(Translation)

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Securities Code 5233

June 9, 2016

To Those Stockholders with Voting Rights

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

NOTICE OF THE 18th ORDINARY GENERAL MEETING OF STOCKHOLDERS

You are cordially invited to the 18th Ordinary General Meeting of Stockholders of Taiheiyo Cement Corporation (the "Company"). The meeting will be held as stated below.

If you are unable to attend the meeting, you can exercise your voting rights by paper ballot or via the electromagnetic method such as the Internet. Please review the attached Reference Documents for the General Meeting of Stockholders, and either return the Voting Rights Exercise Form with your selections towards proposals, or vote via the voting rights exercise site (http://www.web54.net) specified by the Company.

1. **Date and Time:** Wednesday, June 29, 2016 at 10:00 a.m.

2. **Place:** Head office of the Company
   2-3-5, Daiba, Minato-ku, Tokyo

3. **Agenda of the Meeting:**

   Matters to be reported:
   1. Business Report, Consolidated Financial Statements for the 18th Fiscal Term (from April 1, 2015 to March 31, 2016) 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 18th Fiscal Term (from April 1, 2015 to March 31, 2016)

   Proposals to be resolved:

   Proposal No. 1: Appropriation of Surplus
   Proposal No. 2: Election of Thirteen Directors
   Proposal No. 3: Election of One Corporate Auditor
   Proposal No. 4: Election of One Substitute Corporate Auditor

4. **Voting Guide**

   If you are attending the Meeting:

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

   If you are NOT attending the Meeting:

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

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

- Please indicate your vote for or against the Proposals on the Voting Rights Exercise Form and send it back, making sure that it will arrive by 5:00 p.m. on Tuesday, June 28, 2016 (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 (http://www.web54.net) specified by the Company before 5:00 p.m. on Tuesday, June 28, 2016 (Japan Standard Time).
- If you exercise your voting right via the Internet, etc. more than once, your final vote shall prevail.

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

Note: Subsequent amendments to the Reference Documents for the General Meeting of Stockholders, the Business Report, the Non-Consolidated and Consolidated Financial Statements (if any) will be listed on the Company's website (http://www.taiheiyo-cement.co.jp).

(Translation)

Reference Documents for the General Meeting of Stockholders

Proposals and references

Proposal No. 1: Appropriation of Surplus

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

Matters concerning the year-end dividend

(1) Type of Dividend
Cash

(2) Matters concerning the distribution of dividends to stockholders and its total amount
3.00 yen per share of common stock of the Company, for a total amount of 3,707,641,602 yen.
Accordingly, the annual dividend for the term under review, together with the interim dividend already paid, shall be 6 yen per share, an increase of 1 yen from the previous year.

(3) Effective Date of Dividends from surplus
June 30, 2016

(Translation)

Proposal No. 2: Election of Thirteen Directors

The term of office of all thirteen Directors will expire at the close of this General Meeting of Stockholders. Accordingly, we propose the election of thirteen Directors including two Outside Directors.

The candidates for Director are as follows.

No.	Name	Current position at the Company
1	Shuji Fukuda	President and Representative Director
2	Yuuichi Kitabayashi	Representative Director and Senior Executive Officer
3	Ken Kikuchi	Director, Senior Executive Officer and Senior General Manager, International Business Division
4	Shigeru Matsushima	Director and Managing Executive Officer
5	Masafumi Fushihara	Director, Managing Executive Officer and Senior General Manager, Cement Business Division
6	Toshihide Nishimura	Director and Managing Executive Officer
7	New Candidate Youichi Funakubo	Managing Executive Officer
8	New Candidate Keiichi Miura	Managing Executive Officer
9	New Candidate Masahiro Karino	Managing Executive Officer
10	New Candidate Kunihiro Ando	Managing Executive Officer
11	New Candidate Ichirou Egami	Managing Executive Officer and Deputy Senior General Manager, International Business Division
12	Yoshiko Koizumi Outside Director Independent Director	Outside Director
13	New Candidate Yuuzou Arima 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	Shuji Fukuda (December 20, 1951) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 5 years and 10 months at close of this General Meeting of Stockholders	April 1974 Joined Onoda Cement Co., Ltd. June 1999 General Manager, Accounting & Finance Department of Taiheiyo Cement Corporation April 2004 General Manager, Accounting & Finance Department and General Manager, Accounting & Finance Business Operation Center April 2006 General Manager, Hokuriku Branch April 2008 Executive Officer and General Manager, Human Resources Department and General Manager, Personnel Business Operation Center October 2008 Executive Officer and General Manager, Human Resources Department August 2010 Director, Managing Executive Officer and General Manager, Human Resources Department October 2010 Director and Managing Executive Officer April 2012 President and Representative Director (to present) **Reason for nominating Shuji Fukuda as Director** From 2012 onward, Mr. Shuji Fukuda has served as the President and Representative Director of the Company, and has a wealth of experience, achievements, and knowledge as a manager. The Company has judged that he is an appropriate person to aim to increase corporate value of the Company 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.	28,000
2	Yuuichi Kitabayashi (June 2, 1955) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 3 years at close of this General Meeting of Stockholders	April 1978 Joined Nihon Cement Co., Ltd. May 2009 General Manager, Kamiiso Plant of Taiheiyo Cement Corporation April 2011 Executive Officer and General Manager, Production Department April 2013 Managing Executive Officer June 2013 Director and Managing Executive Officer April 2016 Representative Director and Senior Executive Officer (to present) **Reason for nominating Yuuichi Kitabayashi as Director** Mr. Yuuichi Kitabayashi serves as Representative Director of the Company, and has a wealth of experience, achievements, and knowledge as a manager. The Company has judged that he is an appropriate person to aim to increase corporate value of the Company 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.	32,000

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
3	Ken Kikuchi (July 7, 1954) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 3 years at close of this General Meeting of Stockholders	April 1978 Joined Onoda Cement Co., Ltd. May 2009 General Manager, Group Management Department of Taiheiyo Cement Corporation April 2011 Executive Officer and General Manager, Corporate Planning Department April 2013 Managing Executive Officer and Senior General Manager, International Business Division June 2013 Director, Managing Executive Officer and Senior General Manager, International Business Division April 2016 Director, Senior Executive Officer and Senior General Manager, International Business Division (to present) (Significant concurrent positions) Director of Ssangyong Cement Industrial Co., Ltd. **Reason for nominating Ken Kikuchi as Director** Mr. Ken Kikuchi serves the role of determining important management matters, supervises business execution, etc., and contributes to increasing corporate value of the Company as a Director of the Company. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group, and requests that he continue to be a candidate for Director.	25,000
4	Shigeru Matsushima (May 6, 1956) Attended 15 out of 15 meetings of the Board of Directors (100%) and will have served as Director for 3 years at close of this General Meeting of Stockholders	April 1979 Joined Nihon Cement Co., Ltd. May 2009 General Manager, Hokkaido Branch of Taiheiyo Cement Corporation April 2011 Executive Officer and General Manager, Hokkaido Branch April 2012 Executive Officer and Deputy Senior General Manager, Cement Business Division and General Manager, Administration Department of Cement Business Division April 2013 Managing Executive Officer June 2013 Director and Managing Executive Officer (to present) **Reason for nominating Shigeru Matsushima as Director** Mr. Shigeru Matsushima serves the role of determining important management matters, supervises business execution, etc., and contributes to increasing corporate value of the Company as a Director of the Company. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group, and requests that he continue to be a candidate for Director.	26,200

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
5	Masafumi Fushihara (May 18, 1954) 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	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 (to present) **Reason for nominating Masafumi Fushihara as Director** Mr. Masafumi Fushihara serves the role of determining important management matters, supervises business execution, etc., and contributes to increasing corporate value of the Company as a Director of the Company. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group, and requests that he continue to be a candidate for Director.	18,000
6	Toshihide Nishimura (January 13, 1955) 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	April 1979 Joined Onoda Cement Co., Ltd. April 2006 General Manager, Administration Department of Construction Materials Business Company of Taiheiyo Cement Corporation May 2009 General Manager, Accounting & Finance Department April 2012 Executive Officer and General Manager, Affiliated Business Department April 2015 Managing Executive Officer June 2015 Director and Managing Executive Officer (to present) **Reason for nominating Toshihide Nishimura as Director** Mr. Toshihide Nishimura serves the role of determining important management matters, supervises business execution, etc., and contributes to increasing corporate value of the Company as a Director of the Company. The Company has judged that he is an appropriate person to aim to continuously increase corporate value of the Group, and requests that he continue to be a candidate for Director.	17,000

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
7	Youichi Funakubo (May 30, 1956) New Candidate	April 1979 Joined Onoda Cement Co., Ltd. April 2004 General Manager, Secretarial Department of Taiheiyo Cement Corporation June 2008 Managing Executive Officer of Ssangyong Cement Industrial Co., Ltd. October 2010 General Manager, Human Resources Department of Taiheiyo Cement Corporation April 2012 Executive Officer and General Manager, Human Resources Department April 2016 Managing Executive Officer (to present) **Reason for nominating Youichi Funakubo as Director** Mr. Youichi Funakubo has been involved in operations of human resources and accounting divisions for many years, and has a wealth of experience and insights regarding overall corporate management through experiences such as executive at overseas affiliates and Executive Officer and General Manager, Human Resources Department of the Company. 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.	18,000
8	Keiichi Miura (November 13, 1956) New Candidate	April 1980 Joined Onoda Cement Co., Ltd. April 2012 General Manager, Central Research Laboratory of Taiheiyo Cement Corporation April 2013 Executive Officer and General Manager, Central Research Laboratory April 2016 Managing Executive Officer (to present) **Reason for nominating Keiichi Miura as Director** Mr. Keiichi Miura has been involved in operations of research and development divisions for many years, and has a wealth of experience and insights regarding overall corporate management through experiences such as Executive Officer and General Manager, Central Research Laboratory. 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.	14,000
9	Masahiro Karino (March 23, 1957) New Candidate	April 1980 Joined Nihon Cement Co., Ltd. April 2004 General Manager, Legal Department of Taiheiyo Cement Corporation April 2013 Executive Officer and General Manager, Legal Department April 2016 Managing Executive Officer (to present) **Reason for nominating Masahiro Karino as Director** Mr. Masahiro Karino has been involved in operations of general affairs and legal divisions for many years, and has a wealth of experience and insights regarding overall corporate management through experiences such as Executive Officer and General Manager, Legal Department. 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.	10,000

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
10	Kunihiro Ando (May 4, 1957) New Candidate	April 1980 Joined Onoda Cement Co., Ltd. April 2011 General Manager, Ofunato Plant of Taiheiyo Cement Corporation April 2013 Executive Officer and General Manager, Oita Plant April 2015 Executive Officer and General Manager, Mineral Resources Business Department April 2016 Managing Executive Officer (to present) **Reason for nominating Kunihiro Ando as Director** Mr. Kunihiro Ando has been involved in operations of the resource business, mining management, and cement manufacturing business for many years, and has a wealth of experience and insights regarding overall corporate management through experiences such as Executive Officer and General Manager, Oita Plant and General Manager, Mineral Resources Business Department. 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.	28,000
11	Ichirou Egami (April 13, 1957) New Candidate	April 1980 Joined Nihon Cement Co., Ltd. June 2008 General Manager, Secretarial Department of Taiheiyo Cement Corporation May 2009 General Manager, Secretarial Department October 2010 Managing Executive Officer of Ssangyong Cement Industrial Co., Ltd. April 2014 Executive Officer of Taiheiyo Cement Corporation Senior Executive Officer of Ssangyong Cement Industrial Co., Ltd. April 2016 Managing Executive Officer and Deputy Senior General Manager, International Business Division of Taiheiyo Cement Corporation Senior Executive Officer of Ssangyong Cement Industrial Co., Ltd. (to present) **Reason for nominating Ichirou Egami as Director** Mr. Ichirou Egami has been involved in operations overseas and in the sales and accounting divisions for many years, and has a wealth of experience and insights regarding overall corporate management through experiences such as executive at overseas affiliates and Executive Officer of the Company. 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.	27,000

(Translation)

No.	Name (Date of birth)	Career summary, position, assignment and significant concurrent positions	Number of shares of the Company held
12	Yoshiko Koizumi (September 25, 1943) Outside Director 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	April 1972 Registered as a lawyer (Daini Tokyo Bar Association) January 1980 Partner, Masuda and Ejiri Law Office (predecessor of Nishimura & Asahi) January 2008 Counsel, Nishimura & Asahi April 2009 Partner, City-Yuwa Partners June 2015 Outside Director of Taiheiyo Cement Corporation Outside Director, Dowa Holdings Co., Ltd. Partner, City-Yuwa Partners (to present) (Significant concurrent positions) Outside Director, Dowa Holdings Co., Ltd. Lawyer, Partner of City-Yuwa Partners **Reason for nominating Yoshiko Koizumi as Outside Director** Although Ms. Yoshiko Koizumi has not engaged in corporate management in the past, as a lawyer, she has a wealth of experience, achievements, and knowledge regarding corporate law, and provides precise recommendations and advice from an objective standpoint independent from the management team that executes business in the Board of Directors. The Company has judged that she makes significant contribution to the monitoring and supervision of overall management, and requests that she continue to be a candidate for Director.	9,000
13	Yuuzou Arima (May 16, 1947) New Candidate for Outside Director	April 1971 Joined Toyo Soda Manufacturing Co., Ltd. (currently TOSOH CORPORATION) June 2000 Director of TOSOH CORPORATION June 2005 Managing Director of TOSOH CORPORATION June 2009 Managing Director of TOSOH CORPORATION President and Representative Director of TAIYO VINYL CORPORATION June 2010 President and Representative Director of TAIYO VINYL CORPORATION June 2015 Advisor of TAIYO VINYL CORPORATION (to present) **Reason for nominating Yuuzou Arima as Outside Director** Mr. Yuuzou Arima has a wealth of experience, achievements, and insights as a corporate manager. By providing precise recommendations and advice from an objective standpoint independent from the management team that executes business in the Board of Directors, the Company has judged that he will make significant contribution to the monitoring and supervision of overall management, and requests that he be a new candidate for Director.	0

Notes: 1. Yoshiko Koizumi and Yuuzou Arima are nominated as Outside Directors.
2. Masafumi Fushihara is scheduled to take office as Outside Director of P.S. Mitsubishi Construction Co., Ltd. on June 28, 2016.
3. Toshihide Nishimura is scheduled to take office as Outside Corporate Auditor of NIPPON CONCRETE INDUSTRIES CO., LTD. on June 29, 2016.
4. Yoshiko Koizumi is scheduled to take office as Outside Corporate Auditor of Sumitomo Bakelite

Co., Ltd. on June 22, 2016.

5. The Company currently has an agreement with 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 Yoshiko Koizumi is approved, the Company plans to continue the said agreement with her. The Company also plans to conclude a similar agreement with Yuuzou Arima if his election is approved.
6. Yoshiko Koizumi satisfies the Independence Criteria for Outside Officers defined by the Company, and the Company has registered Yoshiko Koizumi as an independent director at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange, and as Yuuzou Arima also satisfies the same independence criteria, the Company also plans to register Yuuzou Arima as an independent director at both Exchanges. Of note, no advisory contract has been concluded between the Company and City-Yuwa Partners, where Yoshiko Koizumi serves as a partner. Additionally, the Independence Criteria for Outside Officers defined by the Company is provided on page 14.
7. Masafumi Fushihara, Toshihide Nishimura, and Yoshiko Koizumi were newly elected at the 17th Ordinary General Meeting of Stockholders held on June 26, 2015, and took office as Director on the same day; therefore, their attendance at meetings of the Board of Directors is based on the meetings of the Board of Directors that have been convened since they took office.
8. The Company guarantees the debt of NM Cement Co., Ltd. where Ken Kikuchi concurrently serves as President and Representative Director, for its borrowings. No conflict of interest exists between the Company and the other candidates.

(Translation)

Proposal No. 3: Election of One Corporate Auditor

Corporate Auditor Noriyuki Ishii will resign at the close of this General Meeting of Stockholders.

Accordingly, we propose the election of one Corporate Auditor.

The candidate for Corporate Auditor is as follows.

The Board of Auditors has previously given its approval.

Name (Date of birth)	Career summary, position and significant concurrent positions	Number of shares of the Company held
Hidehiko Kasamura (January 4, 1953) New Candidate	April 1976 Joined Nihon Cement Co., Ltd. April 2008 General Manager, Corporate Planning Department of Taiheiyo Cement Corporation June 2010 Executive Officer and General Manager, Corporate Planning Department April 2011 Executive Officer and General Manager, General Affairs Department April 2012 Managing Executive Officer June 2012 Director and Managing Executive Officer April 2016 Director (to present) **Reason for nominating Hidehiko Kasamura as Corporate Auditor** As a Director of the Company, Mr. Hidehiko Kasamura has held a wide range of responsibilities in operations such as general affairs, human resources, and legal, and also has a wealth of experience and knowledge in the accounting division. 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 Corporate Auditor.	40,000

Note: No conflict of interest exists between the Company and Hidehiko Kasamura.

(Translation)

Proposal No. 4: Election of One Substitute Corporate Auditor

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

The candidate for Substitute Corporate Auditor is as follows.

The Board of Auditors has previously given its approval.

Name (Date of birth)	Career summary, position and significant concurrent positions	Number of shares of the Company held
Wakako Mitani (Name on family registration: Wakako Akamatsu) (January 4, 1974) Candidate for Outside Corporate Auditor	April 2000 Registered as a lawyer (DAIICHI TOKYO BAR ASSOCIATION) July 2001 Joined TANABE & PARTNERS April 2012 Partner of TANABE & PARTNERS (to present) (Significant concurrent positions) Lawyer, Partner of TANABE & PARTNERS **Reason for nominating Wakako Mitani as substitute Outside Corporate Auditor** Although Ms. Wakako Mitani has not engaged in corporate management in the past, she has a wealth of experience, achievements, and insights in the corporate legal field as a lawyer, and the Company has judged that she can audit the business execution of Directors from an objective, independent, and fair standpoint, and requests that she be a new candidate for substitute Outside Corporate Auditor.	0

Notes: 1. Wakako Mitani is nominated as a substitute Outside Corporate Auditor.

2. In the event that Wakako Mitani takes office as an Outside Corporate Auditor, the Company plans to enter into an agreement with her, which would limit 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.
3. Wakako Mitani satisfies the Independence Criteria for Outside Officers defined by the Company, and in the event that she takes office as an Outside Corporate Auditor, the Company plans to register her as an independent corporate auditor at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock Exchange. Of note, no advisory contract has been concluded between the Company and TANABE & PARTNERS, where Wakako Mitani serves as a partner. Additionally, the Independence Criteria for Outside Officers defined by the Company is provided on page 14.
4. No conflict of interest exists between the Company and Wakako Mitani.

(Translation)

(Reference)

Independence Criteria for Outside Officers

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

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

Notes:

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

(Translation)

(Appendix)

Business Report

(April 1, 2015 - March 31, 2016)

1. Overview of the Company Group

1) Business Progress and Results

During FY2016, Japan's economy saw weakness in exports and production, the effect of a deceleration in overseas economies such as China, and although the future outlook remains unclear, income and employment trends and corporate earnings improved, and a moderate recovery trend continued on the back of government-led economic policies and monetary easing by the Bank of Japan.

The U.S. economy continued to undergo moderate recovery due in part to a continued declining trend in unemployment and robust consumer spending. China's economy continued a moderate deceleration due to such factors as slackening growth in consumer spending and fixed asset investment. In other Asian economies, although exports are slowing, signs of a recovery were seen due to expanded internal demand.

Against this backdrop, in FY2016, the Group's consolidated sales decreased ¥7,488 million from the previous year to ¥835,359 million. Consolidated operating income was ¥60,433 million, down ¥4,972 million, while consolidated ordinary income was ¥60,225 million, down ¥7,664 million and profit attributable to owners of parent decreased ¥7,710 million to ¥36,404 million.

Review of operation by each segment are as follows.

Cement Business

Sales **¥574,724 million (up 0.7% year-on-year)**
Operating Income **¥34,631 million (down 13.9% year-on-year)**

Domestic cement demand decreased 6.3% year-on-year to 42.66 million tons, due to decreased demand in public and private, which caused by increasing trend in material and labor costs owing to an increase in unit prices, etc., despite private housing investment recovering from the pullback in demand that followed the increase in the consumption tax. Imported cement decreased 36.2% from the previous year to 0.32 million tons. Total exports increased 12.3% to 10.58 million tons.

Under these circumstances, the Taiheiyo Cement Group's domestic cement sales by volume, including consignment sales, decreased 8.0% from the previous year to 14.67 million tons, whilst exports increased 34.2% to 3.98 million tons.

Shipment volume rose in many regions served by our U.S. West Coast cement and ready-mixed concrete businesses, where the market is generally on a recovery trend. Our cement business in China was impacted by fall in demand and intensifying price competition, while our cement business in Vietnam and the Philippines performed solidly, assisted by domestic active demand.

As a result of the above, consolidated sales increased ¥4,042 million from the previous year to ¥574,724 million, and consolidated operating income decreased ¥5,619 million to ¥34,631 million.

Mineral Resources Business

Sales ¥93,533 million (down 2.5% year-on-year)
Operating Income ¥8,113 million (up 20.9% year-on-year)

In our aggregates business, contributions were improved profitability due to higher logistics efficiency, etc., despite a decrease in demand other than in the Tohoku region.

Sales by volume in our mineral products business were higher than in the previous year, thanks to an increase in shipments of other products, despite the fall in shipments of limestone to domestic customers in the iron and steel industry.

Intake in our surplus construction soil recycling business fell short of the previous year's level.

As a result of the above, consolidated sales decreased ¥2,424 million from the previous year to ¥93,533 million, and consolidated operating income increased ¥1,404 million to ¥8,113 million.

Environmental Business

Sales ¥73,460 million (down 1.7% year-on-year)
Operating Income ¥7,655 million (up 2.4% year-on-year)

The Environmental Business performed solidly, centered on coal processing, due to coal power plants across Japan maintaining high utilization rates, despite disaster waste processing operations being completed. Consolidated sales decreased ¥1,327 million from the previous year to ¥73,460 million, and consolidated operating income increased ¥181 million to ¥7,655 million.

Construction Materials Business

Sales ¥80,853 million (down 10.5% year-on-year)
Operating Income ¥6,130 million (up 11.6% year-on-year)

Sales of construction materials such as autoclaved lightweight aerated concrete (ALC) were robust; however, due in part to the impact of delays in the commencement of ground improvement projects, consolidated sales decreased ¥9,486 million from the previous year to ¥80,853 million, and consolidated operating income increased ¥639 million to ¥6,130 million.

Other Business

Sales ¥85,222 million (up 4.2% year-on-year)
Operating Income ¥4,014 million (down 28.7% year-on-year)

While the engineering businesses performed solidly, the Group’s sales of the ceramics business and other factors resulted in the increase in consolidated sales by ¥3,457 million from the previous year to ¥85,222 million, and the decrease in consolidated operating income by ¥1,620 million to ¥4,014 million.

Sales and Operating Income by Business Segment

(Unit: Millions of yen)

Business Segment	Sales	Year-on-year increase (decrease)	Operating income	Year-on-year increase (decrease)
Cement	574,724	4,042	34,631	(5,619)
Mineral Resources	93,533	(2,424)	8,113	1,404
Environmental	73,460	(1,327)	7,655	181
Construction Materials	80,853	(9,486)	6,130	639
Other	85,222	3,457	4,014	(1,620)
Subtotal	907,793	(5,738)	60,544	(5,015)
Elimination or unallocated amounts	(72,433)	(1,750)	(111)	42
Total	835,359	(7,488)	60,433	(4,972)

2) Capital Investments

The total amount of capital investments by the Taiheiyo Cement Group in the fiscal year under review increased ¥1,916 million from the previous fiscal year to ¥44,076 million, consisting of ¥28,141

million in the Cement Business, ¥7,878 million in the Mineral Resources Business, ¥488 million in the Environmental Business, ¥2,899 million in the Construction Materials Business, ¥3,896 million in the Other Business and ¥770 million in Group wide assets.

3) Trends in Assets and Income

Item	15th fiscal year ended March 31, 2013	16th fiscal year ended March 31, 2014	17th fiscal year ended March 31, 2015	18th fiscal year ended March 31, 2016 (Current)
Net sales (millions of yen)	747,616	840,288	842,848	835,359
Ordinary income (millions of yen)	32,667	69,590	67,890	60,225
Profit attributable to owners of parent (millions of yen)	11,329	35,223	44,114	36,404
Net income per share (yen)	9.22	28.67	35.91	29.63
Total assets (millions of yen)	982,473	1,015,564	1,040,602	1,014,075
Net assets (millions of yen)	219,826	273,312	347,490	357,073

4) Issues to be Addressed

Looking ahead, the Japanese economy is expected to continue recovering moderately, due to such factors as natural resource prices remaining at low levels and support from government policies leading to solid trends in corporate earnings. However, the management environment is likely to remain unpredictable given concerns over deceleration in overseas economies such as China, in addition to the effects of confusion in monetary policies in the United States and international politics, all causing the outlook to seem increasingly unclear.

Turning our attention to the Taiheiyo Cement Group's business environment, our core domestic cement business expects contributions from post-disaster construction, disaster prevention and reduction measures, and construction related to the shinkansen bullet train, but for the foreseeable future, public investment is projected to decline, construction terms will be extended, and personnel shortages will persist at construction sites, placing a heavy burden on recovery of domestic cement demand. The U.S. economy is expected to continue undergoing stable recovery due to the steady increase in employment and personal consumption. However, it is necessary to continue keeping a close eye on future developments, given concerns about a rise in interest rates and a decelerating global economy.

Under these circumstances, the Taiheiyo Cement Group has determined its *future vision and direction* targeted at the mid-2020s, clarified its medium and long-term direction to achieve sustained growth, and formulated the 17 Medium-Term Management Plan as its first step. We have been committed to making utmost efforts to fulfill the Plan, which covers the three-year period from FY2015 to FY2017. In FY2016, which is the second year of the Medium-term Management Plan, the Company will aggressively work toward the following management issues in order to achieve the final targets.

Future Vision and Direction

We believe the Taiheiyo Cement Group's raison d'etre is to provide products and solutions as a member of the social infrastructure industry in response to various needs and issues both at home and abroad. To fulfill this, we are required to forecast and pre-empt changes in the environment from a long-term perspective, and attain sustained growth while maintaining our stakeholders' confidence in us and meeting their expectations into the future. With the Mission of the Taiheiyo Cement Group in mind, we have thus declared—as our *future vision and direction* targeted at the mid-2020s—*to become an enterprise group that provides a sense of safety and security to societies in the Pacific Rim by demonstrating the Group's overall capabilities*, and will implement various initiatives in order to make this a reality.

Management Policy under 17 Medium-Term Management Plan

The 17 Medium-Term Management Plan covers the three-year period from FY2016 to FY2018, and is regarded as the first step towards realizing our *future vision and direction*. The Plan is to *generate and improve our earnings capacity* by making capital-efficiency-oriented growth investments and *build*

a flexible and strong financial structure by making improvements in the financial structure, and at the same time, steadily execute the *enhancement of stockholders' returns*.

(i) Enhance existing businesses and formulate/implement growth strategies

We will boost our earnings capacity by reviewing existing businesses and strengthening businesses by such means as exhaustive cost-cutting. We will also forecast and pre-empt changes in the environment from a long-term perspective, and seek to launch new businesses and expand overseas operations by leveraging the Taiheiyo Cement Group's competitive edge.

<Cement Business (Japan)>

We will implement various measures to strengthen our earnings base to prepare against the fall in domestic cement demand in the future, with the aim of becoming a dominant, leading company.

<Cement Business (Overseas)>

We will attain a certain business scale (cement production capacity) in the Pacific Rim region, and simultaneously enhance the earnings base of existing businesses and promote the trading business by taking advantage of overseas distribution networks, in order to maintain and improve our presence in the region.

<Mineral Resources Business>

We will expand existing businesses and develop businesses for the future by making maximum use of resources in our portfolio including limestone resources, in pursuit of sustained growth.

<Environmental Business>

We will maximize the earnings capacity of existing businesses and build a new business model in view of global environmental problems and changes in the energy policy situation.

<Construction Materials Business>

We will establish and enhance our business foundations serving as the primary source of earnings through the speedy fruition of growth and expansion strategies, including making investments that help complement and reinforce our business structure.

<Other Business>

We will build a new business model that is expected to bring about synergies within the Taiheiyo Cement Group, and at the same time, develop high-value-added companies.

(ii) Strengthen management foundations: Enhance backbone of management

For *disaster prevention, suppression of greenhouse gas emission* and *realization of diversity*, we will make long-term efforts by setting quantitative targets in the form of CSR Objectives for 2025. We will also make enhancements at the individual level as well as the organizational level in the context of human resources development, group management, etc. to bring about a lean, strong business structure.

(iii) Support for national project

The Taiheiyo Cement Group will muster all of its resources to provide products and solutions to support national projects, including meeting the reconstruction demand following the Great East Japan Earthquake and demand in the lead up to the Tokyo Olympics and Paralympics.

(iv) Enhance research & development

We will steadily extend technological assistance to maximize profits in the fields of existing businesses serving as the source of earnings and promote research & development by treating mineral resources, environmental, overseas and construction materials businesses as new profit-generating growth sectors of the future, with the aim of building the mainstay of next-generation businesses.

We look forward to your continued support and cooperation as our stockholder.

(Translation)

5) Material Subsidiaries

Company name	The Company's percentage of equity participation	Principal business
Clion Co., Ltd.	97.4	Manufacturing and sale of autoclaved lightweight aerated concrete (ALC)
Myojyo Cement Co., Ltd.	100	Manufacturing and sale of cement
Taiheiyo Materials Corporation	100	Manufacturing and sale of various construction materials such as admixture and non-shrink grout
CalPortland Company	100	Manufacturing and sale of cement, ready-mixed concrete, etc. in the United States
Jiangnan-Onoda Cement Co., Ltd.	88.5	Manufacturing and sale of cement in China
Qinhuangdao Asano Cement Co., Ltd.	71.9	Manufacturing and sale of cement in China
Dalian Onoda Cement Co., Ltd.	84.8	Manufacturing and sale of cement in China
Nghi Son Cement Corporation	65.0	Manufacturing and sale of cement in Vietnam
Taiheiyo Cement Philippines, Inc	100	Manufacturing and sale of cement in the Philippines

(Notes) 1. The Company's percentage of equity participation includes indirect ownership through subsidiaries.
2. The Company's percentage of equity participation in Clion Co., Ltd. is based on common stock.

6) Principal Businesses

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

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

(ii) Mineral Resources Business
Aggregates, limestone, white marble, quicklime, silica powder, lightweight fill material, heavy metal immobilizer, surplus construction soil recycling business, etc.

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

(iv) Construction Materials Business
Concrete products, construction materials, civil engineering and construction work, etc.

(v) Other Business
Real estate business, engineering business, data processing business, finance business, transportation and warehousing business, chemical products business, sports business, etc.

7) Principal Business Locations

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

Head Office: 2-3-5, Daiba, Minato-ku, Tokyo, Japan
Central Research Laboratory: Sakura City, Chiba Prefecture, Japan

(Translation)

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

8) Employees

Business Segment	Number of Employees (persons)
Cement	8,074
Mineral Resources	869
Environmental	143
Construction Materials	1,405
Other	1,833
Group-wide (common)	250
Total	12,574

(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. (592 persons).

Number of employees (persons)	Increase (decrease) from previous year (persons)	Average age (years old)	Average length of service (years)
1,697	(13)	42.0	20.3

(Translation)

9) Major Lenders and Amount of Borrowings

Lender	Outstanding borrowings (millions of yen)
Mizuho Bank, Ltd.	53,448
Sumitomo Mitsui Banking Corporation	39,240

2. Shares of the Company

1) Total number of shares authorized to be issued 1,977,308,000 shares

2) Total number of shares outstanding 1,237,800,586 shares
(including 1,920,052 shares of treasury stock)

3) Number of stockholders 69,752 persons

4) Major stockholders

Stockholder name	Holding (thousand shares)	Stockholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	89,901	7.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	70,273	5.6
HSBC-Fund Services Bank Negara Malaysia-Equity	35,829	2.8
Mizuho Bank, Ltd.	23,756	1.9
MSCO Customer Securities	23,543	1.9
State Street Bank and Trust Company 505225	20,960	1.6
State Street Bank West Client-Treaty 505234	20,857	1.6
Japan Trustee Services Bank, Ltd. (Trust Account 7)	16,990	1.3
The Bank of New York Mellon SA/NV 10	15,482	1.2
Meiji Yasuda Life Insurance Company	15,273	1.2

(Note) The stockholding ratio is calculated by excluding treasury stock.

(Translation)

3. Company Officers

1) Name, etc. of Directors and Corporate Auditors

Position	Name	Significant concurrent positions
Chairman and Director	Keiji Tokuue	
President and Representative Director	Shuji Fukuda	
Vice President and Representative Director	Shou Kurasaki	
Director	Kenji Ogawa	
Director	Takaki Minato	Outside Director of P.S. Mitsubishi Construction Co., Ltd.
Director	Hidehiko Kasamura	
Director	Ken Kikuchi	Director of Ssangyong Cement Industrial Co., Ltd.
Director	Yuuichi Kitabayashi	
Director	Shigeru Matsushima	
Director	Masafumi Fushihara	
Director	Toshihide Nishimura	
Director	Keiichi Otagaki	
Director	Yoshiko Koizumi	Outside Director of Dowa Holdings Co., Ltd. Lawyer, Partner of City-Yuwa Partners
Corporate Auditor (Standing)	Kohji Ishii	
Corporate Auditor (Standing)	Noriyuki Ishii	
Corporate Auditor	Takashi Nonaka	Outside Director of Takachiho Koheki Co., Ltd.
Corporate Auditor	Yoshio Narukage	

(Notes)
1. Directors Keiichi Otagaki and Yoshiko Koizumi are Outside Directors.
2. Corporate Auditors Takashi Nonaka and Yoshio Narukage are Outside Corporate Auditors.
3. Directors Masafumi Fushihara, Toshihide Nishimura, and Yoshiko Koizumi and Corporate Auditors Kohji Ishii, Takashi Nonaka, and Yoshio Narukage were newly elected at the 17th Ordinary General Meeting of Stockholders held on June 26, 2015, and took office on the same day.
4. Director Kohji Ishii and Corporate Auditors Atsushi Takano and Tomoyuki Watanabe retired from office at the close of the 17th Ordinary General Meeting of Stockholders held on June 26, 2015.
5. Corporate Auditor Kiyoshi Kamimura resigned from office at the close of the 17th Ordinary General Meeting of Stockholders held on June 26, 2015.
6. Corporate Auditor Noriyuki Ishii has hands-on experience in the business management division of the Company and has considerable financial and accounting expertise.
7. Corporate Auditors Takashi Nonaka and Yoshio Narukage have years of experience in financial institutions and have considerable financial and accounting expertise.
8. The Company receives legal advice as required from lawyers of City-Yuwa Partners other than Director Yoshiko Koizumi, where she holds a significant concurrent position, but the Company has not concluded an advisory agreement with the law firm, and there is no special interest relationship. Additionally, there are no special interest relationships between the Company and any of the significant concurrent positions of the other Outside Executives.
9. The Company has registered Directors Keiichi Otagaki and Yoshiko Koizumi as independent directors and Corporate Auditors Takashi Nonaka and Yoshio Narukage as independent corporate auditors at Tokyo Stock Exchange, Inc. and Securities Membership Corporation Fukuoka Stock

Exchange.

10. The following personnel change took place effective April 1, 2016.

Name	Position in the Company, assignment and significant concurrent positions	
	Before change	After change
Keiji Tokuue	Chairman and Director	Executive Adviser and Director
Shou Kurasaki	Vice President and Representative Director	Director
Yuuichi Kitabayashi	Director	Representative Director

11. Retirements regarding significant concurrent positions during the fiscal year under review were as follows.

Name	Position	Significant concurrent positions	Date of retirement
Keiji Tokuue	Chairman and Director	Director of Ssangyong Cement Industrial Co., Ltd.	March 30, 2016

12. The Company has introduced an executive officer system; executive officers as of April 1, 2016 are as follows.

Position	Name	Assignment
Senior Executive Officer	Yuuichi Kitabayashi*	Overseeing Corporate Planning Department and Maintenance & Engineering Department
Senior Executive Officer	Ken Kikuchi*	Senior General Manager of International Business Division
Managing Executive Officer	Shigeru Matsushima*	Overseeing General Affairs Department and Environmental Business Development Department
Managing Executive Officer	Masafumi Fushihara*	Senior General Manager of Cement Business Division
Managing Executive Officer	Toshihide Nishimura*	Overseeing Purchasing Department, Construction Materials Business Department and Business Planning & Administration Department
Managing Executive Officer	Youichi Funakubo	Overseeing Secretarial Department, Accounting & Finance Department and Real Estate Business Department
Managing Executive Officer	Keiichi Miura	Overseeing Intellectual Property Department and Central Research Laboratory
Managing Executive Officer	Masahiro Karino	Overseeing Human Resources Department, Legal Department and Internal Auditing Department
Managing Executive Officer	Kunihiro Ando	Overseeing Production Department, Mining Department and Mineral Resources Business Department
Managing Executive Officer	Ichirou Egami	Deputy Senior General Manager of International Business Division
Executive Officer	Yasuhiro Sagara	General Manager of Maintenance & Engineering Department
Executive Officer	Tomoya Sakamoto	General Manager of Production Department
Executive Officer	Toshiaki Suzuki	General Manager of Tokyo Branch
Executive Officer	Satoshi Asami	President and CEO of Taiheiyo Cement Philippines, Inc.
Executive Officer	Toru Kanai	Chairman and CEO of Taiheiyo Cement (China) Investment Co., Ltd.
Executive Officer	Katsuhide Fukuhara	General Manager of Corporate Planning Department
Executive Officer	Masakatsu Kifushi	General Manager of Kansai Shikoku Branch
Executive Officer	Seiichi Araki	General Manager of Human Resources Department

Executive Officer	Yoshiaki Tominaga	General Manager of Mineral Resources Business Department
Executive Officer	Kazuo Horikawa	General Manager of Kanto Branch
Executive Officer	Yoshiyuki Uenoyama	General Manager of Kamiiso Plant
Executive Officer	Hideaki Asakura	General Director of Nghi Son Cement Corporation
Executive Officer	Tetsuya Ohashi	General Manager of Business Development Department, International Business Division

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

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

Classification	Number of persons paid (persons)	Amount paid (millions of yen)
Directors	14	773
Corporate Auditors	7	74
Total	21	848

(Notes) 1. Directors' and Corporate Auditors' number of persons paid includes one Director and three Corporate Auditors who retired or resigned at the close of the 17th Ordinary General Meeting of Stockholders held on June 26, 2015.
2. Above compensation, etc. includes compensation, etc. to outside officers totaling ¥50 million. There were six outside officers who received payment.

3) Outside Officers

(1) Main Activities in Fiscal Year under Review

Position	Name	Attendance at meetings of Board of Directors	Attendance at meetings of Board of Auditors	Comment status
Director	Keiichi Otagaki	15 out of 15 meetings	-	Made comments as appropriate at the meetings of the Board of Directors based on his wealth of experience mainly as a management executive of a manufacturing company.
Director	Yoshiko Koizumi	11 out of 11 meetings	-	Made comments as appropriate at the meetings of the Board of Directors based on her wealth of experience mainly as a lawyer and insight in corporate management.
Corporate Auditor	Takashi Nonaka	11 out of 11 meetings	10 out of 10 meetings	Made comments as appropriate at the meetings of the Board of Directors and meetings of the Board of Auditors based on his wealth of experience mainly as a management executive of a financial institution.
Corporate Auditor	Yoshio Narukage	11 out of 11 meetings	10 out of 10 meetings	Made comments as appropriate at the meetings of the Board of Directors and meetings of the Board of Auditors based on his wealth of experience mainly as a management executive of a financial institutions, etc.

(Notes) 1. During the fiscal year under review, 15 meetings of the Board of Directors were held. Since Director Yoshiko Koizumi and Corporate Auditors Takashi Nonaka and Yoshio Narukage took office as Director or Corporate Auditor, 11 meetings of the Board of Directors have been held.

2. During the fiscal year under review, 14 meetings of the Board of Auditors were held. Since Corporate Auditors Takashi Nonaka and Yoshio Narukage took office as Corporate Auditor, 10 meetings of the Board of Auditors have been held.

(2) Overview of Limited Liability Agreement

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

4. Accounting Auditor

1) Name of the Company's Accounting Auditor

KPMG AZSA LLC

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

¥ 99 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, Item 1 of the Companies Act.

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

The Company entrusts, to the Accounting Auditor, advisory services relating to the adoption of International Financial Reporting Standards and services concerning the procedures for tax incentives to promote capital expenditure on productivity-enhancing equipment, which are services other than the services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services), and pays consideration for said services.

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

(i) 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.

(ii) 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

¥ 243 million

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

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

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

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

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

(i) The Company shall strengthen its system for ensuring that the actions of Directors, Executive Officers and employees comply with laws and ordinances, the Articles of Incorporation and other internal company rules, and conventional wisdom in accordance with the Mission of the Taiheiyo Cement Group, Business Principles, Basic Compliance Policy and Compliance Rules.

(ii) The CSR Management Committee, an interdepartmental committee under the direct authority of the Board of Directors, pursues policies to promote compliance awareness among Directors, Executive Officers and employees in accordance with the CSR Prospectus.

(iii) The Internal Auditing Department conducts audits of the business activities of each place of business within the Company to determine whether Executive Officers and employees comply with laws and ordinances, the Articles of Incorporation, etc. in executing their duties, provides advice and recommendations after identifying items in need of improvement, and reports to the President about audit results and then notifies Directors and Corporate Auditors.

(iv) The Company employs an internal reporting system that uses a compliance hotline to reach representatives both inside and outside the Company (law firm) to enable an accurate response while protecting the informer and ensuring transparency.

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

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

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

(i) The Company has prepared the Basic Risk Management Policy and Risk Management Rules covering basic matters and specific responses to prevent and minimize the impact of risk items that could significantly affect the business of the Taiheiyo Cement Group. The CSR Management Committee is in charge of pursuing specific measures, and reports to the Board of Directors about the status of these activities.

(ii) In the event of an emergency, the Company establishes an Emergency Headquarters led by the President to pool information and exercise top-down leadership in tackling the emergency in accordance with the provisions of the Risk Management Rules.

4) System to ensure that Directors execute their duties efficiently

(i) The Company delegates to Executive Officers the authority for certain business matters as stipulated in the Decision Making Rules and elsewhere. Executive Officers, based on a Management by Objectives, set clear targets for each responsible organization under their control and execute their duties efficiently.

(ii) The Board of Directors efficiently allocates business resources from the perspective of optimizing companywide resources and in accordance with the medium-term management plan and annual management policy (President's policy), and reviews the targets of Executive Officers and the progress of policies reported from time to time.

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

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

(i) The Company assigns, in principle, Directors, Executive Officers and employees to serve as

directors or corporate auditors at its subsidiaries. These corporate auditors conduct audits of internal control systems.

(ii) The Internal Auditing Department conducts audits of the business activities according to the size, nature of business, etc. of subsidiaries to determine whether the directors and employees of the subsidiaries comply with laws and ordinances, the Articles of Incorporation, etc. in executing their duties, provides advice and recommendations after identifying items in need of improvement, and reports to the President about audit results and then notifies Directors and Corporate Auditors.

(iii) The Company seeks to understand the business conditions of each subsidiary through performance reports and other means and endeavors to share information through exchanges of opinions between the Company and directors at subsidiaries (including directors serving concurrently as Directors, Executive Officers or employees at the Company) by periodically holding Group Executive Committee meetings.

(iv) The Company makes its subsidiaries appoint officers responsible for risk management and compliance as well as risk management and compliance promoters according to their size, nature of business, etc. and strives to prevent and reduce risks in the Taiheiyo Cement Group by collaborating with each company, and adopts a system for reporting to Directors and Corporate Auditors of the Company if a crisis occurs or if an event with the risk of developing into a crisis arises at a company.

6) System to ensure reliability of financial reporting

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

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

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

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

(i) The Company employs a system in which Corporate Auditors can attend important meetings related to business matters to receive reports from Directors and other employees about the status of the execution of their duties.

(ii) The Company adopts a system in which any facts that may inflict serious damage to the Company are reported to Corporate Auditors by Directors, Executive Officers and employees of the Company as well as directors, corporate auditors and employees of subsidiaries or persons who received a report from them.

(iii) The Company prohibits the unfavorable treatment of anyone who has made a report under the preceding item.

9) Other systems to ensure effective auditing by Corporate Auditors

(i) The Company employs a system in which Corporate Auditors are shown documents related to important decisions and can gain access to a variety of information, including management information, at any time.

(ii) The Company provides a venue for Corporate Auditors to exchange opinions and information with the Accounting Auditor.

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

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

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

1) Compliance system

(i) Based on the CSR Prospectus, a CSR Management Committee has been established composed of all Directors with the President as the Chairman, and it is held once per quarter. The CSR Management Committee formulates a CSR Action Plan for every fiscal year, understands and confirms its status of progress, and makes evaluations. Additionally, the results are reported to the Board of Directors.

(ii) Directly under the CSR Management Committee, the Risk Management and Compliance Committee was established as a subordinate body, and upon formulation of the action plan, it understands and confirms the status of implementation. Additionally, the status of these measures are reported to the CSR Management Committee.

(iii) Officers responsible for risk management and compliance as well as risk management and compliance promoters are selected, these persons engage in promotion of compliance, and the Company also implements training for these responsible persons and leaders.

(iv) Education regarding compliance is conducted via forms such as training for new employees and training depending on job level, distributing action guideline casebooks, and self-checks utilizing e-learning, all in an effort to thoroughly implement compliance.

2) Risk management system

(i) Based on the Basic Risk Management Policy, Risk Management Rules are defined, and while promoting measures toward risk management, responses to emergency situations are defined in the Crisis Management Rules.

(ii) In line with a PDCA cycle for the annual risk countermeasure plan, measures for risk management are promoted.

(iii) In preparation for unexpected events such as disasters and accidents, etc., periodic disaster prevention drills and safety confirmation system training are implemented. Additionally, through disaster response manual confirmation testing via e-learning, training is also conducted to aim to increase awareness of response processes.

(iv) Under the Basic Information Security Policy, an information security management system has been established, and while aiming for thorough protection of information assets and appropriate management and handling, information risk countermeasures are promoted via information security education such as e-learning.

3) Ensuring proper execution of operations at the Group

(i) Based on the Group Companies Management Rules, a system is maintained where group companies and the Company deliberate on important matters, direction and management is conducted as required, and support is provided to management.

(ii) While understanding the management conditions of each group company through periodic achievement reporting, etc., a Group Executive Committee meeting is held twice per year to exchange opinions on various themes and share information related to management of the Group.

(iii) Directors and Corporate Auditors of subsidiaries are seconded from the Company to supervise business execution and implement audits regarding the internal control systems, etc.

(iv) The Internal Auditing Department, upon formulating an audit implementation plan based on the annual audit policy, implements internal audits toward subsidiaries, and provides advice and recommendations.

4) Execution of business by Directors

(i) The Board of Directors is composed of 13 persons, including two Outside Directors, and meetings were held 15 times during the fiscal year under review, where deliberation and determination was made regarding important matters defined by laws and regulations and the Articles of Incorporation, in addition to supervision of the execution of business by Directors.

(ii) For important matters other than those to be deliberated by the Board of Directors, Executive Committee meetings were held 29 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.

(Translation)

Consolidated Financial Statements

(April 1, 2015 - March 31, 2016)

Consolidated Balance Sheets

(Unit: Millions of yen)

Account	FY2016 (as of March 31, 2016)	(Reference) FY2015 (as of March 31, 2015)
Assets		
Current assets	**308,918**	**329,981**
Cash and deposits	53,539	53,859
Notes and accounts receivable-trade	161,392	178,350
Merchandise and finished goods	31,187	28,587
Work in process	1,485	2,183
Raw materials and supplies	42,624	43,252
Deferred tax assets	6,886	10,705
Short-term loans receivable	3,018	5,552
Other	9,721	9,821
Allowance for doubtful accounts	(938)	(2,329)
Noncurrent Assets	**705,156**	**710,621**
Property, plant and equipment	**487,611**	**490,565**
Buildings and structures	132,708	144,291
Machinery, equipment and vehicles	147,151	120,804
Land	140,726	164,647
Construction in progress	20,950	13,819
Other	46,074	47,001
Intangible assets	**43,919**	**41,836**
Goodwill	6,432	9,297
Other	37,487	32,538
Investments and other assets	**173,626**	**178,219**
Investment securities	115,443	113,747
Long-term loans receivable	1,127	1,249
Deferred tax assets	23,258	16,848
Assets for retirement benefits	8,968	20,338
Other	31,483	31,997
Allowance for doubtful accounts	(6,655)	(5,961)
Total Assets	**1,014,075**	**1,040,602**

(Translation)

Account	FY2016 (as of March 31, 2016)	(Reference) FY2015 (as of March 31, 2015)
Liabilities		
Current liabilities	**321,229**	**377,817**
Notes and accounts payable-trade	73,893	85,036
Short-term loans payable	160,421	178,816
Commercial papers	-	5,000
Current portion of bonds	450	20,380
Income taxes payable	8,351	10,730
Deferred tax liabilities	5	0
Provision for bonuses	5,723	5,642
Other provision	751	1,060
Other	71,631	71,149
Noncurrent liabilities	**335,772**	**315,295**
Bonds payable	46,155	46,710
Long-term loans payable	187,471	148,232
Deferred tax liabilities	3,527	4,314
Deferred tax liabilities for land revaluation	-	4,770
Liability for retirement benefits	22,814	26,889
Provision for directors' retirement benefits	433	514
Provision for loss on business of subsidiaries and affiliates	-	138
Provision for special repairs	245	312
Provision for asset removal	-	41
Other provision	747	655
Lease obligations	15,662	22,616
Asset retirement obligations	7,990	7,673
Other	50,725	52,426
Total liabilities	**657,002**	**693,112**
Net Assets		
Shareholders' equity	**324,851**	**294,937**
Capital stock	**86,174**	**86,174**
Capital surplus	**50,925**	**50,757**
Retained earnings	**188,731**	**158,939**
Treasury stock	**(979)**	**(934)**
Accumulated other comprehensive income	**(6,566)**	**7,707**
Valuation difference on available-for-sale securities	4,755	6,908
Deferred gains or losses on hedges	16	2
Revaluation reserve for land	4,665	4,295
Foreign currency translation adjustments	(4,174)	649
Retirement benefits liability adjustments	(11,829)	(4,148)
Non-controlling interests	**38,787**	**44,845**
Total net assets	**357,073**	**347,490**
Total liabilities and net assets	**1,014,075**	**1,040,602**

(Translation)

Consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2016 (April 1, 2015 - March 31, 2016)	(Reference) FY2015 (April 1, 2014 - March 31, 2015)
Net sales	**835,359**	**842,848**
Cost of sales	**640,375**	**642,645**
Gross profit	**194,983**	**200,203**
Selling, general and administrative expenses	**134,550**	**134,796**
Operating income	**60,433**	**65,406**
Non-operating income	**11,456**	**13,837**
Interest and dividends income	1,563	1,322
Equity in earnings of unconsolidated subsidiaries and affiliates	5,292	5,293
Other	4,600	7,221
Non-operating expenses	**11,664**	**11,354**
Interest expenses	6,492	6,847
Other	5,172	4,506
Ordinary income	**60,225**	**67,890**
Extraordinary income	**3,282**	**8,884**
Gain on disposal of non-current assets	1,666	2,488
Gain on sales of investment securities	1,325	107
Gain on step acquisitions	-	916
Gain on forgiveness of debts	-	4,569
Other	290	801
Extraordinary loss	**10,915**	**9,387**
Loss on disposal of non-current assets	3,205	3,286
Loss on sales of investment securities	81	101
Loss on valuation of investment securities	374	1,231
Impairment loss	5,757	1,069
Business structure reform expenses	-	1,180
Other	1,497	2,518
Income before income taxes	**52,592**	**67,387**
Income taxes-current	14,334	18,170
Income taxes-deferred	678	(1,884)
Profit	**37,579**	**51,101**
Profit attributable to non-controlling interests	1,175	6,986
Profit attributable to owners of parent	**36,404**	**44,114**

(Translation)

Consolidated Statements of Changes in Net Assets

(April 1, 2015 - March 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2015	**86,174**	**50,757**	**158,939**	**(934)**	**294,937**
Changes in items during the consolidated fiscal year					
Change in treasury shares of parent arising from transactions with non-controlling shareholders		167			167
Dividends from surplus			(7,370)		(7,370)
Profit attributable to owners of parent			36,404		36,404
Reversal of revaluation reserve for land			14		14
Purchase of treasury stock				(46)	(46)
Disposal of treasury stock		0		0	0
Change in scope of consolidation			743		743
Net changes in items other than shareholders' equity					
Total changes in items during the consolidated fiscal year	**-**	**167**	**29,791**	**(45)**	**29,914**
Balance at March 31, 2016	**86,174**	**50,925**	**188,731**	**(979)**	**324,851**

(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 adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2015	**6,908**	**2**	**4,295**	**649**	**(4,148)**	**7,707**	**44,845**	**347,490**
Changes in items during the consolidated fiscal year								
Change in treasury shares of parent arising from transactions with non-controlling shareholders								167
Dividends from surplus								(7,370)
Profit attributable to owners of parent								36,404
Reversal of revaluation reserve for land								14
Purchase of treasury stock								(46)
Disposal of treasury stock								0
Change in scope of consolidation								743
Net changes in items other than shareholders' equity	(2,153)	14	369	(4,823)	(7,680)	(14,274)	(6,057)	(20,331)
Total changes in items during the consolidated fiscal year	**(2,153)**	**14**	**369**	**(4,823)**	**(7,680)**	**(14,274)**	**(6,057)**	**9,582**
Balance at March 31, 2016	**4,755**	**16**	**4,665**	**(4,174)**	**(11,829)**	**(6,566)**	**38,787**	**357,073**

(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: 121

Name of major consolidated subsidiaries:

Major consolidated subsidiaries are Clion Co., Ltd., Myojyo Cement Co., Ltd., Taiheiyo Materials Corporation, Tsuruga Cement Co., Ltd., Onoda Chemical Industry Co., Ltd., Taiheiyo Precast Concrete Industry Co., Ltd., CalPortland Company, Jiangnan-Onoda Cement Co., Ltd., Nghi Son Cement Corporation, Dalian Onoda Cement Co., Ltd. and Qinhuangdao Asano Cement Co., Ltd.

Of note, Kochi Taiheiyo Mining Corporation had increased in significance, so that was included in the scope of consolidation. Okutama Kogyo Co., Ltd. and another subsidiary transformed into equity-method affiliates from consolidated subsidiaries as a result of stock sales. Sanko Co., Ltd. and three other subsidiaries had completed the liquidation process, and stock in Nihon Ceratec Co., Ltd. was sold, Nihon Ceratec Co., Ltd. sold stock in Ceratec,Inc., Okutama Kogyo Co., Ltd. sold stock in Okutama Kensetsu Kogyo Co., Ltd. and another subsidiary, and Tsukumi Mining Corporation dissolved due to merger with Oita Taiheiyo Mining Corporation, so these subsidiaries were 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., Morehead Company., Ltd. and Kawara Seikousho Corporation.

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: 9

Name of major companies, etc.:

Major unconsolidated subsidiaries accounted for by the equity method were Taiheiyo Singapore Pte., Ltd. and Morehead Company., Ltd.

Number of affiliates accounted for by the equity method: 40

Name of major companies, etc.:

Major equity-method affiliates are Ssangyong Cement Industrial Co., Ltd., DC Co., Ltd., Okutama

Kogyo Co., Ltd., A&A Material Corporation, Fuji P.S Corporation, Yakushima Denko Co., Ltd., Chichibu Railway Co., Ltd. and Azuma Shipping Co., Ltd.

Additionally, change in equity-method subsidiaries are as follows. Due to a decrease in the ratio of voting rights held, Solid Earth Development Corporation has transformed from an equity-method subsidiary to an equity-method affiliate. Okutama Kogyo Co., Ltd. and another subsidiary transformed into equity-method affiliates from consolidated subsidiaries. Concrete Technology Co., Ltd. had completed the liquidation process and were excluded from the scope of equity-method.

(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 were Kawara Seikousho Corporation and 67 other companies.

(Affiliates)

Affiliates not accounted for by the equity method were Cement Terminal Corporation and 61 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) Matters concerning Accounting Policies

(i) Standards and methods for valuation of significant assets

a. Available-for-sale securities

Securities with market value:

Such securities are marked to market by the Company and some consolidated subsidiaries based on the average market price, etc. in the one-month period before the end of the fiscal year.

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

Securities without market value:

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 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 lease 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 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 lease assets)

Intangible assets are amortized by the straight-line method.

However, software is amortized by the straight-line method over its useful life assuming in-house use (5 years).

c. Lease assets

Lease 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).

The accounting treatment of finance lease transactions that do not transfer ownership in cases where the lease transaction commencement date falls in any year before the first fiscal year in which the Accounting Standards Board of Japan (ASBJ) Statement No. 13 "Accounting Standard for Lease Transactions" was applied is in accordance with the accounting method for ordinary rental transactions.

(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 directors' retirement benefits

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.

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

Monetary claims and obligations denominated in foreign currencies are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, and translation gains (losses) are recognized in profit (loss). Of note, consolidated overseas subsidiaries' assets and liabilities are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, revenue and expenses are translated into Japanese yen based on the average exchange rate for the fiscal year, and translation gains (losses) are included in "Foreign currency translation adjustments" and "Non-controlling interests" under Net Assets.

(v) Significant hedge accounting methods

a. Method of hedge accounting

Gains/losses on hedges are deferred. For currency swaps, allocation treatment is applied when the swap meets the conditions for application of such allocation treatment. For interest rate swaps, exceptional treatment is applied when the swap meets 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 and forward exchange contracts are employed as hedging instruments.

Hedged items:

Borrowings, bonds payable, etc.

c. Hedging policy

Hedge accounting policy is to limit hedging 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.

(vi) 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.

(vii) Accounting standards for liability for retirement benefits

To prepare for the payment of retirement benefits to employees, liability for retirement benefits 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 "Retirement benefits liability adjustments" in "Accumulated other comprehensive income" under Net Assets, after making tax effect adjustments. When the value of plan assets exceeds the amount of the retirement benefit obligation, the amount of such excess is recorded in "Assets for retirement benefits".

(viii) Accounting treatment of consumption tax, etc.

Tax exclusion method is applied.

Of note, there were no applicable transactions in consolidated overseas subsidiaries.

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

(4) Changes in Accounting Policies

The Accounting Standard for Business Combinations (Accounting Standards Board of Japan ("ASBJ") Statement No. 21, September 13, 2013; hereinafter the "Business Combinations Accounting Standard"), Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereinafter the "Consolidated Financial Statements Accounting Standard"), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter the "Business Divestitures Accounting Standard") and related standards are applied from the fiscal year under review onward. Under this new application of these standards, the company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. Additionally, the method has been changed such that for business combinations that occur on or after the beginning of the fiscal year under review, in cases where revisions to the distribution amount of the acquisition cost resulting from provisional accounting treatment are conducted during the fiscal year following the year of the business combination taken place, the amount of the effect will be categorized and displayed in the beginning balance of the fiscal year during which the revision took place, and the beginning balance after application of the amount of the effect will be displayed. Additionally, changes have been made to the display method of net income, etc., and minority interests have been changed to non-controlling interests.

With regard to the application of the Business Combinations Accounting standards and its related standards, the Company followed the provisional treatment in Article 58-2(4) of the Business Combinations Accounting Standards, Article44-5(4) of the Consolidated Financial Statements Accounting Standard, and Article 57-4(4) of the Business Divestitures Accounting Standard with application from the beginning of

the fiscal year under the review prospectively.

Furthermore, the impact of this change on capital surplus as of the end of the fiscal year under review and operating income, ordinary income, and income before income taxes for the fiscal year under review is immaterial.

2. Notes to the Consolidated Balance Sheets

(1) Assets pledged as collateral and secured liabilities

(i) Assets pledged as collateral

Cash and deposits	¥1,439 million
Property, plant and equipment	¥34,228 million
Intangible assets	¥822 million
Investment securities	¥91 million
Investments and other assets -other	¥2,228 million
Total	¥38,810 million

(ii) Secured liabilities

Notes and accounts payable-trade	¥3,648 million
Short-term loans payable	¥9,120 million
Notes discounted	¥819 million
Other current liabilities	¥3 million
Long-term loans payable	¥6,003 million
Other noncurrent liabilities	¥26 million
Total	¥19,622 million

(2) Accumulated depreciation of property, plant and equipment ¥1,073,719 million

(3) Guarantee obligations

Guarantees for loans payable from banks, etc.	¥2,197 million
Guarantees for account payables to Ready-mixed Cooperative Association, etc.	¥930 million

(4) Discounted trade notes receivable ¥5,815 million

Trade notes receivable transferred by endorsement ¥2,061 million

(5) Revaluation of Land

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

3. 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 1,237,800,586 shares

(Translation)

(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 26, 2015	Common stock	3,707 (Note 1)	¥3.00	March 31, 2015	June 29, 2015
Ordinary General Meeting of Board of Directors held on November 10, 2015	Common stock	3,707 (Note 2)	¥3.00	September 30, 2015	December 2, 2015

(Notes) 1. Includes dividends of ¥22 million associated with treasury stock held by consolidated subsidiaries.

2. Includes dividends of ¥22 million associated with treasury stock 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: ¥3,707 million

Amount of dividend per share: ¥3.00

Record date: March 31, 2016

Effective date: June 30, 2016

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

Dividend amounts include dividends of ¥16 million associated with treasury stock held by consolidated subsidiaries.

(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

4. 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, 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 Group has a business

relationship, and are exposed to the risk of market price fluctuations.

Notes and accounts payable-trade, which are operating payables, have payment due dates within one year. For a portion of raw materials and fuel procurement, derivative transactions (raw fuel swap transactions) are used as hedging methods to limit risk in the variation of raw materials and fuel prices. Among borrowings, short-term loans payable are mainly funds raised in connection with business transactions, and long-term loans payable and bonds payable are principally funds raised for the purpose of making capital investments. Some long-term loans payable 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 loans payable, 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

The consolidated balance sheet amount and market value of financial instruments and the difference between the two at March 31, 2016 (i.e., end of the consolidated fiscal year under review) are shown in the following table.

(Unit: Millions of yen)

	Consolidated balance sheet amount	Market value	Difference
(i) Cash and deposits	53,539	53,539	-
(ii) Notes and accounts receivable-trade	161,392	161,392	-
(iii) Investment securities	76,480	78,575	2,094
Total assets	291,413	293,508	2,094
(iv) Notes and accounts payable-trade	73,893	73,893	-
(v) Short-term loans payable	110,048	110,048	-
(vi) Bonds payable	46,605	46,894	289
(vii) Long-term loans payable	237,843	238,493	650
Total liabilities	468,391	469,331	939
(viii) Derivative transactions*	(12)	(12)	-

* Net receivables and payables arising from derivative transactions are shown in net amount.

(Notes) 1. Calculation method of market value of financial instruments and matters related to securities and derivative transactions

(i) Cash and deposits and (ii) Notes and accounts receivable-trade

Since these items are settled in a short period of time, their market value is more or less the same as carrying value; therefore, the carrying value is adopted.

(iii) Investment securities

The market value of investment securities is based on quoted market prices.

(iv) Notes and accounts payable-trade, (v) Short-term loans payable

Since these items are settled in a short period of time, their market value is more or less the same as carrying value; therefore, the carrying value is adopted.

(vi) 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. The presentation of market value of bonds payable includes the current portion of bonds.

(vii) Long-term loans payable

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. The presentation of market value of long-term loans payable includes the current portion of long-term loans payable. A portion of long-term loans payable are subject to appropriated treatment for currency swaps and exceptional treatment for interest rate swaps (see (viii) below), 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.

(viii) Derivative transactions

The market value of derivatives is calculated based on prices, etc. presented by financial institutions with which derivative transactions are performed. Of note, those subject to allocation treatment for exchange rate swaps and exceptional treatment for interest rate swaps are processed integrally with the hedged long-term loans payable, so their market value is included in the presentation of such long-term loans payable (see (vii) above).

2. Unlisted stocks and investments in capital, etc. (consolidated balance sheet amount: ¥38,962 million) are not included in "(iii) Investment securities" as it is deemed extremely difficult to determine their market value because there is no quoted market price and it is impossible to estimate future cash flows.

5. 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
46,099	97,217

(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 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.

(Translation)

6. Notes on Per Share Information

Net assets per share: ¥259.11

Net income per share: ¥29.63

7. Notes on Significant Subsequent Events

The Company and equity-method affiliate DC Co., Ltd. (hereinafter "DC") passed a resolution at their respective meetings of the Board of Directors on May 12, 2016, to execute a share exchange wherein the Company becomes a wholly-owning parent company of DC and DC becomes a wholly-owned subsidiary of the Company (hereinafter referred as "Share Exchange"), and a share exchange agreement was entered into between the two companies, as shown below.

(1) Overview of the party companies of the Share Exchange (as of March 31, 2016)

	Wholly-owning parent company	Wholly-owned subsidiary
1) Name	Taiheiyo Cement Corporation	DC Co., Ltd.
2) Address	2-3-5 Daiba, Minato-ku, Tokyo	1-1 Asano-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa
3) Title and name of the representative	President Shuji Fukuda	President Hideki Kudo
4) Business description	Cement business, resources business, environment business, building materials/building and civil engineering business, etc.	Cement business, resources business, environment business, real estate business, etc.
5) Capital stock	86,174 million yen	4,013 million yen

(2) Purpose of making a wholly-owned subsidiary via the Share Exchange

The Company believes that its mission is to provide products and solutions as part of the social infrastructure to address various needs and challenges both domestically and overseas. The company has been involved in reconstruction of the country after the Great East Japan Earthquake, large infrastructure projects and disaster prevention and mitigation initiatives as well as infrastructure projects overseas, developing and enhancing social infrastructure required for urbanization and establishing recycling-based societies with a special focus on developing countries. The company, in the light of its group management philosophy, set forth a "goal to become a corporate group that can offer safety and security to the societies in the Pacific Rim region by leveraging the comprehensive strength of the group" and defined a clear mid-to-long term vision for the continuous growth of the Group as our future vision and direction at targeted at the mid-2020s. As a first step to realize this "our future vision and direction" the company has formulated a "17 Mid-Term Management Plan" for a three-year period from FY2016 to FY2018, and has been carrying out in earnest its business strategy set forth therein, strengthening existing businesses and formulating and implementing a growth strategy.

DC initially started its operation as the Kawasaki plant of Asano Cement Corporation (currently the Company) in 1917 before it spun out to be an independent company, Nippon Koro Cement Corporation in 1941. The name of the company was changed to Daiichi Cement Corporation and the company was listed on the Tokyo Stock Exchange First Section in 1949. Then it was merged with Chuo Shoji Co.,

Ltd., which handled aggregate, in 2003 to become DC Co., Ltd. Since then, the company has been conducting business in areas including cement, resources, environment and real estate. DC has been a forerunner in manufacturing of environment-friendly Portland Blast-Furnace Slag Cement and has been playing an important role in infrastructure development in metropolitan areas to date by steadily and swiftly offering construction materials. In addition, it took on initiatives for recycling wastes and by-products from early on, and has been proactively making contributions to low-carbon and zero-waste societies. Furthermore, in the DC Group's mid-term business plan <FOR NEXT STAGE> formulated for a period from FY2014 to FY2016, the company set forth "Stronger Business Structure," "Improvement of Corporate Value" and "Improvement of Meaning of Corporate Existence" as the main visions for the DC Group to continuously grow and to establish a stronger business structure, and DC has been working in earnest to realize these visions. The company's current challenges include "strengthening and improvement of the business infrastructure," "building resilience to changes" and "human resources development," and it thrives to enhance its business structure and to develop safe and secure social infrastructure.

The Company and DC share a business strategy as part of the Group, and the Company conducts its businesses in the form where it sells/consigns products as an assignee/consigner. The future of the business environment surrounding the Group is expected to continue to be uncertain due to several different factors such as a shortage of labor and price hikes of construction materials, which have resulted in changes in process methods and delays in construction, as well as a decline in public investment, causing the downward swing of the domestic demand projected in the 17 Mid-Term Management Plan. Furthermore, the domestic demand for cement is expected to gradually decrease due to a decline in the population as the population ages and fewer babies are born. On the other hand, there are urgent needs for measures for disaster prevention and mitigation to prepare for ever so intensifying natural disasters and measures to address aging infrastructure, and large-scale infrastructure projects will be underway in the near future in connection with the 2020 Tokyo Olympics and Paralympics.

Under such circumstances, the companies understood that it is of extreme importance for the Group to be involved in national projects such as disaster prevention and mitigation initiatives and large infrastructure development to make sound contributions to building safe and secure societies while ensuring sustainable growth by maximizing the revenue of the group in environment and other businesses, including resources and waste disposal businesses.

In the light of such understanding, the Company came to realize that, in steps toward the realization of the 17 Mid-Term Management Plan, it would be critical for the company to leverage the strength of DC, which owns oceanfront plants in metropolitan areas, to the maximum extent and in an agile manner, and to expand business opportunities in the resources and environment businesses so that the company can establish a more robust structure to cope with a rapid change of the business environment promptly and flexibly. DC, on the other hand, also came to realize that it would need to be more cost competitive for its continuous growth and that this could be achieved by leveraging the technology, capabilities in R&D and sales, know-how and nation-wide network the Company could offer. The Company and DC came to share a vision that they shall enhance the relationship between the two companies and generate

synergistic effects at an early stage by making the most of the strength of each company in part for them to be prepared for changing business environments in the future, and came to an agreement in December of 2015 to start considering a business integration.

After a series of sincere discussions and negotiations between both companies, the Company and DC came to an understanding that integrating resources nurtured at each company for optimal operation and maximizing the corporate value as the Group as a whole, rather than each company pursuing its own interest separately, would be the best course for sustainable growth of both companies and improvement of the mid-long term corporate value, which then would further the common interest of all of the shareholders of the Company and DC. And the Company and DC eventually came to a conclusion that the best way of realizing these goals will be merging the two companies in the form of share exchange for prompt decision making and establishment of a management structure which would allow formulation of business strategies in an agile manner, and a resolution was adopted at their respective meeting of the Board of Directors held on May 12, 2016 to execute the Share Exchange whereby the Company becomes a wholly-owning shareholder of DC and DC becomes a wholly-owned subsidiary of the Company.

(3) Overview of the Share Exchange

1) Schedule for the Share Exchange

General shareholders meeting resolution date (DC)	June 28, 2016 (scheduled)
The Share Exchange date (Effective date)	August 1, 2016 (scheduled)

(Notes) 1. The Company will execute the Share Exchange under the short-form share-for-share exchange procedures according to the Article 796 (2) of the Companies Act, which does not require an approval of the resolution at a shareholders meeting.

2. The above schedule may be modified upon mutual agreement.

2) Method of the Share Exchange

The Share Exchange will be executed whereby the Company becomes a wholly-owning parent company of DC and DC becomes a wholly-owned subsidiary of the Company. The Company's common stock will be granted to DC shareholders in exchange for the DC Stock.

3) Content of the allocation pursuant to the Share Exchange

	The Company (wholly-owning parent company)	DC (wholly-owned subsidiary)
Exchange ratio in the Share Exchange	1	1.375
Number of new shares to be issued in the Share Exchange	Common stock: 33,602,198 shares (plan)	

(Notes) 1. Share allocation ratio

The Company will grant the Company's common stock (hereinafter referred to as "the Company Stock") equal to the number of shares of DC Stock owned times 1.375 to all

DC shareholders of record (excluding 9,618,400 shares of DC Stock owned by the Company as of May 12, 2016) (hereinafter referred to as "the Reference Time") immediately prior to the acquisition of all DC issued shares by the Company pursuant to the Share Exchange. Such allocation ratio may be modified upon mutual consultations between both parties in the event a material change in various conditions, which are bases of the calculation, occurs.

2. The number of shares to be granted pursuant to the Share Exchange

The Company will issue new common stock to grant 1.375 shares of the Company Stock pursuant to the Share Exchange. DC will cancel all treasury shares (including any treasury shares acquired from dissenting shareholders exercising their rights to claim for repurchase of shares in connection with the Share Exchange) that it holds as of the Reference Time effective by a resolution of the DC Board of Directors adopted in a meeting to be held by the day before the effective date. Therefore, the number of shares to be allocated in connection with the Share Exchange may be modified in the future because of cancellation of the treasury shares by DC or other reasons.

8. 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 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 cement business assets with reduced profitability due to such factors as the decrease in demand and substantial fall in the market value of land, assets for rent, and idle properties that are not expected to be used in the future as follows, and such reduction in the amount of ¥5,757 million was recorded as an impairment loss under Extraordinary loss.

(Unit: Millions of yen)

Purpose	Location	Type	Impairment loss
Cement business assets	Hebei Province, China, etc.	Buildings and structures, machinery, equipment and vehicles, etc.	4,244
Assets for rent	Sanbu District, Chiba Prefecture, etc.	Land	758
Idle properties	Saiki City, Oita Prefecture, etc.	Buildings and structures, machinery, equipment and vehicles, land, etc.	755

(Translation)

* Breakdown of impairment loss by purpose

(Unit: Millions of yen)

Purpose	Breakdown
Cement business assets	Buildings and structures: 903, Machinery, equipment and vehicles: 2,240, Other: 1,099, Total: 4,244
Assets for rent	Land: 758, Total: 758
Idle properties	Buildings and structures: 141, Machinery, equipment and vehicles: 65, Land: 543, Other: 4, Total: 755

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 5%.

(Notes on Business Combinations, etc.)

Business combination via acquisition

(1) Summary of business combination

1) Name of counterparty and description of acquired business

Name of counterparty: Martin Marietta Materials, Inc. and its group companies (hereinafter the "MM Group")

Business description: Cement business

2) Reasons for business combination

With the aim of creating a production structure that can respond to increase demand for cement in the states of California, Arizona, and Nevada in the United States, and with the aim of reducing logistics expenses and optimizing production for cement plants already held in the states of California and Arizona, the Company acquired cement business assets in the state of California from the MM Group.

3) Date of business combination

September 30, 2015

4) Legal type of business combination

Business transfer by CalPortland Company, a subsidiary of the Company

(2) Period included in the Consolidated Financial Statements for the acquired business

October 1, 2015 to December 31, 2015

(3) Source of funding for the acquired business and breakdown

Acquisition consideration: Cash 420,000 thousand US dollars

(4) Amount of goodwill, reasons for goodwill, amortization method, and amortization period

Not applicable.

(Translation)

Non-consolidated Financial Statements

(April 1, 2015 - March 31, 2016)

Non-consolidated Balance Sheets

(Unit: Millions of yen)

Account	FY2016 (as of March 31, 2016)	(Reference) FY2015 (as of March 31, 2015)
Assets		
Current assets	**98,306**	**104,659**
Cash and deposits	3,175	3,329
Notes receivable-trade	18,228	20,139
Accounts receivable-trade	46,697	48,616
Merchandise and finished goods	8,585	8,600
Raw materials and supplies	15,266	17,392
Prepaid expenses	333	347
Deferred tax assets	1,783	2,118
Other	4,238	4,118
Allowance for doubtful accounts	(3)	(3)
Noncurrent Assets	**489,267**	**443,880**
Property, plant and equipment	**204,642**	**201,460**
Buildings	23,783	23,680
Structures	47,747	48,802
Machinery and equipment	36,524	35,662
Vehicles	125	105
Tools, furniture and fixtures	676	696
Raw materials land	13,097	13,181
Land	69,547	69,281
Lease assets	4,121	5,054
Construction in progress	9,019	4,994
Intangible assets	**14,592**	**14,886**
Mining rights	10,908	11,094
Software	838	885
Other	2,845	2,907
Investments and other assets	**270,032**	**227,532**
Investment securities	20,265	22,588
Shares of subsidiaries and affiliates	173,001	127,433
Investments in capital	36	36
Investments in capital of subsidiaries and affiliates	37,164	36,968
Long-term loans receivable	147	185
Long-term prepaid expenses	10,817	11,155
Prepaid pension costs	21,014	20,955
Other	53,482	60,419
Allowance for doubtful accounts	(45,896)	(52,210)
Total Assets	**587,574**	**548,540**

(Translation)

Account	FY2016 (as of March 31, 2016)	(Reference) FY2015 (as of March 31, 2015)
Liabilities		
Current liabilities	**142,478**	**173,562**
Accounts payable-trade	29,146	31,799
Short-term loans payable	75,599	77,820
Commercial papers	-	5,000
Current portion of bonds	-	20,000
Lease obligations	1,176	1,531
Accounts payable-other	17,921	15,313
Accrued expenses	11,158	11,522
Income taxes payable	3,534	6,541
Advances received	146	207
Deposits received	199	213
Unearned revenue	1,430	1,233
Provision for bonuses	2,152	2,379
Other	12	-
Noncurrent liabilities	**216,485**	**163,706**
Bonds payable	45,000	45,000
Long-term loans payable	132,763	81,428
Lease obligations	3,151	3,756
Deferred tax liabilities	3,515	1,473
Provision for loss on guarantees	1,166	937
Guarantee deposits received	28,323	28,507
Asset retirement obligations	2,168	2,129
Other	395	473
Total liabilities	**358,963**	**337,268**
Net Assets		
Shareholders' equity	**224,659**	**205,791**
Capital stock	**86,174**	**86,174**
Capital surplus	**48,110**	**48,110**
Legal capital surplus	34,049	34,049
Other capital surplus	14,060	14,060
Retained earnings	**90,816**	**71,905**
Other retained earnings	90,816	71,905
Reserve for mine prospecting	251	287
Reserve for advanced depreciation of non-current assets	17,477	17,820
Retained earnings brought forward	73,087	53,798
Treasury stock	**(441)**	**(399)**
Valuation and translation adjustments	**3,951**	**5,480**
Valuation difference on available-for-sale securities	3,960	5,480
Deferred gains or losses on hedges	(8)	-
Total net assets	**228,610**	**211,271**
Total liabilities and net assets	**587,574**	**548,540**

(Translation)

Non-consolidated Statements of Income

(Unit: Millions of yen)

Account	FY2016 (April 1, 2015 - March 31, 2016)	(Reference) FY2015 (April 1, 2014 - March 31, 2015)
Net sales	**300,642**	**312,712**
Cost of sales	**204,645**	**211,745**
Gross profit	**95,997**	**100,967**
Selling, general and administrative expenses	**63,045**	**64,598**
Operating income	**32,952**	**36,368**
Non-operating income	**7,274**	**8,058**
Dividends income	5,486	5,196
Reversal of allowance for doubtful accounts	1,031	1,027
Other	757	1,834
Non-operating expenses	**4,011**	**4,957**
Interest expenses	2,332	2,640
Other	1,679	2,317
Ordinary income	**36,214**	**39,469**
Extraordinary income	**3,117**	**1,711**
Gain on disposal of non-current assets	412	1,633
Gain on sales of investment securities	2,704	78
Extraordinary loss	**3,803**	**4,899**
Loss on disposal of non-current assets	2,537	2,303
Loss on liquidation of subsidiaries and affiliates	0	0
Loss on valuation of investment securities	96	1,859
Loss on sales of investment securities	59	5
Impairment loss	1,110	731
Income before income taxes	**35,527**	**36,281**
Income taxes-current	6,067	10,609
Income taxes-deferred	3,133	(1,734)
Net income	**26,326**	**27,406**

(Translation)

Non-consolidated Statements of Changes in Net Assets

(April 1, 2015 - March 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity							Valuation and translation adjustments			Total net assets
	Capital stock	Capital surplus			Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings (Note)						
Balance at April 1, 2015	**86,174**	**34,049**	**14,060**	**48,110**	**71,905**	**(399)**	**205,791**	**5,480**	**-**	**5,480**	**211,271**
Changes in items during the fiscal year											
Dividends from surplus					(7,415)		(7,415)				(7,415)
Net income					26,326		26,326				26,326
Purchase of treasury stock						(43)	(43)				(43)
Disposal of treasury stock			0	0		0	0				0
Net changes in items other than shareholders' equity								(1,520)	(8)	(1,529)	(1,529)
Total changes in items during the fiscal year	**-**	**-**	**0**	**0**	**18,910**	**(42)**	**18,868**	**(1,520)**	**(8)**	**(1,529)**	**17,339**
Balance at March 31, 2016	**86,174**	**34,049**	**14,060**	**48,110**	**90,816**	**(441)**	**224,659**	**3,960**	**(8)**	**3,951**	**228,610**

(Translation)

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

(Unit: Millions of yen)

	Other retained earnings			
	Reserve for mine prospecting	Reserve for advanced depreciation of non-current assets	Retained earnings brought forward	Total other retained earnings
Balance at April 1, 2015	**287**	**17,820**	**53,798**	**71,905**
Changes in items during the fiscal year				
Reversal of reserve for mine prospecting	(107)		107	-
Provision of reserve for mine prospecting	69		(69)	-
Reversal of reserve for advanced depreciation of non-current assets		(511)	511	-
Dividends from surplus			(7,415)	(7,415)
Increase in reserves associated with increase in effective tax rate	2	168	(170)	-
Net changes in items other than shareholders' equity			26,326	26,326
Total changes in items during the fiscal year	**(35)**	**(342)**	**19,288**	**18,910**
Balance at March 31, 2016	**251**	**17,477**	**73,087**	**90,816**

(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 with market value:

Marked to market based on the average market price, etc. in the one-month period before the end of the fiscal year. (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) Securities without market value:

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

(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, raw materials land and lease assets)

Declining balance method, except for buildings (excluding accompanying facilities) purchased on and after April 1, 1998, 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) Lease assets (lease assets in finance lease transactions that do not transfer ownership)

Lease 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).

The accounting treatment of finance lease transactions that do not transfer ownership in cases where the lease transaction commencement date falls in any year before the first fiscal year in which the Accounting Standards Board of Japan (ASBJ) Statement No. 13 "Accounting Standard for Lease

Transactions" was applied is in accordance with the accounting method for ordinary rental transactions.

(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.

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

(5) Accounting treatment of consumption tax, etc.

Tax exclusion method is applied.

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

(Translation)

2. 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	¥647,179 million
(3) Outstanding balance of guarantee obligations	¥17,250 million
(4) Monetary claims and obligations to subsidiaries and affiliates	
Short-term monetary claims	¥25,471 million
Long-term monetary claims	¥49,829 million
Short-term monetary obligations	¥34,177 million
Long-term monetary obligations	¥2,468 million

3. Notes to the Non-consolidated Statements of Income

Amount of transactions with subsidiaries and affiliates

Amount of business transactions	
Sales	¥90,356 million
Purchases	¥98,180 million
Amount of non-business transactions	¥6,816 million

4. 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	1,920,052 shares

(Translation)

5. 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	¥13,905 million
Provision for bonuses	¥611 million
Provision for retirement benefits	¥4,073 million
Loss on valuation of shares, etc. of subsidiaries and affiliates	¥20,844 million
Loss on valuation of golf memberships	¥281 million
Depreciation and amortization	¥198 million
Impairment loss	¥4,200 million
Business structure reform expenses	¥2,831 million
Other	¥3,079 million
Deferred tax assets - Subtotal	¥50,026 million
Valuation allowance	¥(41,350) million
Deferred tax assets - Total	¥8,676 million

(ii) Deferred tax liabilities

Reserve for mine prospecting	¥(111) million
Reserve for advanced depreciation of non-current assets	¥(7,717) million
Exchange gains (losses), etc. in equity transactions	¥(526) million
Valuation difference on available-for-sale securities	¥(1,747) million
Other	¥(305) million
Deferred tax liabilities - Total	¥(10,408) million
Net deferred tax assets	¥(1,731) million

6. Notes on Noncurrent Assets Used through Lease

In addition to noncurrent assets recorded in the non-consolidated balance sheets, cement feeding equipment's are used through finance leases that do not transfer ownership.

(Translation)

7. 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	TCC Holdings Labuan, Inc.	Directly holds 100%	Financial assistance Dispatch of officer	Lending of funds (Note 1)	—	"Other" in Investments and other assets (Note 3)	16,775
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 3)	13,304
Subsidiary	Sanshin Electric International Corporation	Directly holds 100%	Financial assistance Dispatch of officer	Lending of funds (Note 1) Collection of funds	— 67	"Other" in Investments and other assets (Note 3)	7,360
Subsidiary	Ichihara Ecocement Corporation	Directly holds 100%	Financial assistance Dispatch of officer	Lending of funds (Note 1)	—	"Other" in Investments and other assets (Note 3)	7,600
Subsidiary	Taiheiyo Cement U.S.A., Inc.	Directly holds 100%	Dispatch of officer	Underwriting of capital increase (Note 5)	50,376	—	—
Subsidiary	CalPortland Company	Directly holds 100%	Debt guarantee Dispatch of officer	Debt guarantee (Note 2)	8,380	—	—
Subsidiary	TC Trading Co., Ltd.	Directly holds 67.7% Indirectly holds 5.8%	Sales of the Company's products Dispatch of officer	Sales of the Company's products (Note 4)	20,511	Accounts receivable-trade	4,827

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

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

(Note 2) The Company provides a debt guarantee for advances received.

(Note 3) For loans receivable, etc. from these companies, allowance for doubtful accounts totaling ¥40,704 million is recorded.

(Note 4) The terms of sales of the Company's products are determined by referring to market prices, etc.

(Note 5) The underwriting of capital increase was the underwriting of a capital increase via shareholder allotment.

(Translation)

8. Notes on Per Share Information

Net assets per share: ¥184.98

Net income per share: ¥21.30

9. Notes on Significant Subsequent Events

The Company and equity-method affiliate DC Co., Ltd. passed a resolution at their respective meetings of the Board of Directors on May 12, 2016, to execute a share exchange wherein the Company becomes a wholly-owning parent company of DC and DC becomes a wholly-owned subsidiary of the Company, and a share exchange agreement was entered into between the two companies.

Details are as shown in "7. Notes on Significant Subsequent Events" of the Notes to the Consolidated Financial Statements.

(Translation)

Accounting Auditor's Report for the Consolidated Financial Statements(Copy)

Independent Auditor's Report

May 16, 2016

The Board of Directors
Taiheiyo Cement Corporation

KPMG AZSA LLC

Shozo Tokuda (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

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

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

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Taiheiyo Cement Corporation as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Emphasis of Matter

We draw attention to significant subsequent events in the Notes to the Consolidated Financial Statements which describes at the board of Directors meeting held on May 12, 2016, Taiheiyo Cement Company passed a resolution to execute a share exchange wherein the Company becomes a wholly-owning parent company and DC Co., Ltd becomes a wholly-owned subsidiary, and a share exchange agreement was entered into on the same date.
Our opinion is not qualified in respect of this matter.

Other Matter

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

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

(Translation)

Accounting Auditor's Report for the Financial Statements(Copy)

Independent Auditor's Report

May 16, 2016

The Board of Directors
Taiheiyo Cement Corporation

KPMG AZSA LLC

Shozo Tokuda (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

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

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

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Taiheiyo Cement Corporation as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while

the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

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

Opinion

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

Emphasis of Matter

We draw attention to significant subsequent events in the Notes to the Non-Consolidated Financial Statements which describes at the board of Directors meeting held on May 12, 2016, Taiheiyo Cement Company passed a resolution to execute a share exchange wherein the Company becomes a wholly-owning parent company and DC Co., Ltd becomes a wholly-owned subsidiary, and a share exchange agreement was entered into on the same date.
Our opinion is not qualified in respect of this matter.

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

(Translation)

Board of Auditors' Audit Report (Copy)

Audit Report

The Board of Auditors has prepared this Audit Report following deliberations based on the respective audit reports prepared by Corporate Auditors in relation to the execution of duties by Directors for the 18th fiscal term from April 1, 2015 to March 31, 2016. 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 communicated and exchanged information with the directors, corporate auditors, etc. of the subsidiaries and received reports on their businesses as necessary. Based on the above methods, we examined the Business Report and the supplementary schedules for the fiscal year under review.

2) We also monitored and verified the content of the resolution passed by the Board of Directors regarding the development of a system to ensure that Directors comply with laws, ordinances and the Articles of Incorporation in executing their duties and other systems stipulated in paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act that are required to ensure proper operations of a company group comprised of a stock company and its subsidiaries, as well as the status of the system developed pursuant to such resolution (i.e., internal control system). In regards to internal controls over financial reporting, we received reports from Directors, etc. and KPMG AZSA LLC on the evaluation and audit status of such internal controls, and sought explanations as necessary.

3) We monitored and verified whether or not the Accounting Auditor had maintained its independence and whether or not it had conducted its audit properly, received reports from the Accounting Auditor on the execution status of its duties, and sought explanations as necessary. In addition, we were notified by the Accounting Auditor that it is equipped with a *system for ensuring that duties are performed properly* (matters listed in the items of Article 131 of the Company Accounting Ordinance) in accordance with the Quality Control Standards for Audits (issued by the Business Accounting Council on October 28, 2005), etc., and sought explanations as necessary.

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

(Translation)

2. Audit Results

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

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

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

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

(3) Results of audit of Consolidated Financial Statements

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

May 18, 2016

Board of Auditors, Taiheiyo Cement Corporation

Corporate Auditor (Standing)	Kohji Ishii	[Seal]
Corporate Auditor (Standing)	Noriyuki Ishii	[Seal]
Outside Corporate Auditor	Takashi Nonaka	[Seal]
Outside Corporate Auditor	Yoshio Narukage	[Seal]