(Translation)

Corporate Governance Report

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Last Update: June 30, 2021

Taiheiyo Cement Corporation
President and Representative Director
Masafumi Fushihara
Contact: General Administration Dept.

Securities code: 5233

https://www.taiheiyo-cement.co.jp/english/index.html

The corporate governance of Taiheiyo Cement Corporation (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The mission of the Taiheiyo Cement Group is to contribute to social infrastructure development by providing solutions that are environmentally efficient, enhance our competitive position and bring value to our stakeholders. Based on this mission, the Company will, in accordance with the provisions of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance," strive to improve corporate governance by ensuring the separation of the management's decision-making and supervisory functions from business execution to satisfy the expectations of stakeholders including stockholders and to realize sustainable growth and increase of its corporate value over the medium to long term.

The "Taiheiyo Cement Corporation Basic Policy on Corporate Governance" was established based on a resolution of the Board of Directors of the Company and is published on the website of the Company in its entirety.

Japanese URL https://www.taiheiyo-cement.co.jp/company/corpgov.html
English URL https://www.taiheiyo-cement.co.jp/english/company/corpgov.html

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company has implemented all the principle of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1.4 Cross-Shareholdings]

(Translation)

Please refer to Article 23 (Basic Policy concerning Cross-Shareholding and the Exercise of Voting Rights Pertaining to Shares Held as Part of Cross-Shareholdings) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance." As a result of verification, the Company sold 6 issues in FY2020.

[Principle 1.7 Related Party Transactions]

Please refer to Article 24 (Transactions with Related Parties) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance."

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company has established a basic investment policy for management of the assets under its corporate pension plan to ensure future payments of pension benefits to beneficiaries, and asset management institutions control and manage the plan assets in accordance with the basic investment policy.
The Pension Committee regularly monitors the investment status of the plan assets and reviews the portfolio composition of the plan assets as necessary.
The Pension Committee consists of personnel who belong to the accounting and finance, human resources, and other divisions with a thorough knowledge of asset management and pension plan, such as officers in charge of accounting, human resources, and corporate planning.

[Principle 3.1 Full Disclosure]

(1) Company objectives (e.g., mission), management strategies and management plans

Please find the mission, management strategies and management plans of the Company in the applicable sections of the Company's website.
<Mission>
Mission of the Taiheiyo Cement Group
Japanese URL https://www.taiheiyo-cement.co.jp/company/pol.html
English URL https://www.taiheiyo-cement.co.jp/english/company/pol.html

<Management strategies/management plans>
23 Medium-Term Management Plan
Japanese URL https://www.taiheiyo-cement.co.jp/ir/manage.html
English URL https://www.taiheiyo-cement.co.jp/english/ir/manage.html

(2) Basic views and guidelines on corporate governance

Please refer to "1.1 Basic views" of this Report.

(3) Board policies and procedures in determining the compensation of the senior management and directors

Please refer to Article 16 (Policy and Procedure for the Determination of Officers' Compensation) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance."

(4) Board policies and procedures in the appointment and dismissal of the senior management and the nomination of director and corporate auditor candidates

Please refer to Article 6 (Nomination Policy, etc. for Candidates for a Director), Article 10 (Appointment Policy, etc. for Executive Officers), and Article 13 (Nomination Policy, etc. for Candidates for a Corporate Auditor) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance."

(5) Explanation with respect to the individual appointment and dismissal of the senior management and the individual nomination of director and corporate auditor candidates

(Translation)

Please refer to the reference documents of the Notice of the Ordinary General Meeting of Stockholders published on the website of the Company.
Japanese URL https://www.taiheiyo-cement.co.jp/ir/kabunushi.html
English URL https://www.taiheiyo-cement.co.jp/english/ir/kabunushi.html

[Supplementary Principle 4.1.1 Board of Directors' decisions and the scope of the matters delegated to the management]

Please refer to Article 3 (Roles and Responsibilities of the Board of Directors) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance."

[Principle 4.9 Independence criteria for independent outside directors]

Please refer to Article 4 (Composition of the Board of Directors) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance" and the "Independent Officers" section of "2.1 Matters Concerning Organizational Structure, Organizational Operation, etc." of this Report.

[Supplementary Principle 4.11.1 Views on the appropriate balance between knowledge, experience and skills of the Board as a whole, as well as on diversity and appropriate board size]

Please refer to Article 4 (Composition of the Board of Directors) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance."

[Supplementary Principle 4.11.2 Status of concurrent positions at other listed companies held by directors /corporate auditors of the Company]

Please refer to Article 8 (Concurrent Positions of Directors) and Article 15 (Concurrent Positions of Corporate Auditors) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance."

[Supplementary Principle 4.11.3 Analysis and evaluation of the overall effectiveness of the Board of Directors and the summary of the results]

As stipulated in Article 20 (Evaluation of the Overall Effectiveness of the Board of Directors) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance," the Company is supposed to conduct the analysis and evaluation of the overall effectiveness of the Board of Directors each year.
Assessment for FY2020 was implemented through a questionnaire format for self-evaluation of all Directors and Corporate Auditors, and analysis and assessment were executed by the Chairperson of the Board and Outside Directors based on the results. In addition, upon reporting the contents of analysis and assessment to the Board of Directors, the improvements as compared to the previous year and future issues were deliberated and confirmed.
As a result, the overall assessment for FY2020 resulted in better outcome and therefore it was evaluated that the Board of Directors of the Company was generally appropriately managed and that the overall effectiveness of the Board of Directors was secured. With regard to the composition of the Board of Directors, which has been a point for improvement over the medium- to long-term, the Company has been taking measures to improve the effectiveness of the Board of Directors, such as increasing the number of Outside Directors by one to make the ratio of Outside Directors one-third of the Board of Directors, in order to strengthen management supervisory functions. Moreover, it was also confirmed that there was room for efforts to be made to devise ways and make an improvement with regard to further enhancement of information provision to each officer.
In the future, based on the results of assessment of effectiveness and a wide diversity opinions come up with by each Director and Corporate Auditor, the Company will work to make required improvements with the intent of further improvement of the functions of the Board of Directors.

[Supplementary Principle 4.14.2 Training policy for directors and corporate auditors]

Please refer to Article 19 (Training Policy for Directors, Corporate Auditors, etc.) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance."

(Translation)

[Principle 5.1 Policy for constructive dialogue with stockholders]

Please refer to Article 25 (Policy for Constructive Dialogue with Stockholders) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance."

2. Capital Structure

Foreign Shareholding Ratio	More than 30%

[Status of Major Stockholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	11,746,000	9.87
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT)	6,031,700	5.07
STATE STREET BANK AND TRUST COMPANY 505001	3,505,306	2.94
THE BANK OF NEW YORK MELLON 140044	2,267,142	1.90
MIZUHO BANK, LTD.	2,000,000	1.68
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	1,908,000	1.60
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT 5)	1,815,500	1.52
STATE STREET BANK WEST CLIENT-TREATY 505234	1,741,187	1.46
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT 6)	1,609,400	1.35
MEIJI YASUDA LIFE INSURANCE COMPANY	1,527,300	1.28

Controlling Stockholder (except for Parent Company)	-------
Parent Company	None

Supplementary Explanation

(1) In the Change Report made available for public inspection as of March 5, 2021, Mizuho Bank, Ltd. and one other company were reported to hold the following shares as of February 26, 2021. However, as the Company is unable to confirm the number of shares effectively held by these four companies as of March 31, 2021, these shareholdings are not included in the table above.
The shareholdings reported in the Change Report are as follows:

Mizuho Bank, Ltd.	Number of shares held	2,000 thousand	Shareholding ratio	1.57%
Asset Management One Co., Ltd.	Number of shares held	4,691 thousand	Shareholding ratio	3.69%
Total	Number of shares held	6,691 thousand	Shareholding ratio	5.26%

(2) In the Change Report made available for public inspection as of August 19, 2020, Marathon Asset Management LLP was reported to hold the following shares as of August 14, 2020. However, as the Company is unable to confirm the number of shares effectively held by this company as of March 31, 2021, this shareholding is not included in the table above.
The shareholding reported in the Change Report is as follows:

(Translation)

Marathon Asset Management LLP	Number of shares held	9,895 thousand	Shareholding ratio	7.78%

(3) In the Change Report made available for public inspection as of April 21, 2020, Sumitomo Mitsui Trust Bank, Limited and three other companies were reported to hold the following shares as of April 15, 2020. However, as the Company is unable to confirm the number of shares effectively held by these four companies as of March 31, 2021, these shareholdings are not included in the table above.
The shareholdings reported in the Change Report are as follows:

Sumitomo Mitsui Trust Bank, Limited	Number of shares held	359 thousand	Shareholding ratio	0.28%
Sumitomo Mitsui Trust Asset Management Co., Ltd.	Number of shares held	3,839 thousand	Shareholding ratio	3.02%
Nikko Asset Management Co., Ltd.	Number of shares held	2,312 thousand	Shareholding ratio	1.82%
Total	Number of shares held	6,510 thousand	Shareholding ratio	5.12%

(4) In the Change Report made available for public inspection as of March 22, 2016, BlackRock Japan Co., Ltd. and seven other companies were reported to hold the following shares as of March 15, 2016. However, as the Company is unable to confirm the number of shares effectively held by these eight companies as of March 31, 2021, these shareholdings are not included in the table above.
The shareholdings reported in the Change Report are as follows:

BlackRock Japan Co., Ltd.	Number of shares held	21,162 thousand	Shareholding ratio	1.71%
BlackRock Investment Management LLC	Number of shares held	1,323 thousand	Shareholding ratio	0.11%
BlackRock (Luxembourg) S.A.	Number of shares held	6,135 thousand	Shareholding ratio	0.50%
BlackRock Life Limited	Number of shares held	2,804 thousand	Shareholding ratio	0.23%
BlackRock Asset Management Ireland Limited	Number of shares held	5,507 thousand	Shareholding ratio	0.44%
BlackRock Fund Advisors	Number of shares held	18,925 thousand	Shareholding ratio	1.53%
BlackRock Institutional Trust Company, N.A.	Number of shares held	17,328 thousand	Shareholding ratio	1.40%
BlackRock Investment Management (UK) Limited	Number of shares held	2,373 thousand	Shareholding ratio	0.19%
Total	Number of shares held	75,559 thousand	Shareholding ratio	6.10%

(Note) The Company conducted a reverse stock split at a ratio of one for 10 on October 1, 2017. The number of shares held shown above are presented in the number of shares prior to the reverse stock split.

(5) The Company holds 8,248,450 shares of treasury stock as of March 31, 2021, but is not included in the major stockholders shown above.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section, Fukuoka Stock Exchange Main Board

(Translation)

Fiscal Year-End	March
Type of Business	Glass & Ceramics Products
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy on Measures to Protect Minority Stockholders in Conducting Transactions with Controlling Stockholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

The Company owns Pacific Systems Corporation, a listed subsidiary. Its main businesses include equipment sales, software development, systems sales, and systems operation and management. The Company considers that it is essential to ensure the independence of Pacific Systems Corporation by maintaining its listing on the stock exchange so as to maintain and improve the subsidiary's credibility and name value, secure superior person, and maintain business partners' trust in the subsidiary. Moreover, given that Pacific Systems Corporation functions as the Group's sole systems-related company, the Company considers that Pacific Systems Corporation maximizes corporate value of the entire Group by making it possible to adequately leverage synergies drawing on the utilization of IT by the Company and group companies. The Company, based on the "Group Companies Management Rules," properly manages and supports its subsidiaries under the basic principle that the Company will assist them in establishing an autonomous and stable management that is based on their own responsibilities, with adequately functioning management bodies (general meeting of stockholders, board of directors, corporate auditors, board of auditors).

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Board of Auditors

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (except when concurrently serving as President)
Number of Directors	9

(Translation)

Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		A	b	c	d	e	f	g	h	i	j	k
Yoshiko Koizumi	Lawyer											
Shinhachiro Emori	From another company								△	△		
Hideyuki Furikado	Other											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/corporate auditor
g. Major stockholder of the Company (or an executive of the said major stockholder if the stockholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/corporate auditors are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoshiko Koizumi	Yes	-	**<Reason for the appointment as an outside director>** Yoshiko Koizumi has a wealth of experience as a lawyer and the broad insight of corporate legal affairs. As such, she is considered to be suitable to serve as an outside director from an equitable and impartial standpoint. **<Reason for designation as an independent director >**

			Yoshiko Koizumi has been designated as an independent director as she satisfies the "Independence Criteria for Outside Officers" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general stockholders.
Shinhachiro Emori	Yes	Shinhachiro Emori had held a position of an executive (Representative Managing Director) at TOSOH CORPORATION, which is a business partner of the Company, until June 2015. In addition, Keiichi Miura, who had worked for the Company in the past, has assumed the office of outside director at TOSOH CORPORATION.	**<Reason for the appointment as an outside director>** Shinhachiro Emori has a wealth of experience as a senior management executive of a company and the broad insight of corporate management in general. As such, he is considered to be suitable to serve as an outside director from an equitable and impartial standpoint. **<Reason for designation as an independent director>** Shinhachiro Emori has been designated as an independent director as he satisfies the "Independence Criteria for Outside Officers" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general stockholders.
Hideyuki Furikado	Yes		**<Reason for the appointment as an outside director>** Hideyuki Furikado has a wealth of experience as a government official and the broad insight of public administration. As such, he is considered to be suitable to serve as an outside director from an equitable and impartial standpoint. **<Reason for designation as an independent director>** Hideyuki Furikado has been designated as an independent director as he satisfies the "Independence Criteria for Outside Officers" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general stockholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee

(Translation)

Committee's Name	Nomination and Compensation Advisory Committee	Nomination and Compensation Advisory Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

The Company has established a Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors in order to secure fairness, transparency and objectivity pertaining to decisions on the nomination and compensation of directors and other officers. The members of the Nomination and Compensation Advisory Committee consist of directors appointed by the Board of Directors and include three or more members, the majority of whom shall be outside directors. The chairperson of the committee is appointed from among outside directors. The members of the committee are Outside Director Yoshiko Koizumi (Chairperson), Outside Director Shinhachiro Emori, Outside Director Hideyuki Furikado and Chairman and Director Shuji Fukuda.

[Corporate Auditors]

Establishment of Board of Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5
Number of Corporate Auditors	4

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

[Status of coordination between corporate auditors and accounting auditors]
Corporate auditors receive reports and explanations from accounting auditors regarding their audit plans, methods and results and exchange opinions with them regularly.

[Status of coordination between corporate auditors and the Internal Auditing Department]
Corporate auditors hold meetings with the Internal Auditing Department regularly and as necessary to exchange opinions. They also receive reports from the Department on internal audit plans and their implementation status in all particulars and request the Department to conduct an investigation as necessary.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	2
Number of Independent Corporate Auditors	2

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Wakako Mitani	Lawyer													

(Translation)

Yoshio Fujima	Certified public accountant													

* Categories for "Relationship with the Company"
* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past
* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Corporate auditor of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate auditor
i. Major stockholder of the Company (or an executive of the said major stockholder if the stockholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the corporate auditor himself/herself only)
k. Executive of a company, between which and the Company outside directors/ corporate auditors are mutually appointed (the corporate auditor himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the corporate auditor himself/herself only)
m. Others

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Wakako Mitani	Yes	-	**<Reason for the appointment as an outside corporate auditor>** Wakako Mitani has a wealth of experience, achievements and insight on corporate legal affairs as a lawyer. As such, she is considered to be suitable to serve as an outside corporate auditor from an equitable and impartial standpoint. **<Reason for designation as an independent corporate auditor >** Wakako Mitani has been designated as an independent corporate auditor as she satisfies the "Independence Criteria for Outside Officers" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general stockholders.
Yoshio Fujima	Yes	-	**<Reason for the appointment as an outside corporate auditor>** Yoshio Fujima has a wealth of experience, achievements and insight on

			corporate accounting as a certified public accountant. As such, he is considered to be suitable to serve as an outside corporate auditor from an equitable and impartial standpoint. He also has considerable knowledge of finance and accounting based on his long experience as a certified public accountant. **<Reason for designation as an independent corporate auditor >** Yoshio Fujima has been designated as an independent corporate auditor as he satisfies the "Independence Criteria for Outside Officers" established by the Company and it is therefore determined that there is no risk of any conflict of interest with general stockholders.

[Independent Directors/ Corporate Auditors]

Number of Independent Directors/ Corporate Auditors	5

Matters relating to Independent Directors/ Corporate Auditors

[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.

[Incentives]

Incentive Policies for Directors	Performance-linked Compensation

Supplementary Explanation

Directors' (excluding Outside Directors') compensation consists in part of stock compensation and performance-linked compensation. For details, please see "II. 1. [Director Compensation] Disclosure of Policy on Determining Compensation Amounts and Calculation Methods" of this Report.

Recipients of Stock Options	

Supplementary Explanation

[Director Compensation]

Disclosure of Individual Directors' Compensation	No Individual Disclosure

Supplementary Explanation

Compensation paid to directors and corporate auditors
Directors: 552 million yen (in total for 15 directors)
Corporate auditors: 72 million yen (in total for 4 corporate auditors)

Policy on Determining Compensation Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

(Translation)

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

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

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

・The amounts of fixed compensation and stock compensation are determined according to the rank of position.

・The amount of the performance-linked compensation of Directors (excluding Outside Directors) is calculated by multiplying the amount calculated as profit attributable to owners of parent for the current fiscal year times 1% (an upper limit of ¥400 million) by the multiplier assigned to each position. It is paid starting from July in the fiscal year following the end of the current fiscal year. However, this amount can be reduced in consideration of the financial performance of the Company or other circumstances. In principle, performance-linked compensation is not paid if the amount of annual dividend for the current fiscal year is less than ¥30 per share.

・Stock compensation is paid every year by granting restricted stock according to the rank of position. The transfer restrictions will be canceled when a Director retires.

・The composition ratio of fixed compensation, stock compensation and performance-linked compensation in the amount of compensation is approximately 90% to approximately 45% for fixed compensation, approximately 10% to approximately 15% for stock compensation, and 0% to approximately 40% for performance-linked compensation, depending on profit. Performance-linked compensation makes up 33% of the total compensation for FY2020.

・Profit attributable to owners of parent was chosen as an indicator with an aim to strengthen the link between the compensation and stockholders' benefit. The actual result of profit attributable to owners of parent for FY2019, which serves as a basis for calculating the performance-linked compensation for FY2020, was ¥39.1 billion.

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

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

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

The upper limits of compensation for Directors and Corporate Auditors are separately set by a resolution of the General Meeting of Stockholders. The date of resolution of the General Meeting of Stockholders on the compensation for Directors was June 29, 2021, and the number of Directors after said General Meeting of Stockholders was nine (including three outside directors). The date of resolution on the compensation for Corporate Auditors was June 29, 2000, and the number of Corporate Auditors after said General Meeting of Stockholders was four. The content of the resolution of the General Meetings of Stockholders regarding compensation for Directors is such that the amount shall be not more than ¥1.2 billion yen per year (of which, ¥100 million yen for Outside Directors) and not more than ¥200 million yen per year (200 thousand shares per year) shall be provided to Directors other than Outside Directors as restricted stock compensation within the scope of the said compensation amount. The content of the resolution on the compensation for Corporate Auditors is such that the amount shall be not more than ¥13 million per month.

[Supporting System for Outside Directors and/or Corporate Auditors]

The Corporate Planning Department provides outside directors with such support for their execution of duties as agenda briefing for coming board meetings and regular business reporting (weekly as a rule).
For outside corporate auditors, liaison meetings are held regularly (weekly as a rule), at which full-time corporate auditors report the results of important internal meetings such as Executive Committee meetings.
The Company also has established a Corporate Auditor's Office consisting of three persons responsible for assisting corporate auditors.

[Status of Persons Retired as President and Representative Director, etc.]

Names, etc. of advisors ("sodanyaku," "komon," etc.) who have formerly served as President and Representative Director, etc.

Name	Title/ position	Activity Description	Working Arrangement / Conditions (Full-time/Part-time, Compensation)	Date of retirement from President, etc.	Term
Takashi Kurihara	Honorary Advisor	Engaged in activities in the business community, etc. outside the Company (non-participation in management)	Working Arrangement: Part-time Compensation: No	September 30, 1994	Lifelong
Michio Kimura	Honorary Advisor	Engaged in activities in the business community, etc. outside the Company (non-participation in management)	Working Arrangement: Part-time Compensation: No	March 31, 2002	Lifelong
Fumio Sameshima	Honorary Advisor	Engaged in activities in the business community, etc. outside the Company (non-participation in management)	Working Arrangement: Part-time Compensation: No	March 31, 2008	Lifelong
Keiji Tokuue	Honorary Advisor	Engaged in activities in the business community, etc. outside the Company (non-participation in management)	Working Arrangement: Part-time Compensation: No	March 31, 2012	Lifelong

Total number of advisors ("sodanyaku," "komon," etc.) who have formerly served as President and Representative Director, etc	4

Other information

- The Company has a system in which persons who have been President of the Company are commissioned to act as Consultant; however, no one is commissioned at the moment. The role of a Consultant is to perform activities in the business community, public activities, etc., and has no authority that could affect managerial decisions of the Company. The term of office is one year (two years at maximum) and compensation commensurate with his/her duty is paid.
- Persons who have retired as Consultant will then assume the position of Honorary Advisor (with no specific term of office, unpaid); provided that there may be cases where the position of Special Advisor is assumed for the purpose of engaging in external activities that are significant to the Company. The term

of office of a Special Advisor is one year (two years at maximum) and compensation commensurate with his/her duty is paid.
Persons who have retired as Special Advisor will then assume the position of Honorary Advisor.

2.Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)

(1) Management decisions based on the Companies Act are made by the Board of Directors and other important decisions are made by the Executive Committee.
(2) The Company has introduced an executive officer system and part of the business execution authority has been delegated to the executive officers in charge of individual businesses and departments.
(3) Also, the CSR Management Committee of the Company determines the ideal direction for the Company's business activities from the perspective of CSR (corporate social responsibility) and promotes the strengthening of corporate governance.

[Status of the Board of Directors]
The Board of Directors meets once a month in principle and when it is deemed necessary. The meeting makes decisions on the items stipulated by laws and regulations as well as important matters concerning management. The Board of Directors is composed of 9 persons, including three outside directors. The meetings were held 13 times during FY2020, and the attendance rate of directors was 100%, while that of corporate auditors was 100%. In addition to the number of Board of Directors meetings held as stated above, pursuant to the provisions of Article 370 of the Companies Act and Article 24 of the Articles of Incorporation of the Company, a written resolution was made, for which the Company deems that the resolution was made at the Board of Directors meeting.

[Nomination and Compensation Advisory Committee]
The Company has established a Nomination and Compensation Advisory Committee, which is composed of three outside Directors and one internal Director, and whose chairperson is appointed among outside Directors. On receiving a request from the Board of Directors, the Nomination and Compensation Advisory Committee will deliberate nominations and matters relating to compensation, and report back to the Board of Directors. Through the Nomination and Compensation Advisory Committee, the Company is working to strength fairness, transparency, objectivity of the decision-making process concerning about nomination and compensation.

[Status of internal audits]
The Internal Auditing Department, which consists of seventeen persons, is responsible for conducting internal audits. The Internal Auditing Department conducts internal audits to identify matters requiring improvements and then reports the audit results to the President to ensure the effectiveness of internal audits.

[Status of audits by corporate auditors]
The Board of Auditors consists of two internal corporate auditors and two outside corporate auditors and performs the oversight and audit functions targeting the management by such means of attending board meetings and other important meetings, interviewing directors and other executives to ask questions about the status of their execution of duties, and inspecting important approval documents. As part of its efforts to enhance the effectiveness of audit, the corporate auditors also visit branches, plants, subsidiaries, etc., to investigate the business execution status of the Company and the Group. They also hold regular corporate auditor liaison meetings to exchange opinions and share information among themselves (and persons in charge of relevant departments if necessary) to establish a system that enables them to conduct audits in a fair and appropriate manner.

[Status of accounting audits]
The Company has appointed KPMG AZSA LLC as the accounting auditor for accounting audits required by the Companies Act and for those required by the Financial Instruments and Exchange Act. The names of certified public accountants who executed the audit and the composition of the assistants involved in

accounting audits are as follows: There is no special interest between the Company and the audit corporation or any of the engagement partners of the audit corporation engaging in the audit of the Company.

・Name of certified public accountants who executed the services
Designated limited liability and engagement partners: Reiji Kobayashi, Yoshihiro Uehara, Akihisa Sada

・Composition of the assistants involved in accounting audits
16 certified public accountants and 19 other assistants
Note: The other assistants consist of persons who have passed the CPA exam, persons in charge of system audit, etc.

[Overview of limited liability agreement]
The Company has concluded an agreement with each director (excluding executive directors, etc.) and corporate auditor, which limits his/her liability for damages in respect of his/her responsibilities set out under Article 423, Paragraph 1 of the Companies Act, to the minimum limit of liability set out under Article 425, Paragraph 1 of the same provided that he/she executes his/her duties in good faith and without gross negligence.

3. Reasons for Adoption of Current Corporate Governance System

As stated below, with the appointment of outside directors and outside corporate auditors to perform checks from the external perspective, the Company believes that the current corporate governance system is sufficiently capable of ensuring the neutrality and objectivity of the management supervisory function.

(1) Outside directors and outside corporate auditors
Three outside directors have been appointed to oversee and supervise the overall management and two outside corporate auditors have been appointed to conduct audits of the execution of duties by directors. There is no special interest such as personal, capital or trade relationships between the Company and any of the three outside directors and two outside corporate auditors.

(2) Management oversight function
Corporate auditors oversee the execution of duties by directors by such means of attending board meetings and other important meetings, inspecting approval documents, and audits of individual departments. Moreover, by introducing the executive officer system, the Company strives to separate and distinguish the decision making and supervisory functions of the management from the business execution and will continue to improve corporate governance under the current system.

III. Implementation of Measures for Stockholders and Other Stakeholders

1. Measures to Vitalize the General Stockholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Stockholder Meeting	The Company sends the Convocation Notice of the General Meeting of Stockholders more than three weeks before the meeting date.
Allowing Electronic Exercise of Voting Rights	The Company has adopted the system for exercising voting rights via the Internet from 2007.
Participation in Electronic Voting Platform	The Company has participated in the electronic voting platform for institutional investors operated by ICJ, Inc. since 2007.
Providing Convocation Notice in English	It is published on the website of the Company.
Other	The content of the Convocation Notice of the General Meeting of Stockholders is published on the website of the Company about four weeks

	before the meeting date, before it is sent to stockholders. The notice of resolutions is also published on the website of the Company after the close of the General Meeting of Stockholders.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company has established the "Information Disclosure Policy" on May 1, 2007. The Company believes that winning the understanding and trust of the stakeholders of the Company through information disclosure is essential for the realization of the "Group Mission." The Company also recognizes active information disclosure as one of the corporate social responsibilities. The "Information Disclosure Policy" is available for inspection in the "CSR Initiatives" section on the website of the Company (URL https://www.taiheiyo-cement.co.jp/english/csr/disclosure_fr.html).
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings for securities analysts, institutional investors, etc., in May and November. Most recently, the Company held a financial results briefing of FY2020 and a briefing session for the 23 Medium-Term Management Plan on May 14, 2021, with President and Representative Director Masafumi Fushihara, Senior Managing Executive Officer Tetsuya Ohashi and Managing Executive Officer Hideaki Asakura giving explanations.
Posting of IR Materials on Website	In the "Investor Relations" page (URL https://www.taiheiyo-cement.co.jp/english/ir/index.html) on its website, the Company publishes such information as summaries of financial results, results briefing materials, integrated reports (from FY2020) (URL https://www.taiheiyo-cement.co.jp/english/csr/csr_fr.html), annual reports (until FY2019), CSR reports (until FY2019), and annual securities reports (a link to EDINET). Timely disclosure materials are published in the "News Releases" page (URL https://www.taiheiyo-cement.co.jp/english/news/index.html) on the website of the Company.
Establishment of Department and/or Manager in Charge of IR	Department in charge of investor relations: General Affairs Department Officer in charge of investor relations: Tetsuya Ohashi, Director and Senior Managing Executive Officer Head of secretariat for investor relations: Hisashi Torii, General Manager of General Affairs Department

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In our Business Principles we pledge to "communicate broadly with society." The "CSR Guidelines," which specify actions that are essential for implementation of the Company's Business Principles, prescribe that "we will practice appropriate information disclosure and communication with stakeholders, based on the status of our CSR management promotion, and build relationships of trust" as one of the basic policies for the promotion of CSR management. Furthermore, the Company has stipulated the Basic Policy and Rules for Stakeholder Communication and is trying to engage with our stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	By recycling wastes and by-products for use as raw materials for cement production, the Company is reducing environmental load to the society through the reduction of the consumption of natural mineral resources, the

	prevention of global warming, and the extension of the lifetime of landfills. The Company is earnestly developing technologies to increase the volume of the use of recycle wastes. The Company is also conducting a wide variety of CSR activities including the efforts to ensure full compliance and to strengthen communication with local communities. In June 2019, the Company announced its support for the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). The Company will disclose business risks and opportunities posed by climate change, which it regards as one of its top priorities. Furthermore, amid drastically shifting societal awareness of climate change, the Company recognizes that it must clearly state the direction that the Group should be heading in terms of reducing its carbon dioxide emissions from a long-term perspective. Based on that recognition, the Company formulated its long-term vision of greenhouse gas emissions reduction toward 2050 in March 2020. Under this vision, the Company aims to contribute to building a resource recycling-based society by balancing the aim of maintaining cement production volumes with the aim of expanding its utilization of waste and by-products, while reducing CO_2 emissions. Such efforts will constitute part of our growth strategy in alignment with the Mission of the Taiheiyo Cement Group. (Please refer to the "Taiheiyo Cement Report 2020" (scheduled to be posted in December 2020), which is published on the website of the Company URL at https://www.taiheiyo-cement.co.jp/english/csr/csr_fr.html).
Development of Policies on Information Provision to Stakeholders	The Company has established the "Information Disclosure Policy" on May 1, 2007. The Company believes that winning the understanding and trust of the stakeholders of the Company through information disclosure is essential for the realization of the "Group Mission." The Company also recognizes active information disclosure as one of the corporate social responsibilities. The "Information Disclosure Policy" is available for inspection in the "CSR Initiatives" section on the website of the Company (URL https://www.taiheiyo-cement.co.jp/english/csr/disclosure_fr.html).
Other	**<Collaboration with external organizations>** The Company is working on the resolution of various problems including global environmental issues and labor safety improvements through the participation in international activities such as the WBCSD (World Business Council for Sustainable Development) and the GCCA (Global Cement and Concrete Association). (Please refer to the "Taiheiyo Cement Report 2020" (scheduled to be posted in December 2020), which is published on the website of the Company URL at https://www.taiheiyo-cement.co.jp/english/csr/csr_fr.html). **<Fundamental policies and initiatives for the promotion of diversity>** The Company proactively employs women and improve the work environment so that they are able to commit to long-term employment in the Company. The Company is also developing human resources capable of exercising initiatives at work and at home and enhancing in-house systems to support this development of such human resources. By promoting such work-life balance management, the Company will strive to become an organization in which diverse human resources can realize their full potential. The Company has established quantitative targets concerning the empowerment of women as part of the CSR Objectives for 2025 in May 2015 to be shared inside and outside the Company. The Company provides active support to the Company's efforts to ensure internal diversity. In FY2016, the Company expanded existing support systems for child care and family care and, in FY2017, established a leave system and a re-hiring system under which employees can take leaves at the time of their life events.

	In addition, the Company has implemented “management training programs for the promotion of women’s empowerment” for all managers, as one of our initiatives to raise awareness. As part of its initiatives to achieve operational efficiency and diverse working styles, the Company introduced a telework program in April 2020. As of March 31, 2021, the ratio of female employees is around 9%. The Company intends to increase this to over 10% by 2025 through a targeted recruitment program. The Company is holding a job seminar for female students to help them to understand the business of the Company. As a result, female employees who are “G Course” employees, for whom the area of office is not limited, accounted for approximately 17% of new employees who joined the Company in April 2021. Furthermore, the Company is also working to broaden the range of positions for female employees in the plant operation divisions, and one woman joined the Company in April 2021. The Company will, in accordance with the CSR Objectives for 2025 and fundamental policies, continue to work on “the promotion of active recruitment and retention of female employees,” “the expansion of work areas and career development for female employees,” and “the promotion of work-life balance management.” In October 2017, the Company established “Kira Kira Palette, a website that supports the enhancement of your career and life.” This website allows users to view from their computers, smartphones or other devices, the corporate systems and welfare services that they can benefit from at each of their life events such as child care and family care, in addition to featuring child care and family care services provided by local governments. Furthermore, a General Business Action Plan was defined in March 2016 based on the Act on Promotion of Women’s Participation and Advancement in the Workplace, and while quantifying promotion of activities for women, announcements are made on the Database for Companies Promoting Activities for Women of the Ministry of Health, Labour and Welfare. (Please refer to the “Taiheiyo Cement Corporation Action Plan,” which is published on the website of the Company (URL https://www.taiheiyo-cement.co.jp/english/csr/human_resources_fr.html). The Company considers the promotion of diversity as one of the most important issues for the creation of an innovative labor force, and thus will continue to proactively engage in such efforts in the future. **[CSR Objectives for 2025 and fundamental policies]** 1. CSR Objectives for 2025 (1) Increasing the employment ratio of women Increase the employment ratio of women under “G Course” categories to at least 30%. (2) Building a portfolio of appropriate human resources Increase the ratio of female employees to at least 10% by 2025. (3) Promoting the appointment of female employees to management positions Increase the ratio of newly appointed female managers to 10% by 2025. 2. Fundamental policies Further increase corporate value by promoting innovation through the sharing of ideas and values across a diverse range of human resources. ・Promote active recruitment and retention of female employees in order to build an appropriate portfolio of human resources. ・Promote work-life balance management toward building an organization in which diverse human resources can fully demonstrate their abilities in the workplace.

	These goals and fundamental policies are published on the website of the Company and "Positive Action Information Portal Site" operated by the Ministry of Health, Labour and Welfare. **<Efforts to promote employees health>** In March 2018, the Company formulated the "Taiheiyo Cement Group Commitment to the Health" as its policy for employee health. Under the commitment we have undertaken initiatives based on the "KENKOUKEIEI (Management of Health on Company and Employee)" concept to the mental and physical health of every employee. Since FY2019, group analysis has been conducted based on the result of the stress check test conducted in the previous fiscal year, and feedback is given to each business office. In this way, the Company has been making efforts to improve the working environment of each office. Going forward, the Company will strive to offer "preventive measures against mental health disorders" and "enhancement of health guidance on lifestyle diseases." (Please refer to the "Taiheiyo Cement Report 2020" (scheduled to be posted in December 2020), which is published on the website of the Company URL at https://www.taiheiyo-cement.co.jp/english/csr/csr_fr.html). **[Taiheiyo Cement Group Commitment to the Health]** The Taiheiyo Cement Group regards its employees as key management resources ("human assets") and intends to be a corporate group in which every employee can enthusiastically work while maintaining their mental and physical health.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company has established the basic policy as follows for building a system that enables the Company and its group companies to operate businesses appropriately and efficiently in accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act. The system is founded on the basic principles of further enhancing and strengthening various systems in operation to date, as well as reviewing and revising necessary matters.

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.

(Translation)

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, under the Basic Risk Management Policy and Risk Management Rules, has prescribed 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 Risk Management & Compliance Committee is in charge of pursuing specific measures, and reports to the CSR Management Committee 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 Directors, Executive Officers and employees as well as directors, corporate auditors and employees of subsidiaries or persons who received a report from them to report to Corporate Auditors 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 and directors, executive officers 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. Basic Views on Eliminating Anti-Social Forces

(1) Basic views on eliminating antisocial forces

The Company states in the Basic Compliance Policy formulated in March 2005 that it will not have any relationship with antisocial forces or organizations and resolutely reject any unfair or unreasonable demands. In light of the enforcement of the Ordinance for Eliminating Antisocial Forces throughout Japan in 2011, in regard to unfair or unreasonable demands from antisocial forces, the Company maintains its stance of "never being afraid of them," "never giving money to them," "never using them," and "never having any relationship with them" and strives to eliminate any relationship with them. The Company strives to ensure that all officers and employees of the Company are fully aware of the aforementioned policy and stance.

(2) Status of development of the system for eliminating antisocial forces

The Company has designated the General Affairs Department as the department in charge of handling demands from antisocial forces. The Department has developed a system that enables quick response through their efforts to collect information at all times in cooperation with external related organizations.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

Schematic depiction
Please see Reference: "Schematic depiction" in the Appendix at the end of this report.

Timely disclosure system
(1) Basic approach concerning the timely disclosure system
The Company intends to "build the relationship of trust with stakeholders through appropriate information disclosure to and communication with them" as stated in the CSR Guidelines which specify actions that are essential for realizing the Mission of the Taiheiyo Cement Group and implementation of the Company's Business Principles. The Company also states in the Basic Compliance Policy that it "will strive to promote the communication with stakeholders of the Company through the timely, appropriate, just and fair disclosure of necessary corporate information."

(2) Outline of the timely disclosure system
The Company has established the "Information Disclosure Regulations," which prescribe basic matters concerning information disclosure by the Company such as the information disclosure system and roles for the purpose of ensuring the legal compliance and appropriateness of information disclosure. In these Regulations, the Company defines the corporate information for which disclosure is required under the "Securities Listing Regulations" as material information. The outline of the timely disclosure system for material information is as follows:

i) Timely disclosure system and roles
A. Site managers, upon exposure to potentially material information concerning the business site for which they are responsible, prepare a written information disclosure application and submit it to the officer in charge immediately after obtaining confirmation from the General Manager of the General Affairs Department.

B. Upon receipt of the written information disclosure application, the officer in charge determines whether the information in question is material information in accordance with the Financial Instruments and Exchange Act and the Securities Listing Regulations. If the information is determined to be material, the procedures for deliberation and decision on disclosure items outlined in C. below are followed.

C. The deliberation and decision of the disclosure items are carried out by the Executive Committee, the Board of Directors, or the officer in charge of the General Affairs Department, as appropriate, in accordance with the category of decision-making bodies responsible for the matter in question as prescribed in the "Approval Request/Reporting Standards," from the perspectives of legal compliance, accuracy, and appropriateness. However, in the case of an emergency, the President or the officer in charge of the General Affairs Department may make decisions on them. In this case, the General Manager of the General Affairs Department promptly notifies the Executive Committee members of the decision.

D. The General Affairs Department is responsible for information disclosure. After the disclosure details of material information are determined based on C. above, the General Affairs Department disclose the information to the Tokyo Stock Exchange and the Fukuoka Stock Exchange without delay and disclose it also to the appropriate mass media without delay after considering presentation of the disclosure details. The Department also publishes the information on the website of the Company and holds a press conference if necessary.

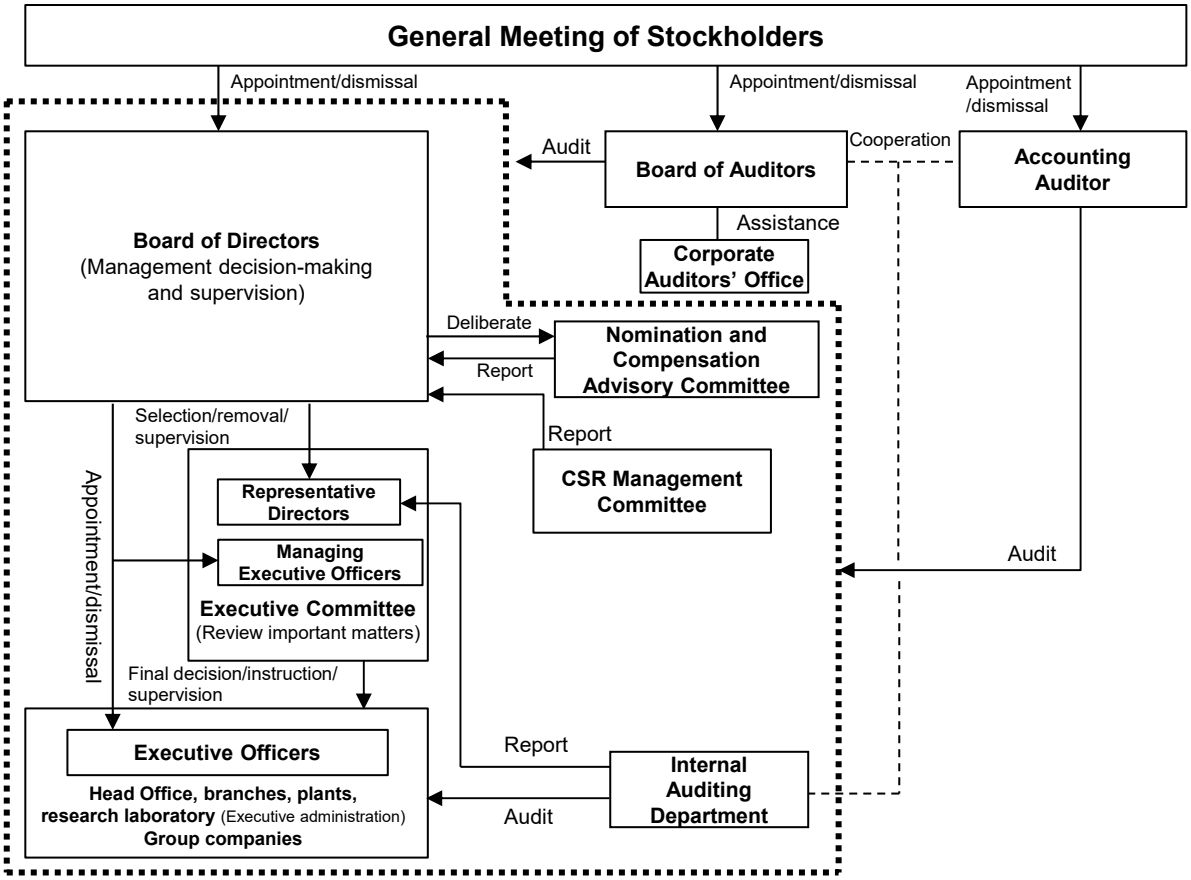
ii) Prevention of insider trading
The Company has established the "Insider Trading Prevention Regulations" for the purpose of preventing insider trading by the officers and employees of the Company and maintaining the credibility of the Company in the securities markets by properly managing material information.

(Translation)

Please see Reference: “Schematic depiction of the timely disclosure system” in the Appendix at the end of this report.

[Reference: Schematic depiction]

Schematic diagram of the corporate governance system of the Company



[Reference: Schematic depiction of the timely disclosure system]

