends in Assets and Income

Item	23 rd fiscal year ended March 31, 2021	24 th fiscal year ended March 31, 2022	25 th fiscal year ended March 31, 2023	26 th fiscal year ended March 31, 2024 (Current)
Net sales (millions of yen)	863,903	708,201	809,542	886,275
Ordinary profit (millions of yen)	65,744	50,193	1,015	59,472
Profit attributable to owners of parent (millions of yen)	46,800	28,971	(33,206)	43,272
Profit per share (yen)	387.79	245.80	(283.68)	371.09
Total assets (millions of yen)	1,044,227	1,103,007	1,268,862	1,338,251
Net assets (millions of yen)	506,821	544,799	528,857	596,384

Note: Figures in parentheses represent losses.

5) Issues to be Addressed

Looking ahead, the Japanese economy is expected to continue its moderate recovery, with corporate capital investment picking up on the back of improvement in the employment and income environment. However, the outlook remains uncertain due to factors such as the impact of global monetary tightening and rising prices on consumer spending.

Under these circumstances, turning our attention to the Group's business environment, in our core domestic cement business, a certain amount of demand is expected to continue due 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, there are concerns that slow construction progress and lengthening construction periods caused by the shortage of skilled workers at construction sites will weigh on demand going forward. In addition, we will forge ahead with efforts to optimize selling prices to respond to potential price increases for raw materials and fuels such as coal, and address various issues related to becoming carbon neutral and the logistics industry.

In the U.S., the economy is expected to grow on the back of strong private consumption, full-scale public investments fueled by an infrastructure investment bill, and investments related to the Los Angeles Olympics and Paralympics scheduled to be held in 2028. However, attention should be paid to the impact of monetary tightening as the country tackle prolonged inflation and the developments leading up to the presidential election this fall.

Under these circumstances, we have established our Future vision targeting 2050 and Taiheiyo Vision 2030 to clarify the direction we will take in order to become an enterprise group that keeps moving forward to development, while also contributing to the building of a sustainable society. Furthermore, we have formulated the 26 Medium-Term Management Plan, which covers the period from FY2024 until FY2026, as a medium-term plan to achieve these goals, which the Group will actively work toward.

(Translation)

(1) Future vision targeting 2050

- (i) Deploy around the world the Group's overall capabilities and revolutionary technologies including carbon neutrality.
- (ii) Become a leader in the global cement industry.
- (iii) Become a corporate group that supports a safe and secure decarbonized/recycling-based society.

(2) Taiheiyo Vision 2030

- (i) Expand the Group's presence in the Pacific Rim by utilizing its overall capabilities.
- (ii) Contribute to the achievement of carbon neutrality and circular economies.
- (iii) Become a robust corporate group that grow sustainably

(3) Vision of the 26 Medium-Term Management Plan

“3D Approach for Sustainable Future —Three-dimensional approach toward the realization of a sustainable society—”

The Group aims to promote a combination of three initiatives toward the realization of a sustainable society to widely share the benefits gained through such initiatives with its stakeholders.

- (i) Revitalize domestic business
- (ii) Further promote global strategy
- (iii) Promote sustainability management and contribute to carbon neutrality

Revitalizing Domestic Business

In a market environment in which domestic cement demand continues to decline, the Group will strive to revitalize its domestic business by fundamentally revising our pricing policy to emphasize profitability, providing total solutions through improvements such as greater efficiency of our sales systems, and optimizing its production system on the premise of expanding exports of blended cement and ensuring a stable supply to the domestic market.

Further Promote Global Strategy

The Group will promote a global strategy by strengthening the earnings base of its existing businesses in the U.S. and the Philippines, growing its business areas by expanding into unexplored areas and undeveloped businesses, and expanding its trading business by developing blended cement operations and strengthening its logistics network.

Promote Sustainability Management and Contribute to Carbon Neutrality

With the aim of achieving carbon neutrality in the entire supply chain by 2050, the Group will implement a carbon neutral strategy, including initiatives for the carbon neutral model plant concept to establish innovative cement manufacturing technologies and the promotion of blended cement by applying existing technologies. The Group will also promote sustainability management by steadily carrying out digital transformation (DX), human capital and IR strategies.

<Business Strategies>

Cement (Domestic)

The Group will revitalize its cement business in Japan by optimizing cement prices. In addition, the Group will promote initiatives aimed at maintaining stable production by strengthening plant facilities, ensuring a stable supply by responding to the shortage of drivers under the revision of regulation in 2024 and strengthening transportation system and achieving carbon neutrality such as exploring the commercialization of Low-CO₂ blended cement.

Cement (Overseas)

The Group will work to deepen its business in the U.S. market, which has a good balance between stability and growth, and expand the Philippines business, where a renewal project will be completed. Furthermore, the Group will implement business strategies that utilize cementitious materials such as blended cement, slag, and fly ash in the countries in which it operates.

Mineral Resources

The Group will diligently work on medium- to long-term resource policies, such as strengthening the resilience of existing core businesses and building a long-term stable supply system for resources, thereby establishing an earnings structure unaffected by fluctuations in cement demand.

(Translation)

Environmental Business

In addition to enhancing its competitive advantage in existing businesses, the Group will work to achieve sustainable growth while creating new added value by simultaneously promoting carbon neutrality and a circular economy.

Construction Materials

The Group will endeavor to strengthen the profitability of existing businesses by optimizing selling prices and investing in DX, among other measures. The Group will also introduce new products and enter into new business areas, including overseas markets.

<Research & Development Strategies>

The Group aims to enhance its R&D capabilities to the highest level in the world to contribute to management through the following core strategies: develop technologies to achieve carbon neutrality, contribute to business expansion and earnings improvement, research and development for sustainable growth, and evolve into a group-wide research institute.

<Intellectual Asset Strategies>

The Group will work to build a patent network that supports the promotion of carbon neutrality and expand the intellectual capital that supports each business.

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.	99.3	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	7,621
Mineral Resources	1,024
Environmental	157
Construction Materials	1,265
Other	2,182
Group-wide (common)	291
Total	12,540

- (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
1,821 persons	Decrease of 20 persons	39.7 years old	17.3 years

10) Major Lenders and Amount of Borrowings

Lender	Outstanding borrowings (millions of yen)
Mizuho Bank, Ltd.	44,670
Japan Bank for International Cooperation	32,704
Sumitomo Mitsui Banking Corporation	28,812
MUFG Bank, Ltd.	20,272

(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 6,129,529 shares of treasury stock
- 3) Number of stockholders 45,820 persons
- 4) Major stockholders

Stockholder name	Holding (thousand shares)	Stockholding ratio (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	20,438	17.6
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT)	7,705	6.7
STATE STREET BANK AND TRUST COMPANY 505001	4,577	4.0
JP MORGAN CHASE BANK 385632	4,505	3.9
JP MORGAN CHASE BANK 380072	2,848	2.5
SSBTC CLIENT OMNIBUS ACCOUNT	1,918	1.7
MSIP CLIENT SECURITIES	1,800	1.6
STATE STREET BANK AND TRUST COMPANY 505223	1,774	1.5
JP MORGAN CHASE BANK 385781	1,590	1.4
STATE STREET BANK AND TRUST COMPANY 505103	1,589	1.4

- (Notes) 1. The Company holds 6,129,529 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)	16,029 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	Yoshifumi Taura	
Director	Yoshiko Koizumi	Lawyer, Partner of City-Yuwa Partners Outside Director of Dowa Holdings Co., Ltd. Outside Director of Integrated Design & Engineering Holdings 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 Outside Corporate Auditor of SEIKAGAKU CORPORATION
Corporate Auditor	Toshihito Aoki	Certified Public Accountant

- (Notes)
1. Directors Yoshiko Koizumi, Shinhachiro Emori and Hideyuki Furikado are Outside Directors.
 2. Corporate Auditors Wakako Mitani and Toshihito Aoki are Outside Corporate Auditors.
 3. Directors Yoshifumi Taura and Corporate Auditor Toshihito Aoki were newly elected at the 25th Ordinary General Meeting of Stockholders held on June 29, 2023 and took office on the same day.
 4. Directors Yukimasa Nakano and Corporate Auditor Yoshio Fujima retired from office at the close of the 25th Ordinary General Meeting of Stockholders held on June 29, 2023.
 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 Toshihito Aoki 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 Toshihito Aoki as independent corporate auditors at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange.

(Translation)

9. Resignation during the fiscal year under review regarding significant concurrent positions is as follows.

Name	Position	Significant concurrent positions	Date of resignation
Yoshiko Koizumi	Director	Outside Corporate Auditor of Nippon Koei Co., Ltd.	July 2, 2023

There are no special interest relationships between the Company and Nippon Koei Co., Ltd.

10. The following executive changes were made on April 1, 2024:

Name	Position, assignment and significant concurrent positions	
	Before	After
Masafumi Fushihara	President and Representative Director	Chairman and Director
Yoshifumi Taura	Director	President and Representative Director
Yuuichi Kitabayashi	Vice President and Representative Director Assistant to the President, Overseeing Carbon Neutral Technology Development Project Team and TCPI Renewal Project Team	Director
Kunihiro Ando	Vice President and Director Assistant to the President, Overseeing Mining Department and Mineral Resources Business Department	Director
Hideaki Asakura	Director	Vice President and Representative Director Assistant to the President, Overseeing Corporate Planning Department, Sustainability Promotion Department and Legal Department

11. The Company has introduced an executive officer system; executive officers as of April 1, 2024 are as follows.

Position	Name	Assignment
Senior Executive Officer	Koshiro Hidaka	Overseeing Production Department, Maintenance & Engineering Department, Carbon Neutral Technology Development Department, and TCPI Renewal Project Team
Senior Executive Officer	Shinji Fukami	Senior General Manager of International Business Division
Senior Executive Officer	Isao Matsui	Overseeing Environmental Business Development Department, Construction Materials Business Department, and Business Planning & Administration Department
Managing Executive Officer	Naoyuki Kira	Senior General Manager of Cement Business Division
Managing Executive Officer	Masahiro Ban	Overseeing Secretarial Department, Accounting & Finance Department, General Affairs Department, and Purchasing Department
Managing Executive Officer	Hiroyuki Takano	Overseeing Intellectual Property Department and Central Research Laboratory
Managing Executive Officer	Kenichi Hirata	Overseeing Mining Department and Mineral Resources Business Department
Managing Executive Officer	Yusuke Nemoto	Overseeing Human Resources Department, Internal Auditing Department, and Real Estate Business Department
Managing Executive Officer	Tsuyoshi Hara	Deputy Senior General Manager of International Business Division President of Taiheiyo Cement U.S.A., Inc.
Executive Officer	Michitomo Beppu	General Manager of Environmental Business Development Department

(Translation)

Executive Officer	Kazuhiko Ichizawa	General Director of Nghi Son Cement Corporation
Executive Officer	Takashi Miyashita	General Director of Taiheiyo Cement Philippines, Inc.
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 Sales Department, Cement Business Division
Executive Officer	Katsuya Kawata	General Manager of Corporate Planning Department
Executive Officer	Takaji Kawabe	General Manager of Production Department
Executive Officer	Hiroshi Hirao	General Manager of Central Research Laboratory
Executive Officer	Masayuki Yagame	General Manager of Oita Plant
Executive Officer	Kouji Ozaki	General Manager of Tokyo Branch
Executive Officer	Tomonori Yamamoto	General Manager of Chubu Hokuriku Branch
Executive Officer	Hiroki Tsumura	President of Hokkaido Taiheiyo Kogyo Corporation

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

(Translation)

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 11% of the total compensation for the current fiscal year. The actual result of loss attributable to owners of parent for FY2022, which serves as a basis for calculating the performance-linked compensation for the current fiscal year, was ¥33.2 billion.

Based on the above, the Board of Directors of the Company has judged that the content of compensation, etc. for individual Director for FY2023 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.

(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 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 2023, 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	393	310	38	44	10
Corporate Auditors	72	72	-	-	5
(of which, Outside Officers)	(67)	(67)	(-)	(-)	(6)

(Note) The number of persons paid above includes one Director and one Corporate Auditor who retired at the close of the 25th Ordinary General Meeting of Stockholders held on June 29, 2023.

(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	11 out of 11 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	Toshihito Aoki	11 out of 11 meetings	6 out of 6 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.

(Note) During the fiscal year under review, 15 Board of Directors meetings were held and 11 Board of Auditors meetings were held. Eleven Board of Directors meetings and 6 Board of Auditors meetings were held after Corporate Auditor Toshihito Aoki took office.

(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, 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. She also attends the Nomination and Compensation Advisory Committee as the Chairperson of such committee, and has played a leading role especially in the consideration process of determining compensations as the Chairperson 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 capital investment plans, 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. 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, 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. 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, except for *profit per share*, which is rounded off to the second decimal place, and percentages, *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, 2023 - March 31, 2024)

Consolidated Balance Sheets

(Unit: Millions of yen)

Account	FY2023 (as of March 31, 2024)	(Reference) FY2022 (as of March 31, 2023)
Assets		
Current assets	430,289	430,408
Cash and deposits	80,101	79,842
Notes and accounts receivable-trade, and contract assets	167,848	158,136
Electronically recorded monetary claims-operating	38,735	24,826
Merchandise and finished goods	49,340	47,460
Work in process	1,465	1,529
Raw materials and supplies	72,371	89,383
Short-term loans receivable	1,345	1,459
Other	19,278	27,920
Allowance for doubtful accounts	(198)	(150)
Non-current assets	907,961	838,454
Property, plant and equipment	653,910	620,083
Buildings and structures	163,748	157,312
Machinery, equipment and vehicles	189,481	191,081
Land	158,496	165,027
Leased assets	13,838	13,398
Construction in progress	59,614	34,286
Other	68,731	58,977
Intangible assets	39,083	39,766
Goodwill	103	101
Other	38,979	39,665
Investments and other assets	214,967	178,604
Investment securities	132,313	117,839
Long-term loans receivable	2,486	2,376
Retirement benefit asset	38,906	23,697
Deferred tax assets	8,595	8,167
Other	33,993	27,832
Allowance for doubtful accounts	(1,327)	(1,309)
Total assets	1,338,251	1,268,862

(Translation)

Account	FY2023 (as of March 31, 2024)	(Reference) FY2022 (as of March 31, 2023)
Liabilities		
Current liabilities	368,103	385,784
Notes and accounts payable-trade	94,950	84,162
Electronically recorded obligations-operating	17,502	11,613
Short-term borrowings	142,915	149,573
Commercial papers	—	27,000
Current portion of bonds payable	—	10,000
Income taxes payable	5,446	3,687
Provision for bonuses	6,502	5,677
Provision for loss on business withdrawal	96	2,564
Other provisions	321	108
Other	100,367	91,395
Non-current liabilities	373,762	354,221
Bonds payable	70,000	50,000
Long-term borrowings	157,553	166,911
Deferred tax liabilities	22,038	18,329
Retirement benefit liability	23,005	21,380
Provision for retirement benefits for directors (and other officers)	548	536
Provision for special repairs	304	227
Provision for product compensation	3,829	4,498
Provision for loss on business withdrawal	1,769	1,924
Other provisions	400	472
Lease liabilities	24,805	26,514
Asset retirement obligations	10,930	9,379
Other	58,576	54,045
Total liabilities	741,866	740,005
Net assets		
Shareholders' equity	497,409	465,045
Share capital	86,174	86,174
Capital surplus	50,051	49,729
Retained earnings	379,125	342,880
Treasury shares	(17,942)	(13,738)
Accumulated other comprehensive income	65,801	29,911
Valuation difference on available-for-sale securities	17,475	12,038
Deferred gains or losses on hedges	(19)	0
Revaluation reserve for land	3,697	3,610
Foreign currency translation adjustment	32,230	13,730
Remeasurements of defined benefit plans	12,418	530
Non-controlling interests	33,174	33,899
Total net assets	596,384	528,857
Total liabilities and net assets	1,338,251	1,268,862

(Translation)

Consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2023 (April 1, 2023 - March 31, 2024)	(Reference) FY2022 (April 1, 2022 - March 31, 2023)
Net sales	886,275	809,542
Cost of sales	694,062	668,324
Gross profit	192,213	141,218
Selling, general and administrative expenses	135,743	136,761
Operating profit	56,470	4,456
Non-operating income	10,619	4,911
Interest and dividend income	4,040	2,392
Share of profit of entities accounted for using equity method	861	—
Foreign exchange gains	2,651	—
Other	3,065	2,519
Non-operating expenses	7,616	8,352
Interest expenses	3,589	2,746
Share of loss of entities accounted for using equity method	—	2,771
Other	4,027	2,834
Ordinary profit	59,472	1,015
Extraordinary income	5,292	4,348
Gain on disposal of non-current assets	1,479	1,053
Gain on sale of investment securities	942	1,307
Compensation income	—	1,766
Insurance claim income	2,512	—
Other	358	221
Extraordinary losses	6,730	21,730
Loss on disposal of non-current assets	4,865	5,255
Loss on sale of investment securities	0	442
Loss on valuation of investment securities	4	6
Impairment losses	1,333	6,061
Business withdrawal loss	—	7,984
Product compensation expenses	—	1,277
Other	527	702
Profit (loss) before income taxes	58,034	(16,366)
Income taxes-current	15,442	7,671
Income taxes-deferred	(1,083)	10,200
Profit (loss)	43,675	(34,239)
Profit (loss) attributable to non-controlling interests	403	(1,032)
Profit (loss) attributable to owners of parent	43,272	(33,206)

(Translation)

Non-consolidated Financial Statements

(April 1, 2023 - March 31, 2024)

Non-consolidated Balance Sheets

(Unit: Millions of yen)

Account	FY2023 (as of March 31, 2024)	(Reference) FY2022 (as of March 31, 2023)
Assets		
Current assets	156,186	148,145
Cash and deposits	8,636	4,436
Notes receivable-trade	9,812	7,345
Electronically recorded monetary claims-operating	21,131	10,741
Accounts receivable-trade	60,831	55,017
Merchandise and finished goods	16,940	15,816
Raw materials and supplies	29,401	42,294
Prepaid expenses	621	675
Other	8,814	11,818
Allowance for doubtful accounts	(0)	(0)
Non-current assets	576,296	570,013
Property, plant and equipment	231,178	228,860
Buildings	28,927	28,789
Structures	60,437	59,062
Machinery and equipment	47,397	48,934
Vessels	0	—
Vehicles	1,457	1,562
Tools, furniture and fixtures	1,156	1,133
Land providing raw materials	12,551	12,612
Land	63,836	63,709
Leased assets	3,598	3,722
Construction in progress	11,816	9,332
Intangible assets	15,399	16,209
Mining right	9,031	9,273
Software	3,077	3,223
Other	3,290	3,713
Investments and other assets	329,718	324,943
Investment securities	26,936	24,718
Shares of subsidiaries and associates	254,955	245,633
Investments in capital	35	35
Investments in capital of subsidiaries and associates	2,262	2,950
Long-term loans receivable	18	17
Long-term prepaid expenses	13,037	12,068
Prepaid pension costs	19,827	19,720
Other	25,685	41,093
Allowance for doubtful accounts	(13,041)	(21,296)
Total assets	732,483	718,159

(Translation)

Account	FY2023 (as of March 31, 2024)	(Reference) FY2022 (as of March 31, 2023)
Liabilities		
Current liabilities	185,527	202,188
Electronically recorded obligations-operating	8,243	6,222
Accounts payable-trade	38,431	26,138
Short-term borrowings	96,827	93,942
Commercial papers	—	27,000
Current portion of bonds payable	—	10,000
Lease liabilities	1,039	1,043
Accounts payable - other	9,922	9,928
Accrued expenses	21,240	14,055
Income taxes payable	521	345
Advances received	74	79
Deposits received	348	207
Unearned revenue	1,776	1,807
Provision for bonuses	2,093	1,663
Electronically recorded obligations-non-operating	5,008	9,753
Non-current liabilities	267,091	259,099
Bonds payable	70,000	50,000
Long-term borrowings	141,776	151,779
Lease liabilities	2,922	3,006
Deferred tax liabilities	12,349	12,710
Provision for loss on guarantees	1,208	2,380
Provision for loss on business of subsidiaries and associates	3,384	4,501
Long-term guarantee deposits	31,502	30,833
Asset retirement obligations	3,607	3,543
Other	339	344
Total liabilities	452,619	461,287
Net assets		
Shareholders' equity	269,499	248,504
Share capital	86,174	86,174
Capital surplus	42,215	42,215
Legal capital surplus	42,215	42,215
Retained earnings	158,535	133,331
Other retained earnings	158,535	133,331
Reserve for mine prospecting	453	424
Reserve for tax basis adjustments of non-current assets	14,626	14,868
Retained earnings brought forward	143,455	118,038
Treasury shares	(17,425)	(13,216)
Valuation and translation adjustments	10,365	8,367
Valuation difference on available-for-sale securities	10,365	8,367
Total net assets	279,864	256,871
Total liabilities and net assets	732,483	718,159

(Translation)

Non-consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2023 (April 1, 2023 - March 31, 2024)	(Reference) FY2022 (April 1, 2022 - March 31, 2023)
Net sales	335,889	309,486
Cost of sales	273,523	278,392
Gross profit	62,365	31,093
Selling, general and administrative expenses	61,093	64,736
Operating profit (loss)	1,271	(33,643)
Non-operating income	35,060	22,147
Dividend income	30,295	20,923
Foreign exchange gains	2,478	—
Other	2,285	1,224
Non-operating expenses	4,228	5,237
Interest expenses	1,705	1,156
Provision of allowance for doubtful accounts	891	6
Foreign exchange losses	—	189
Provision for loss on business of subsidiaries and associates	—	2,075
Other	1,631	1,809
Ordinary profit (loss)	32,104	(16,733)
Extraordinary income	4,204	546
Gain on disposal of non-current assets	968	155
Gain on sale of investment securities	691	331
Gain on sale of shares of subsidiaries and associates	32	—
Gain on sale of investments in capital of subsidiaries and associates	—	59
Gain on exchange from dividends in kind	0	—
Insurance claim income	2,512	—
Extraordinary losses	3,983	9,268
Loss on disposal of non-current assets	3,361	3,283
Provision of allowance for doubtful accounts	—	1,009
Loss on liquidation of subsidiaries and associates	0	0
Loss on valuation of investment securities	4	5
Loss on valuation of shares of subsidiaries and associates	495	734
Loss on valuation of investments in capital of subsidiaries and associates	—	3,587
Loss on sale of investment securities	—	123
Impairment losses	121	526
Profit (loss) before income taxes	32,325	(25,455)
Income taxes-current	125	(1)
Income taxes-deferred	(1,243)	7,428
Profit (loss)	33,443	(32,882)

(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, 2024 and for the year from April 1, 2023 to March 31, 2024 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 any measures that have been taken to eliminate obstacles or safeguards that have been put in place to reduce these obstacles to an acceptable level.

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 16, 2024

(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, 2024 and for the year from April 1, 2023 to March 31, 2024 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 any measures that have been taken to eliminate obstacles or safeguards that have been put in place to reduce these obstacles to an acceptable level.

(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 16, 2024

(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 26th fiscal term from April 1, 2023 to March 31, 2024. 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), 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 by 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 20, 2024

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 Toshihito Aoki [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 30, 2024)

**MATTERS TO BE PROVIDED ELECTRONICALLY
ACCOMPANYING THE NOTICE OF THE 26th 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, 2023 to March 31, 2024)

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
¥ 130 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. In addition to the above, the Company paid additional compensation of ¥18 million in connection with audits for the previous fiscal year.

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

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

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

- 1) If the Accounting Auditor is deemed to correspond to any of the matters set forth in the items of Article 340, Paragraph 1 of the Companies Act, the Board of Auditors will dismiss the Accounting Auditor subject to the consent of all Corporate Auditors, in which case the Corporate Auditor selected by the Board of Auditors will report the dismissal and the reason for the dismissal at the first Ordinary General Meeting of Stockholders held after the dismissal.
- 2) The Board of Directors will specify the dismissal or non-reappointment of the Accounting Auditor as an agenda of the General Meeting of Stockholders based on the Board of Auditors' resolution in cases where severe problems have arisen in the Company's audit operations and in other such cases.

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

¥ 271 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 Sustainability 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 Sustainability 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 Sustainability 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.

(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 Sustainability Prospectus, a Sustainability Management Committee has been established composed of all Directors with the President as the Chairman, and it is held once per

(Translation)

quarter. The Sustainability Management Committee formulates a Sustainability 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 Sustainability 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 Sustainability 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 21 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.

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, 2023 - March 31, 2024)

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	86,174	49,729	342,880	(13,738)	465,045
Changes during period					
Change in ownership interest of parent due to transactions with non-controlling interests		221			221
Dividends of surplus			(8,215)		(8,215)
Profit attributable to owners of parent			43,272		43,272
Reversal of revaluation reserve for land			1,199		1,199
Purchase of treasury shares				(5,022)	(5,022)
Disposal of treasury shares		140		81	222
Increase (decrease) by share exchanges		(52)		736	684
Transfer from retained earnings to capital surplus		11	(11)		-
Net changes in items other than shareholders' equity					
Total changes during period	-	322	36,245	(4,204)	32,363
Balance at end of period	86,174	50,051	379,125	(17,942)	497,409

(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		
Balance at beginning of period	12,038	0	3,610	13,730	530	29,911	33,899	528,857
Changes during period								
Change in ownership interest of parent due to transactions with non-controlling interests								221
Dividends of surplus								(8,215)
Profit attributable to owners of parent								43,272
Reversal of revaluation reserve for land								1,199
Purchase of treasury shares								(5,022)
Disposal of treasury shares								222
Increase (decrease) by share exchanges								684
Transfer from retained earnings to capital surplus								-
Net changes in items other than shareholders' equity	5,436	(20)	86	18,499	11,887	35,890	(725)	35,164
Total changes during period	5,436	(20)	86	18,499	11,887	35,890	(725)	67,527
Balance at end of period	17,475	(19)	3,697	32,230	12,418	65,801	33,174	596,384

(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: 129

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, Ichihara Ecocement Corporation completed the liquidation process and was excluded from the scope of consolidation.

(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: 4

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 66 other companies.

(Affiliates)

Affiliates not accounted for by the equity method are Cement Terminal Corporation and 64 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 27 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 acts as a principal in a direct transaction, revenue is presented in the total amount of consideration received from the customer. For domestic purchase and sales transactions mainly for products such as cement and ready-mixed concrete products, in the cases where the Group acts 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 are 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 closing date, revenue and expenses are translated

(Translation)

into Japanese yen based on the average exchange rate for the fiscal year, and 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

Not applicable.

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	907,961
Non-current assets in the Company’s cement business	119,911
Property, plant and equipment	115,608
Intangible assets etc.	4,303

(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 the budget prepared by management and the Medium-term Management Plan 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.

(Translation)

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	¥30,760 million
Intangible assets	¥28 million
Investment securities	¥87 million
Investments and other assets-other	¥2,277 million
Total	¥33,806 million

(ii) Secured liabilities

Notes and accounts payable-trade	¥4,737 million
Short-term borrowings	¥4,007 million
Long-term borrowings	¥954 million
Total	¥9,700 million

(2) Accumulated depreciation of property, plant and equipment ¥ 1,351,190 million

(3) Guarantee obligations

Guarantees for loans payable from banks, etc.	¥9,263 million
Guarantees for account payables to Ready-mixed Cooperative Association, etc.	¥1,340 million

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

Discounted trade notes receivable	¥2,558 million
Trade notes receivable transferred by endorsement	¥29 million
Discounts on electronically recorded monetary claims-operating	¥2,154 million
Electronically recorded monetary claims transferred by endorsement	¥126 million

(5) Notes maturing at the end of the period

Accounting treatment for notes maturing at the end of the period is settled on the date of exchange.

Since the last day of the consolidated fiscal year was a holiday for financial institutions, the following notes maturing at the end of the period are included in the balance at the end of the fiscal year.

Notes receivable-trade	¥6,158 million
Electronically recorded monetary claims-operating	¥8,583 million
Notes payable-trade	¥6,921 million
Notes payable-facilities	¥137 million
Electronically recorded obligations-operating	¥2,767 million
Electronically recorded obligations-non-operating	¥335 million

(6) 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

(Translation)

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 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, 2023	Common stock	4,108 (Note 1)	¥35.00	March 31, 2023	June 30, 2023
Meeting of Board of Directors held on November 9, 2023	Common stock	4,118 (Note 2)	¥35.00	September 30, 2023	December 4, 2023

(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: ¥4,054 million

Amount of dividend per share: ¥35.00

Record date: March 31, 2024

Effective date: June 28, 2024

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

7. 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, etc.) 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, 2024 (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: ¥51,935 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, and short-term borrowings 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	35,834	359	-	36,194
Total assets	35,834	359	-	36,194
Derivative transactions*	-	3,557	1,545	5,102

* 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	27,949	-	-	27,949	44,183	(16,234)
Available-for-sale securities	-	-	-	-	-	-
Total assets	27,949	-	-	27,949	44,183	(16,234)
Bonds payable	-	68,405	-	68,405	70,000	(1,594)
Long-term borrowings	-	215,036	-	215,036	216,932	(1,895)
Total liabilities	-	283,442	-	283,442	286,932	(3,489)

(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.

8. 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
51,179	124,687

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

2. The market value of major properties as at the end of the consolidated fiscal year under review is the

(Translation)

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.

9. Notes on Per Share Information

Net assets per share:	¥4,872.94
Profit per share:	¥371.09

10. Notes on Significant Subsequent Events

(1) Cancellation of treasury stock

At the Board of Directors meeting held on May 14, 2024, a resolution was passed to cancel treasury stock pursuant to Article 178 of the Companies Act.

1. Class of shares to be cancelled	Common stock of the Company
2. Number of shares to be cancelled	3,793,500 shares (3.11% of the total issued shares before cancellation)
3. Scheduled date of cancellation	May 31, 2024

11. 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 ¥621,626 million, ¥64,378 million, ¥64,503 million, ¥72,230 million, and ¥63,536 million. These amounts are net sales against external customers.

Within net sales, revenue generated from contracts with customers was ¥879,837 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	¥204,848
Notes receivable-trade	¥22,029
Accounts receivable-trade	¥144,083
Electronically recorded monetary claims-operating	¥38,735
Contract assets	¥1,627
Contract liabilities	¥4,350

(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 was ¥12,017 million. Such performance obligations

(Translation)

consist of mainly construction contracts and system development contracts that take more than one year to complete such long-term performance obligations.

12. 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. and idle properties that are not expected to be used in the future as follows, and such reduction in the amount of ¥1,333 million was recorded as impairment losses under extraordinary losses.

(Unit: Millions of yen)

Purpose	Location	Type	Impairment loss
Assets for business	Kumagaya City, Saitama Prefecture	Buildings and structures, machinery, equipment and vehicles, etc.	30
Assets for rent	Kameyama City, Mie Prefecture	Land	377
Idle properties	Ichihara City, Chiba Prefecture, etc.	Buildings and structures, machinery, equipment and vehicles, land, etc.	925

* Breakdown of impairment loss by purpose

(Unit: Millions of yen)

Purpose	Breakdown
Assets for business	Buildings and structures: 21, Machinery, equipment and vehicles: 7, Other: 1, Total: 30
Assets for rent	Land: 377, Total: 377
Idle properties	Buildings and structures: 106, Machinery, equipment and vehicles: 69, Land: 666, Other: 83, Total: 925

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 7.92%.

(Translation)

Non-consolidated Statements of Changes in Net Assets

(April 1, 2023 - March 31, 2024)

(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)					
Balance at beginning of period	86,174	42,215	-	42,215	133,331	(13,216)	248,504	8,367	8,367	256,871
Changes during period										
Dividends of surplus					(8,227)		(8,227)			(8,227)
Profit					33,443		33,443			33,443
Purchase of treasury shares						(5,021)	(5,021)			(5,021)
Disposal of treasury shares			(1)	(1)		75	74			74
Cancellation of treasury shares										
Increase (decrease) by share exchanges			(9)	(9)		736	726			726
Transfer from retained earnings to capital surplus			11	11	(11)		-			-
Net changes in items other than shareholders' equity								1,998	1,998	1,998
Total changes during period	-	-	-	-	25,203	(4,209)	20,994	1,998	1,998	22,993
Balance at end of period	86,174	42,215	-	42,215	158,535	(17,425)	269,499	10,365	10,365	279,864

(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
Balance at beginning of period	424	14,868	118,038	133,331
Changes during period				
Reversal of reserve for mine prospecting	(79)		79	-
Provision of reserve for mine prospecting	108		(108)	
Reversal of reserve for tax basis adjustments of non-current assets		(241)	241	-
Dividends of surplus			(8,227)	(8,227)
Profit			33,443	33,443
Transfer from retained earnings to capital surplus			(11)	(11)
Total changes during period	28	(241)	25,417	25,203
Balance at end of period	453	14,626	143,455	158,535

(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

Not applicable.

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	576,296
Non-current assets in the Company's cement business	119,911
Property, plant and equipment	115,608
Intangible assets etc.	4,303

(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	¥697,561 million
(3) Outstanding balance of guarantee obligations	¥8,479 million
(4) Notes maturing at the end of the period	
Accounting treatment for notes maturing at the end of the period is settled on the clearing day.	
Since the last day of the fiscal year was a holiday for financial institutions, the following notes maturing at the end of the period are included in the balance at the end of the fiscal year.	
Notes receivable-trade	¥3,039 million
Electronically recorded monetary claims-operating	¥6,425 million
Electronically recorded obligations-operating	¥3,044 million
Electronically recorded obligations-non-operating	¥364 million
(5) Monetary claims and obligations to subsidiaries and affiliates	
Short-term monetary claims	¥42,389 million
Long-term monetary claims	¥15,421 million
Short-term monetary obligations	¥33,041 million
Long-term monetary obligations	¥2,401 million

6. Notes to the Non-consolidated Statements of Income

Amount of transactions with subsidiaries and affiliates	
Amount of business transactions	
Sales	¥118,060 million
Purchases	¥104,059 million
Amount of non-business transactions	¥30,074 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	6,129,529 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	¥3,913 million
Provision for bonuses	¥626 million
Provision for retirement benefits	¥7,508 million
Loss on valuation of shares, etc. of subsidiaries and affiliates	¥12,500 million
Loss on valuation of golf memberships	¥143 million
Depreciation and amortization	¥138 million
Impairment loss	¥5,675 million
Business structure reform expenses	¥2,463 million
Losses carried forward	¥13,748 million
Other	¥4,945 million
Deferred tax assets - Subtotal	¥51,662 million
Valuation allowance	¥(48,308) million
Deferred tax assets - Total	¥3,354 million
(ii) Deferred tax liabilities	
Reserve for mine prospecting	¥(199) million
Reserve for tax basis adjustments of non-current assets	¥(6,455) million
Exchange gains (losses), etc. in equity transactions	¥(526) million
Valuation difference on available-for-sale securities	¥(4,585) million
Gain on contribution of securities to retirement benefit trust	¥(3,307) million
Other	¥(628) million
Deferred tax liabilities - Total	¥(15,703) million
Net deferred tax liabilities	¥(12,349) 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	Taiheiyo Cement Philippines, Inc.	Directly holds 100%	Dispatch of officer	Acceptance of capital increase (Note 3)	11,864	—	—
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 4)	24,729	Accounts receivable-trade	6,308

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

(Note 1) No interest is charged for lending funds, etc. to this company.

(Note 2) For loans receivable, etc. from this company, allowance for doubtful accounts totaling ¥10,704 million is recorded.

(Note 3) Capital increase by allotment of shares to existing stockholders. Additionally, the transaction amount includes ¥3,182 million of incomplete stock issuances for the fiscal year.

(Note 4) 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:	¥2,415.63
Profit per share:	¥286.08

11. Notes on Significant Subsequent Events

(1) Cancellation of treasury stock

At the Board of Directors meeting held on May 14, 2024, a resolution was passed to cancel treasury stock pursuant to the provisions of Article 178 of the Companies Act. For details, please refer to “10. Notes on Significant Subsequent Events” in the notes to consolidated financial statements.

12. Notes on Revenue Recognition

Information that is the foundation to understand revenue generated from contracts with customers is already presented in “11. Notes on Revenue Recognition” in the notes to the consolidated financial statements, thus omitted.