(Translation)

Corporate Governance Report

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Last Update: November 25, 2026

Taiheiyo Cement Corporation

President and Representative Director

Yoshifumi Taura

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/philosophy/#governance
English URL https://www.taiheiyo-cement.co.jp/english/company/philosophy/#governance

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

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

(Translation)

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

[Principle 1.4 Cross-Shareholdings]

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 partially sold 1 issue in FY2025.

[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."

[Supplementary Principle 2.4.1 Ensuring Diversity in the Appointment, etc. of Core Human Resources]

The Company regards its employees as key management resources ("human assets") that support the sustainable development of the Group, and we are working to create an environment and systems in which human resources with diverse personalities and values can exert their individual talents to the utmost regardless of nationality or gender.
In addition, the Company considers the promotion of diversity as one of the most important issues for the creation of an innovative labor force, and has established quantitative targets concerning the empowerment of women as part of the Sustainability Targets that were announced in May 2024, the status of which is disclosed in integrated reports and other publications. Although the Company has not established specific quantitative targets for the recruitment of foreign nationals and mid-career employees and the appointment of human resources to management positions, we are working to secure diverse human resources regardless of gender, nationality, career background, etc. when recruiting employees or appointing human resources to management positions.
The human resources development policy and the internal environment improvement policy are disclosed in integrated reports and other publications.
Integrated Report (Taiheiyo Cement Report)
Japanese URL https://www.taiheiyo-cement.co.jp/csr/
English URL https://www.taiheiyo-cement.co.jp/english/csr/

[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/philosophy/#philosophy
English URL https://www.taiheiyo-cement.co.jp/english/company/philosophy/#philosophy

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

English URL https://www.taiheiyo-cement.co.jp/english/ir/manage

(2) Basic views and guidelines on corporate governance

Please refer to "Ⅰ.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

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
English URL https://www.taiheiyo-cement.co.jp/english/ir/kabunushi

[Supplementary Principle 3.1.3 Initiatives for Sustainability]

(1) Initiatives for sustainability, and investment, etc. in human capital and intellectual property

The Company is promoting initiatives related to sustainability, the status of which is disclosed in integrated reports and other publications. The Company also discloses investment in human capital and intellectual property in its integrated reports.
Integrated Report (Taiheiyo Cement Report)
Japanese URL https://www.taiheiyo-cement.co.jp/csr/
English URL https://www.taiheiyo-cement.co.jp/english/csr/

(2) Risks and earnings opportunities related to climate change

The Company offered its support for the TCFD recommendations in June 2019. For information disclosure in accordance with the TCFD framework, please refer to the applicable sections of the Company's website.
Japanese URL https://www.taiheiyo-cement.co.jp/csr/

[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 "Ⅱ.1 Matters Concerning Organizational Structure, Organizational Operation, etc." of this Report.

(Translation)

[Supplementary Principle 4.10.1 Independence and Roles, etc. of the Nomination Committee and the Compensation Committee]

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 of procedures pertaining to decisions on the nomination and compensation of directors and managing executive officers. For details, please refer to Article 5 (Establishment of a Nomination and Compensation Advisory Committee) of the "Taiheiyo Cement Corporation Basic Policy on Corporate Governance" and "II-1 [Directors] Supplementary Explanation of the Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee" 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."
Please find the skill matrix for Directors in 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
English URL https://www.taiheiyo-cement.co.jp/english/ir/kabunushi

[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 FY2025 was implemented through a format whereby all Directors and Corporate Auditors responded directly to an external organization, and analysis and assessment were executed by the Chairperson of the Board and Outside Directors based on the aggregated results reported by the external organization. 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 FY2025 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. As for the promotion of discussions, including revisions and changes to strategies in response to changes in the business environment, which was raised as an issue in the previous evaluation, it was confirmed that improvement is being made through initiatives such as the disclosure in March 2026 of the "Review of 26 Medium-Term Management Plan and Next Direction." In addition, regarding training programs for Directors, it was confirmed that improvement is being made through initiatives such as the newly planned officer training program on digital transformation (DX). As future challenges, it was confirmed that discussions by the Board of Directors should be further invigorated and that to follow-up on important resolutions after their implementation should be strengthened.
In the future, based on the results of assessment of effectiveness and 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."

[Status of dialogue with shareholders]
Please find the status of dialogue with shareholders in the Company's website.
Japanese URL https://www.taiheiyo-cement.co.jp/csr/

[Action to implement management that is conscious of cost of capital and stock price]

The Company set a management target of achieving an ROE of 10% or more in the 26 Medium-Term Management Plan, which was announced in May 2024. The Company positions revitalizing domestic business, further promoting global strategy, and promoting sustainability management and contributing to carbon neutrality as its main initiatives in the 26 Medium-Term Management Plan. The Company aims to maximize corporate value by steadily implementing these initiatives. For details, please refer to the Outline of the 26 Medium-Term Management Plan published on the website of the Company.
Japanese URL https://www.taiheiyo-cement.co.jp/assets/pdf/news/240514_2.pdf
English URL https://www.taiheiyo-cement.co.jp/english/assets/pdf/news/240514_2.pdf

ROE and ROIC for FY2025 were 3.8% (down 5.7% compared to FY2024) and 4.9% (down 0.5% compared to FY2024), respectively. The primary factors were a decrease in profit due to lower operating profit at overseas subsidiaries and the recognition of an impairment loss at a Philippine subsidiary, despite an increase in operating profit from the domestic cement business resulting from price increases and cost improvements. Meanwhile, the PBR at the end of FY2025 was 0.57 (down 0.11 compared to the end of FY2024). The PBR can be expressed as the product of ROE and the PER. Through growth investments and returns to shareholders laid out in the 26 Medium-Term Management Plan, the Company will continue to make efforts to improve profitability and capital efficiency and work to enhance expectations for future growth. In addition, based on its IR strategy, the Company is strengthening dialogue with shareholders and investors with involvement of the management. The Company believes that the effort will contribute to an increase in the PER as well as a reduction in the cost of capital.
Furthermore, in March 2026, the Company announced the "Review of 26 Medium-Term Management Plan and Next Direction." Although operating cash flow is currently expected to fall below the level originally planned when the Plan was formulated due to sluggish demand in both domestic and overseas markets, the Company is actively pursuing new investments to support sustainable growth, including growth investments in the U.S. market and the acquisition of Tokuyama Corporation's cement sales rights. At the same time, in order to secure resources for these growth strategies, the Company will proceed with the sale of real estate and cross-shareholdings while seeking to limit increases in interest-bearing debt. The Company will also continue to place importance on enhancing shareholder returns through measures such as increasing annual dividends and implementing flexible share repurchases. For details, please refer to the "Review of 26 Medium-Term Management Plan and Next Direction" published on the website of the Company.
Japanese URL https://www.taiheiyo-cement.co.jp/assets/pdf/news/260330_2.pdf
English URL https://www.taiheiyo-cement.co.jp/english/assets/pdf/news/260330_2.pdf

2. Capital Structure

Foreign Shareholding Ratio	More than 30%

(Translation)

[Status of Major Stockholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	18,607,800	17.00
STATE STREET BANK AND TRUST COMPANY 505001	8,594,215	7.85
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT)	5,909,640	5.40
STATE STREET BANK AND TRUST COMPANY 505223	3,998,461	3.65
JP MORGAN CHASE BANK 385864	3,780,000	3.45
ASO CORPORATION	3,105,400	2.84
THE CHASE MANHATTAN BANK,N,A,LONDONSECES LENDING OMNIBUS ACCOUNT	2,133,928	1.95
STATE STREET BANK AND TRUST COMPANY 505103	1,916,972	1.75
JP MORGAN CHASE BANK 385781	1,596,874	1.46
MEIJI YASUDA LIFE INSURANCE COMPANY	1,527,300	1.40

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

Supplementary Explanation

(1) In the Change Report made available for public inspection as of September 25, 2026, T. Rowe Price Japan, Inc. and two other companies were reported to hold the following shares as of September 15, 2026. However, as the Company is unable to confirm the number of shares effectively held by these three companies as of September 30, 2026, these shareholdings are not included in the table above.
The shareholdings reported in the Change Report are as follows:

T. Rowe Price Japan, Inc.	Number of shares held	2,730 thousand	Shareholding ratio	2.31%
T. Rowe Price International Ltd.	Number of shares held	5,654 thousand	Shareholding ratio	4.78%
T. Rowe Price Associates, Inc.	Number of shares held	277 thousand	Shareholding ratio	0.23%
Total	Number of shares held	8,661thousand	Shareholding ratio	7.32%

(2) In the Change Report made available for public inspection as of July 23, 2026, Nomura Asset Management Co., Ltd. was reported to hold the following shares as of July 15, 2026. However, as the Company is unable to confirm the number of shares effectively held by this company as of September 30, 2026, this shareholding is not included in the table above.
The shareholdings reported in the Change Report are as follows:

Nomura Asset Management Co., Ltd.	Number of shares held	6,264thousand	Shareholding ratio	5.30%

(Translation)

(3) In the Change Report made available for public inspection as of July 7, 2025, Marathon Asset Management Limited was reported to hold the following shares as of May 15, 2025. However, as the Company is unable to confirm the number of shares effectively held by this company as of March 31, 2026, this shareholding is not included in the table above.
The shareholding reported in the Change Report is as follows:

Marathon Asset Management Limited	Number of shares held	9,416 thousand	Shareholding ratio	7.97%

(4) The Company holds 8,727,771 shares of treasury stock as of September 30, 2026, but is not included in the major stockholders shown above.

3. Corporate Attributes

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

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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

(Translation)

Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairperson (excluding those concurrently serving as President)
Number of Directors	10
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		A	b	c	d	e	f	g	h	i	j	k
Hideyuki Furikado	Other											
Shingo Tsutsumi	From another company								△	△		
Wakako Mitani	Lawyer											
Yuko Toyoda	Lawyer											

* 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)

(Translation)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
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.
Shingo Tsutsumi	Yes	Shingo Tsutsumi had held a position of an executive (Director and Executive Vice President) at TOSOH CORPORATION, which is a business partner of the Company, until June 2020. In addition, Yukimasa Nakano, 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>** Shingo Tsutsumi 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>** Shingo Tsutsumi 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.
Wakako Mitani	Yes	-	**<Reason for the appointment as an outside director>** Wakako Mitani 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>** Wakako Mitani 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.
Yuko Toyoda	Yes	-	**<Reason for the appointment as an outside director>** Yuko Toyoda 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>** Yuko Toyoda 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.

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
Committee's Name	Nomination and Compensation Advisory Committee	Nomination and Compensation Advisory Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	4	4
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 Hideyuki Furikado (Chairperson), Outside Director Shingo Tsutsumi, Outside Director Wakako Mitani, Outside Director Yuko Toyoda, and Chairman and Director Masafumi Fushihara. In addition, the Committee deliberates policies for the nomination of Directors, the appointment and dismissal of Directors, etc., the

policy for determining compensation, etc. for individual Directors, and details of compensation for Directors, etc., and reports to the Board of Directors.

[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
Toshihito Aoki	CPA													
Yoko Kobayashi	From another company													

* 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
Toshihito Aoki	Yes	-	**<Reason for the appointment as an outside corporate auditor>** Toshihito Aoki 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 >** Toshihito Aoki 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.
Yoko Kobayashi	Yes	-	**<Reason for the appointment as an outside corporate auditor>** Yoko Kobayashi has a wealth of experience as a senior management executive of a company and the broad insight of corporate management in general. 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>** Yoko Kobayashi 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.

(Translation)

[Independent Directors/ Corporate Auditors]

Number of Independent Directors/ Corporate Auditors	6

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	Selected Directors

Supplementary Explanation

Compensation paid to directors and corporate auditors Directors: 644 million yen (in total for 10 directors) Corporate auditors: 72 million yen (in total for 5 corporate auditors) The annual securities report provides individuals whose total amount of consolidated compensation is 100 million yen or more.

Policy on Determining Compensation Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

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

・The amounts of fixed compensation and stock compensation are determined according to the rank of position.
・The amount of the performance-linked compensation of Directors (excluding Outside Directors) is calculated by multiplying the amount calculated as profit attributable to owners of parent for the current fiscal year times 1% (an upper limit of ¥400 million) by the multiplier assigned to each position. It is paid starting from July in the fiscal year following the end of the current fiscal year. However, this amount can be reduced in consideration of the financial performance of the Company or other circumstances. In principle, performance-linked compensation is not paid if the amount of annual dividend for the current fiscal year is less than ¥30 per share.
・Stock compensation is paid every year by granting restricted stock according to the rank of position. The transfer restrictions will be canceled when a Director retires.
・The composition ratio of fixed compensation, stock compensation and performance-linked compensation in the amount of compensation is approximately 90% to 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.
・Profit attributable to owners of parent was chosen as an indicator with an aim to strengthen the link between the compensation and stockholders' benefit. Performance-linked compensation makes up 45% of the total compensation for FY2025. The actual result of profit attributable to owners of parent for FY2024, which serves as a basis for calculating the performance-linked compensation for FY2025, was ¥57.4 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]

For Outside Directors, liaison meetings are held regularly (weekly as a rule), at which the Corporate Planning Department or the departments in charge provide advance explanations of agenda items for the Board of Directors meetings or report on the results of important internal meetings such as Executive Committee meetings, in order to facilitate the execution of their duties.

For outside corporate auditors, liaison meetings are held regularly (weekly as a rule), at which full-time corporate auditors or the departments in charge 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.

(Translation)

Name	Title/ position	Activity Description	Working Arrangement / Conditions (Full-time/Part-time, Compensation)	Date of retirement from President, etc.	Term
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Total number of advisors ("sodanyaku," "komon," etc.) who have formerly served as President and Representative Director, etc.	-------

Other information

- The Company has a system in which persons who have been President of the Company are commissioned to act as Executive Advisor; however, no one is commissioned at the moment. The role of an Executive Advisor 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 Executive Advisor may be appointed as a Special Advisor 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.

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) The Company has established a Sustainability Management Committee to promote sustainability. Under the committee, the Company has established seven specialized committees and is working to strengthen its 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 10 persons, including four outside directors. The meetings were held 15 times during FY2025, and the attendance rate of directors was 100%, while that of corporate auditors was 100%. In addition to the meetings held mentioned earlier, the Board of Directors made one written resolution pursuant to the provisions of Article 370 of the Companies Act and Article 24 of the Articles of Incorporation of the Company, 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 four 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 is responsible for conducting internal audits, consists of 19 persons, including qualified internal auditors. The Internal Auditing Department conducts internal audits to identify matters requiring improvements and then reports the audit results to the President and other Directors and Corporate Auditors, 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: Masakazu Hattori, Hiroko Sakurada, Masato Kuwabara

・Composition of the assistants involved in accounting audits
23 certified public accountants and 57 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.
two

(1) Outside directors and outside corporate auditors
Four 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 four 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.

(Translation)

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 approximately three weeks or more 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 on the website of the Company (URLhttps://www.taiheiyo-cement.co.jp/ir/disclosure_fr/)).
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings for securities analysts, institutional investors, etc., in May and November. The Company held a financial results briefing for FY2026 on May 13, 2026 and business overview briefing for FY2026 on May 27 with President and Representative Director, Yoshifumi Taura and Senior Executive Officer Masahiro Ban giving explanations. Most recently, the Company held a financial results briefing for the second quarter of FY2027 on November 11, 2026 with Senior Executive Officer Masahiro Ban giving explanations.
Posting of IR Materials on Website	In the “Investor Relations” page (URL https://www.taiheiyo-cement.co.jp/ir/index.html) on its website, the Company publishes such information as summaries of financial results, results briefing materials, integrated reports, and annual securities reports. Timely disclosure materials are published in the “News Releases” page (URL https://www.taiheiyo-cement.co.jp/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: Corporate Planning Department Officer in charge of investor relations: Katsuya Kawata, Managing Executive Officer

	Head of secretariat for investor relations: Takahiro Watanabe, General Manager of Corporate Planning 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 "Sustainability 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 sustainability management promotion, and build relationships of trust" as one of the basic policies for the promotion of sustainability 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.	The Company's environmental management policy sets forth a commitment to contribution to the creation of circular economies, positioning it as one of the important management issues. Drawing on the characteristics of the cement industry, the Company aims to further sophisticate the technologies for utilizing recycled resources. Moreover, by seeking to launch and expand new businesses that will contribute to the refinement of the technologies, the Company strives to achieve both environmental impact reduction and economic growth. In addition, based on the recognition that the extraction of limestone, the raw material for cement, in its mining operations relies on and impacts nature, the Company is making continuous efforts to conserve the natural environment of the mines and the surrounding area. In June 2019, the Company announced its support for the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). The Company conducted an evaluation and analysis of the business risks and opportunities posed by climate change, which it regards as one of its top priorities, and announced its findings in 2020, while subsequent revisions were made and disclosed in 2023. In addition, 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 in order to achieve carbon neutrality. Based on that recognition, the Company formulated its long-term vision of greenhouse gas emissions reduction toward 2050 in March 2020. As a specific measure, the Group has released its "Carbon Neutral Strategy 2050" (March 24, 2022), which includes a roadmap for technology development and 2030 interim targets to achieve carbon neutrality (URL https://www.taiheiyo-cement.co.jp/english/news/2022.html). 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 website of the Company URL https://www.taiheiyo-cement.co.jp/csr/).
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 on the website of the Company (URL https://www.taiheiyo-cement.co.jp/ir/disclosure_fr/).
Other	**<Collaboration with external organizations>** The Company is working on the resolution of various problems including issues associated with respect for human rights and anti-corruption, as well as environmental issues, including climate change and biodiversity, as well as occupational health through the participation in international activities such as the United Nations Global Compact and the GCCA (Global Cement and Concrete Association). (Please refer to the website of the Company URL https://www.taiheiyo-cement.co.jp/csr/). **<Promotion of diversity & inclusion>** The Company regards the promotion of diversity and inclusion as one of the most important issues for creating an innovative labor force and is actively working toward its goal of becoming a company where women and other human resources with diverse values can play an active role. The Company has added “diversity and inclusion education” to its training curriculum in accordance with job level, and is striving to further instill its basic views. In addition, as part of efforts to ensure diversity in the appointment and promotion of core human resources, we conduct training for female employees with the aim of developing the next generation of leaders, in the expectation that it will facilitate the appointment of women to management positions. Please refer to the website of the Company for the promotion of diversity and inclusion. (URL https://www.taiheiyo-cement.co.jp/csr/). **<Promotion of women’s activities>** In November 2013, the Company established, and began to implement goals and a basic policy regarding the promotion of women’s activities. The current quantitative targets are set forth in the Sustainability Targets formulated in May 2024 and shared both inside and outside of the Company. The Company has reached its targets, with the ratio of female employees at approximately 11.0% and the ratio of female managers at approximately 3.7% as of March 31, 2026. The Company will continue its efforts to further increase these ratios in the future. [Fundamental policies] We aim to further improve corporate value by promoting innovation based on the ideas and values of diverse human resources. ・Promote active recruitment of women to build an appropriate human resources portfolio. ・Provide equal growth opportunities and support skill development for female employees so that they can independently develop their careers. ・Aim to retain female employees by fostering an organizational culture that allows female employees to maximize their individuality and abilities and promoting work-life management. April 2024 TAIHEIYO CEMENT CORPORATION Yoshifumi Taura, President and Representative Director [Sustainability Targets] ・Ratio of female employees of at least 10% (to be achieved by FY2026)

	・Ratio of female managers of at least 3% (to be achieved by FY2026) and at least 5% (to be achieved by FY2030) **<Promotion of employee health>** From FY2018, the Company has been promoting employee health, and in September 2022 revised the content of its commitment to health with the aim of further promoting the health of employees. Currently, under the commitment to health, the President and Representative Director is assigned the ultimate responsibility for the health of employees, and the Human Rights & Labor Practices Committee, a subcommittee of the Sustainability Management Committee under the direct control of the Board of Directors, plays a central role in maintaining and improving the health of employees and their families in consideration that employees are the most important "capital" of the Company, and our aim to create a rewarding workplace. Specifically, the Company promotes employee health within the PDCA cycle, which includes establishing an activity plan for employee health for each fiscal year, implementing measures, verifying effectiveness, and reflecting the results in measures for the following fiscal year. Under the commitment to health, the Company will continue to work to maintain and improve the health of its employees and their families, promote a rewarding workplace, and aim to revitalize the organization and increase its productivity, while strengthening cooperation with the Taiheiyo Cement Health Insurance Association and the Taiheiyo Cement Labor Union, centered on the Human Rights & Labor Practices Committee. [Taiheiyo Cement Group Health-Conscious Management Declaration] The physical and mental health of our employees and their families is a prerequisite for us to realize our mission of contributing to social infrastructure development by providing solutions that are environmentally efficient, enhancing our competitive position and bring value to our stakeholders. We hereby declare that we regard our employees as "human capital" and that we will work to maintain and improve their health and that of their families, and aim to create a rewarding workplace where employees can fully demonstrate their abilities. April 2024 TAIHEIYO CEMENT CORPORATION Yoshifumi Taura, President and Representative Director [Fundamental Policies] 1) Under the Health-Conscious Management Declaration, the Taiheiyo Cement Group, led by the Human Rights & Labor Practices Committee, will work with each business site to promote efforts to maintain and improve the health of employees and their families and to create a rewarding workplace. 2) Employees will enhance their physical and mental wellbeing and improve their quality of life by actively working to maintain and improve their health and that of their families. For information on our promotion of employee health, please refer to the website of the Company (URL https://www.taiheiyo-cement.co.jp/csr/). In addition, the Company has been recognized as a "2026 Certified Health and Productivity Management Outstanding Organization" by the Nippon Kenko Kaigi. For information, please refer to the "News Releases" page on the website of the Company (URL https://www.taiheiyo-cement.co.jp/assets/pdf/news/260309.pdf).

(Translation)

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 Sustainability Management Committee, an interdepartmental committee under the direct authority of the Board of Directors, pursues policies to promote compliance awareness among Directors, Executive Officers and employees in accordance with the Sustainability Guidelines.

(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, 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 Sustainability 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 Sustainability 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.

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