



Outline of 17 Medium-Term Management Plan (FY2016 – FY2018)

May 12, 2015

TAIHEIYO CEMENT CORPORATION

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 - Support for National project
 - Enhance research & development

Review of 14 Medium-Term Management Plan



Deploying capital in growth fields and continuing strengthening of the earnings base to ensure sustained growth in the future.

Business strategies

Accomplishment of social mission
Pursuit of main businesses

- Contribute to reconstruction projects following the Great East Japan Earthquake and disaster waste processing
- Secure stable supply in response to increasing cement demand

Expansion in growth fields

- Full-fledged entry in the water treatment business
- Expand waste processing
- Recovery in overseas businesses

Financial strategies

Deploy capital in growth fields

- Search for investment opportunities particularly in overseas businesses

Strengthening the financial structure

- Steadily reduce interest-bearing debt

Review of 14 Medium-Term Management Plan



Achievement in the final year of the plan (management targets)

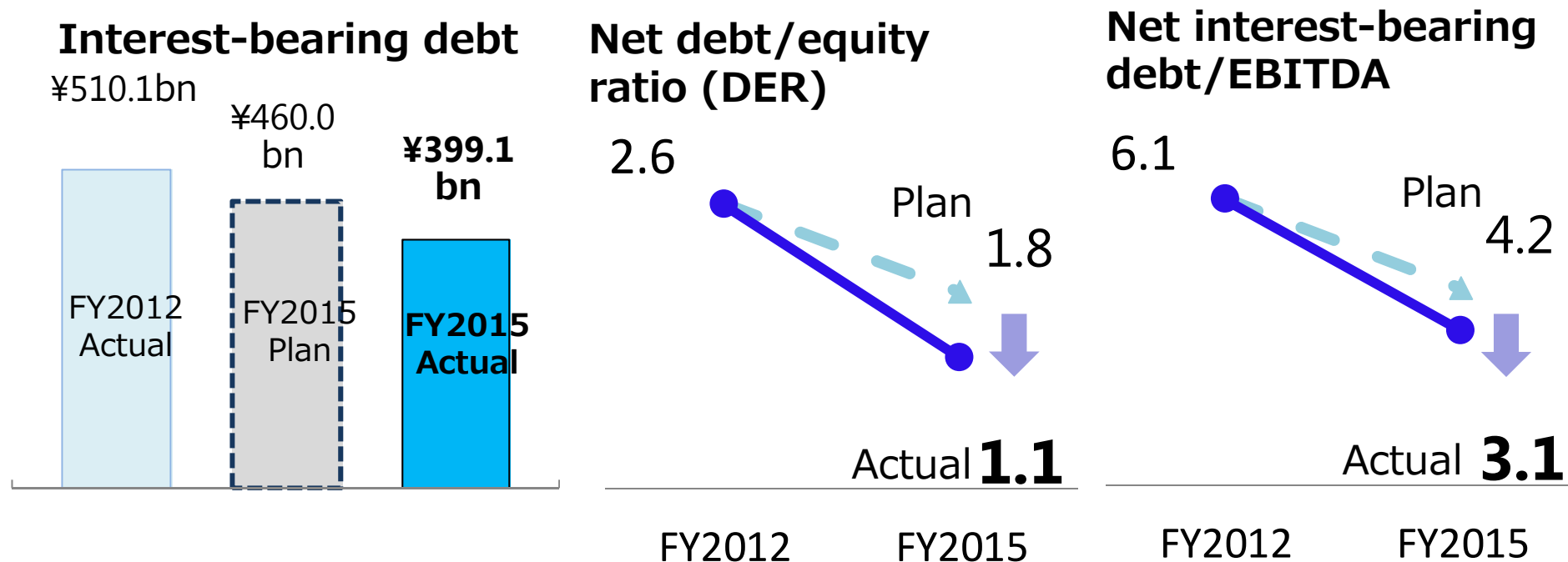
	FY2012 Actual	FY2015 Plan	FY2015 Actual
Net sales	¥727.8bn	¥735.0bn	¥842.8bn
Operating income	¥29.1bn	¥52.0bn	¥65.4bn
Operating income on sales	4.0%	7% or more	7.8%
Return on assets (ROA) (ordinary income)	1.9%	4.5% or more	6.6%
EBITDA*	¥72.9bn	¥94.0bn	¥110.6bn

*EBITDA=Operating income + Depreciation (including goodwill amortization)

Review of 14 Medium-Term Management Plan



Achievement in the final year of the plan (financial indicators)



Achievement exceeded the management and financial targets
Deployment of capital in growth fields remains to be a challenge

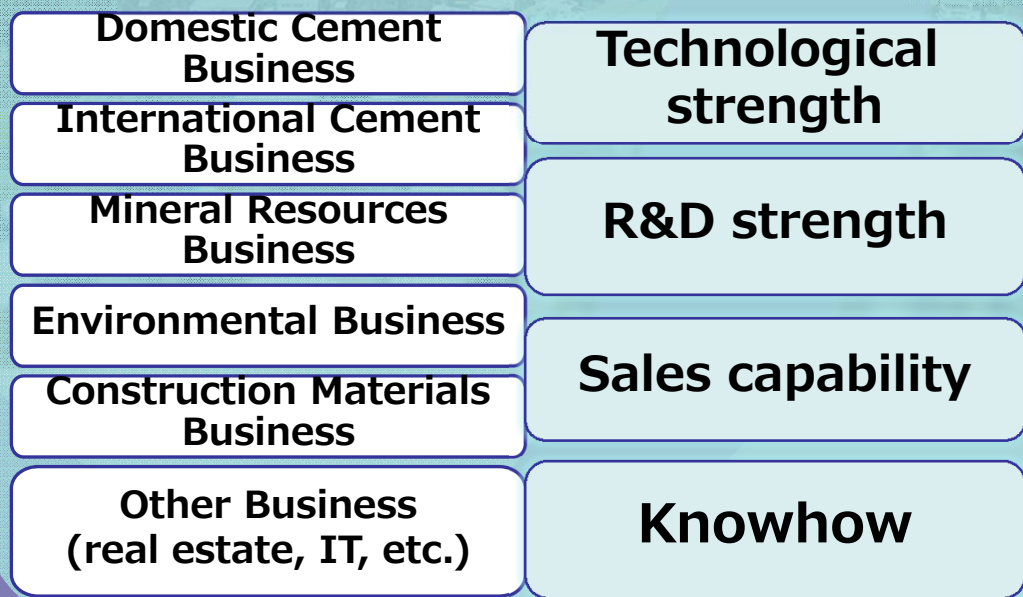
Our Understanding of the Present and Future

Social issues (examples)



Sustained growth as a member of the social infrastructure industry

Our business domains and strengths



Future Vision and Direction



“To become an enterprise group that provides a sense of safety and security to societies in the Pacific Rim by demonstrating the Group’s overall capabilities”

Future Vision and Direction (mid-2020s)

Plan (3rd Step)

Plan (2nd Step)

17 Plan (1st Step)

Management foundation of the Group to support future growth
(Human resources, technological strength, R&D strength, sales capability, resources, knowhow, etc.)

Mission of the Taiheiyo Cement Group

The Taiheiyo Cement Group aspires to leadership in pioneering a sustainable future for the earth. We are committed to doing business in ways that contribute to economic development, are environmentally responsible, and make a positive difference in the world.

Fundamental policies

To become an enterprise group that pre-empts future changes in the environment and seeks innovations in all fronts, thereby progressing on a growth path.

To contribute to the establishment of a sense of safety and security in the society through the provision of materials and technological development, furthering national resilience as a member of the social infrastructure industry.

To vigorously push ahead with further strengthening our earnings base and financial structure aiming at sustainable development by strengthening businesses through exhaustive cost-cutting.

Business strategies

Enhance existing businesses and formulate/implement growth strategies

Strengthen management foundations:
Enhance backbone of management

Support for National project

Enhance research & development

As the first step toward the realization of the “future vision and direction,” we aim to enhance the enterprise value of the Group

FY2018 targets

Operating
income on sales

8.4% or more

ROA (ordinary
income)

7% or more



Three guidelines to ensure the achievement of management targets:

Generate and
improve our
earnings capacity

Build a flexible and
strong financial
structure

Enhance
stockholders'
returns

Guidelines



Generate and improve our earnings capacity

(Billions of yen)

	FY2015 Actual	FY2018 Plan	Change
Net sales	842.8	950.0 or more	107.2 or more
Operating income	65.4	80.0 or more	14.6 or more
EBITDA*	110.6	125.0 or more	14.4 or more

To generate and improve our earnings capacity, we will execute capital expenditure and investment and financing of ¥200.0 billion yen in total during the three years (approximately 50% of which will be allocated to growth investments).

(Funded, in principle, by cash flow from operating activities generated during the period of the 17 Medium-Term Management Plan)

*EBITDA=Operating income + Depreciation (including goodwill amortization)

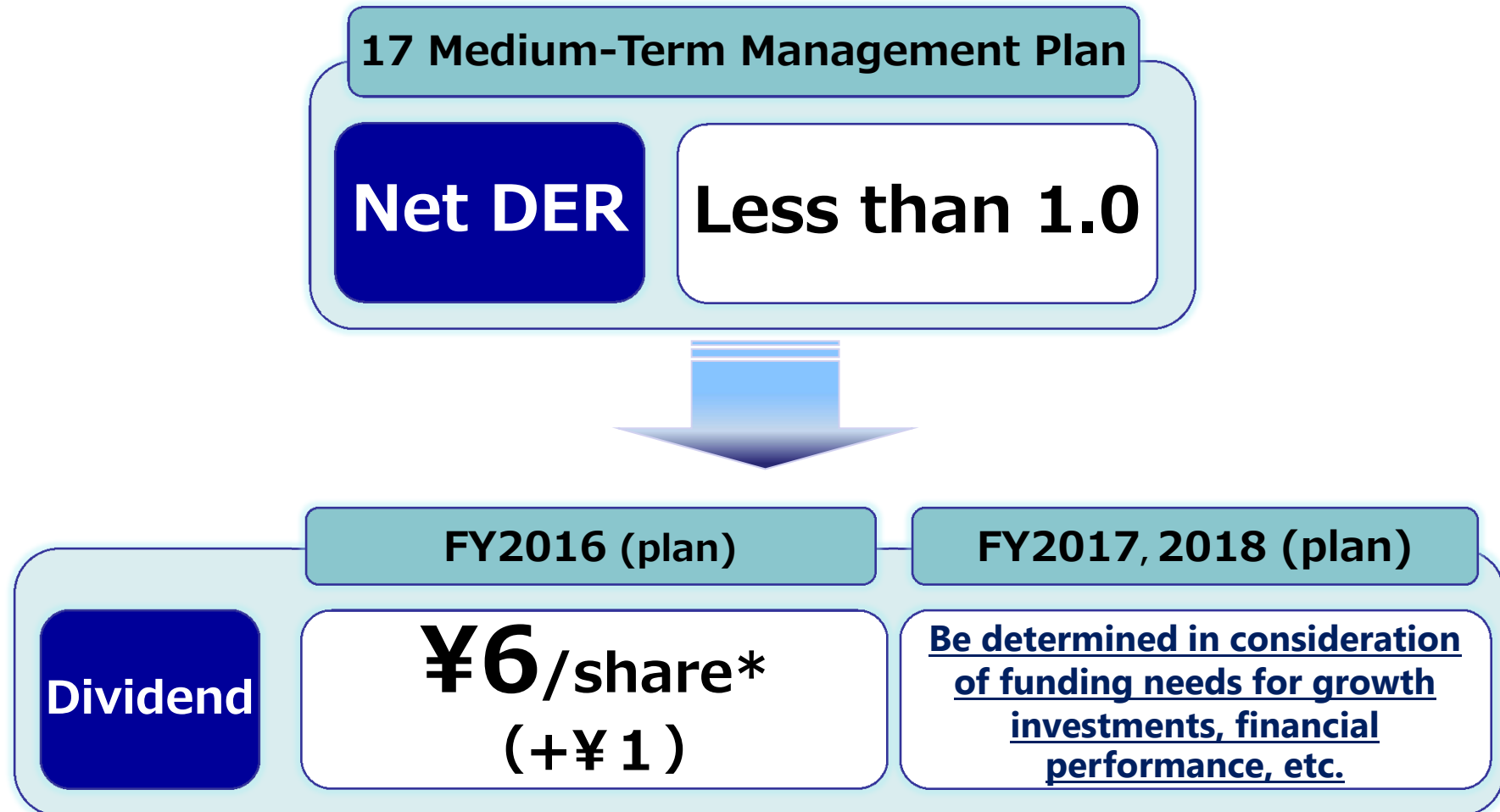
Build a flexible and strong financial structure

	FY2015 Actual	FY2018 Plan	Change
Net DER	1.14	Less than 1.0	More than -0.14
Net interest-bearing debt/EBITDA	3.1	2.6 or less	More than -0.5

Through the improvement of debt equity ratio and the reduction of interest-bearing debt combined with further promotion of selection and concentration, we will strive to build a flexible and strong financial structure with which we can adequately respond to changes in the business environment.

We will also strive to maintain ROE at or above 10% consistently throughout the period of the 17 Medium-Term Management Plan through our efforts to build a flexible and strong financial structure and generate and improve our earnings capacity.

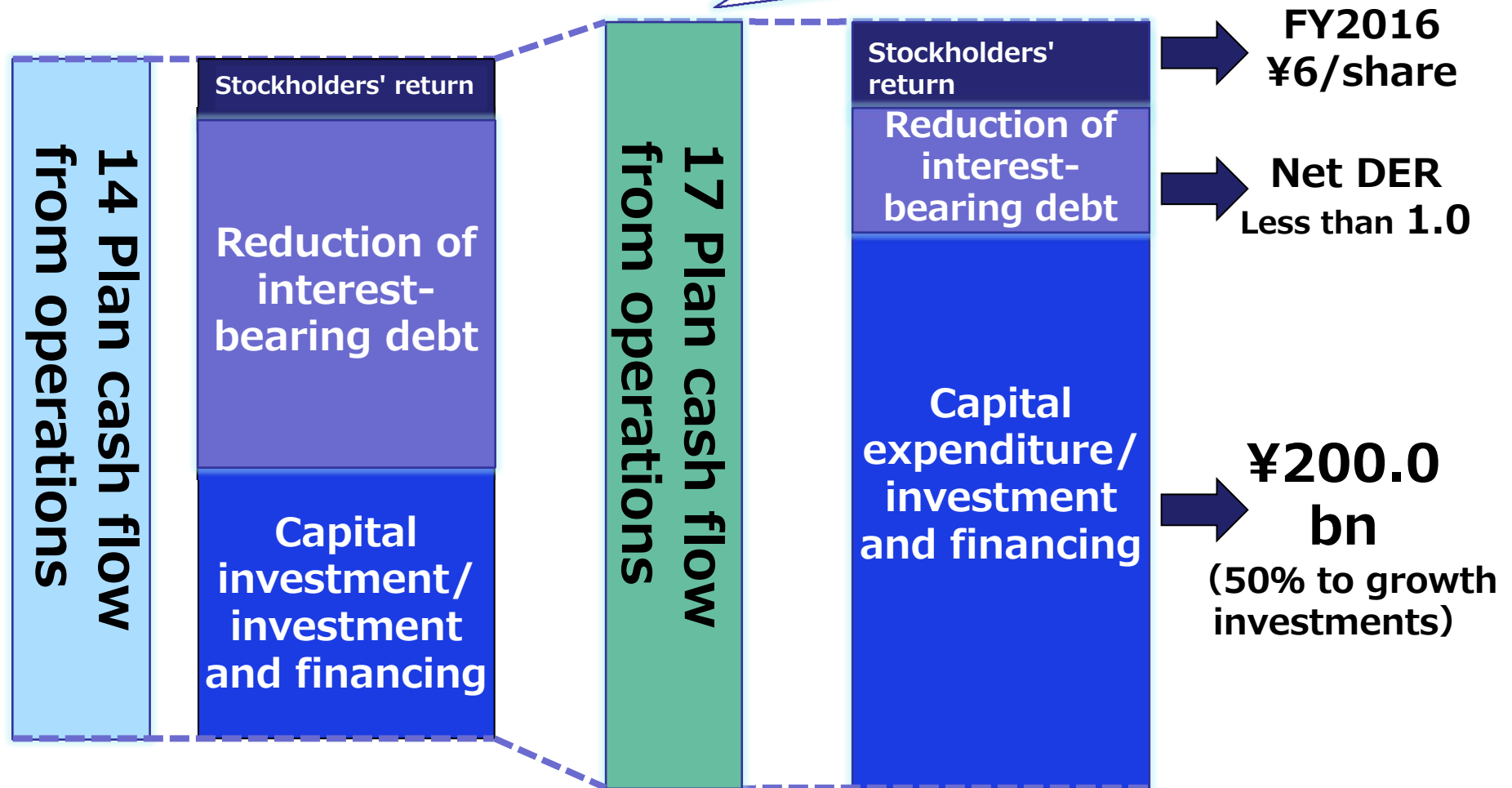
Enhance stockholders' returns



(*Reference: 20% payout ratio)

Schematic illustration of cash flow allocation

Increasing cash flow from operating activities allocated to growth investments and stockholders' returns



Enhance existing businesses and formulate/implement growth strategies Cement (Japan)



Strengthen our earnings base to prepare against the fall in domestic cement demand in the future, with the aim of becoming a dominant, leading company.

Cement demand during the period of the 17 Plan assumed to be 46 million tons to 48 million tons/year

- ▶ **Maintain and improve quality**
- ▶ **Implement sales policies and ready-mixed concrete policies designed to secure profit in a stable manner**
→ Strengthen sales capability by supplying products in a reliable manner, pursuing fair prices, and strengthening the Group's overall capabilities
- ▶ **Strengthen our competitiveness in the urban area (ready-mixed concrete, sales capability, logistics, and technology)**
- ▶ **Meet the demand arising from reconstruction activities following the Great East Japan Earthquake and large infrastructure projects**
- ▶ **Strengthen cost competitiveness**



Enhance existing businesses and formulate/implement growth strategies Cement (Overseas)



Enhance the earnings base of existing businesses

U.S.
China
Vietnam
Philippines

Ensure that our profit reflects the expected increase in demand
Take advantage of environmental technologies to a maximum extent
Take advantage of our production and logistics resources to a maximum extent
Strengthen the production capacity in accordance with demand

Explore and develop new businesses for growth

- Develop new businesses particularly in Southeast Asia
- Overseas expansion in a unique fashion

Expand and deepen the trading business

Export and tripartite trade designed to maximize the group profit in addition to the expansion of distribution channels of strategic products

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

Enhance existing businesses and formulate/implement growth strategies

Mineral Resources



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

Boost the earnings capacity of existing businesses

- ▶ **Aggregates business**
Secure demands arising from the Tokyo Olympics and Paralympics to a maximum extent
- ▶ **Mineral products business**
Expand sales of limestone, quicklime, and white marble to customers in the iron and steel industry
- ▶ **Geo solution business**
Expand sales volume of heavy metal immobilizer (DENITE®) for use in large projects

Develop and execute growth strategies

- ▶ **Revitalize resource chemicals business development**
ChiccaLight®, high-purity silicon carbide business, etc.
- ▶ **Overseas businesses**
Expand mineral products business particularly in Southeast Asia



Enhance existing businesses and
formulate/implement growth strategies
Environment

Tokyo Tama Ecocement Inc.



Active efforts
on coal ash
processing

Explore and
develop new
business

Maximize the
scale of the
existing waste
processing
business



Create new
business
models

Overseas expansion
leveraging advanced
technologies



Power House
(Water purification materials for
aquariums)

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

Enhance existing businesses and formulate/implement growth strategies

Construction Materials



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

Shift to high-value-added or precast concrete, enhance technologies and products that will be necessary for works to fix deteriorating infrastructure

Consider alliance and reorganization in the areas of our focus

Research/diagnosis
Concrete quality tests

Repair/reinforcement
Aseismic reinforcement work

Monitoring
RFID diagnosis system for concrete structures

Repair/reinforcement
Coating and peeling prevention methods

High water permeable pavement blocks

Cement grout for semi-flexible pavement

Pavement with super quick hardening concrete

Anchor burying ALC

Backfill materials for shield tunneling

Ground improvement works

Agent for accelerating hardening of cement

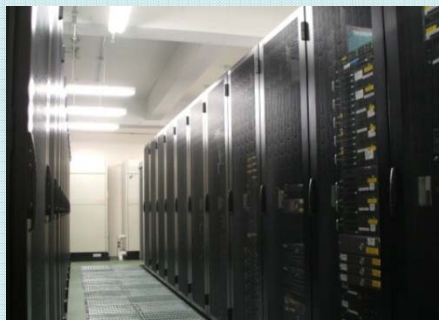
Enhance existing businesses and formulate/implement growth strategies

Other Business

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



Real estate business



Data processing business



Engineering business



Transportation and warehousing business



Sports business

Management resources of the Taiheiyo Cement Group

Strengthen management foundations: Enhance backbone of management

Make enhancements at the individual level as well as the organizational level to bring about a lean, strong business structure

Efforts to meet CSR Objectives for 2025

Year in which targets are to be met

FY2026

Targets

▶ Disaster prevention:

Zero fatalities

▶ Reduction of Greenhouse Gas Emission:

Reduce the specific net CO₂ emissions per tonne of cementitious product by at least 10% from FY2001 levels by FY2026.

▶ Diversity:

• Increase the hiring rate of women

→ Increase the ratio of female employees under “G Course” categories to at least 30.0%.

• Construct an appropriate human resource portfolio

→ Build an appropriate portfolio of human resources by increasing female employees to at least 10.0%.

• Enhance the promotion of women to a managerial position

→ Promote the appointment of female employees to management positions with the objective of raising the ratio of newly appointed female managers to 10.0%.



Safety experience education (Kamiiso Plant)



Encourage all employees to participate in the efforts to create innovation

Rebalance the asset mix through ongoing “selection and concentration”

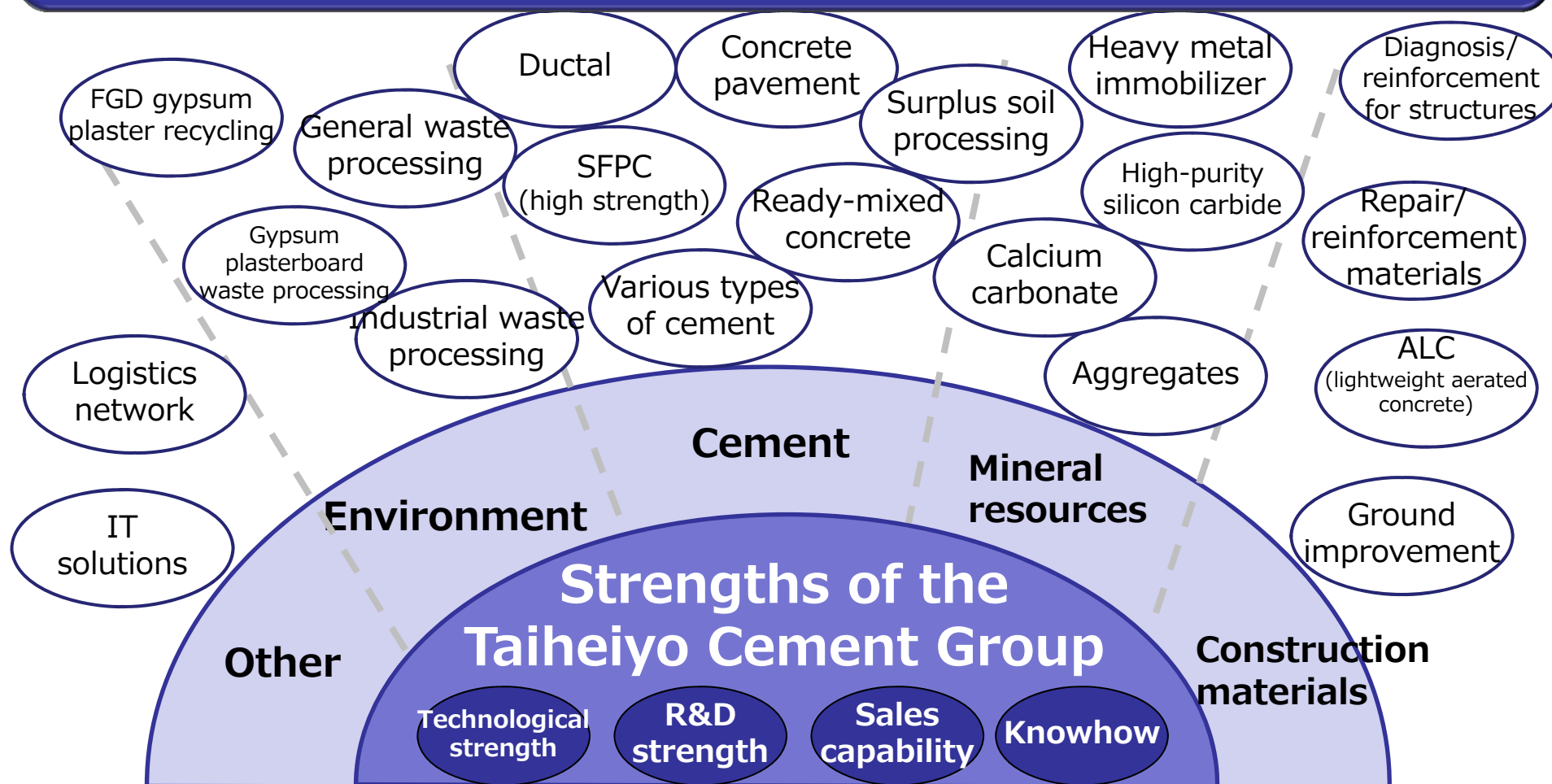
Strengthen group governance

Develop workers who can function effectively in a global setting

Support for National projects



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



Enhance research & development

Lead top brands while contributing to growth by creating new businesses

▶ Develop exhaustive cost reduction technology pursuing both business expansion and global environment protection simultaneously

- Minimize cement manufacturing cost by replacing fossil fuels with waste
- Create a business based on the use of industrial waste and not dependent on cement manufacturing
- Significantly reduce CO₂ emission by developing new combustion technology

▶ Strengthen the incubation function to detect potential new businesses

- Create innovative value by open innovation

Growth fields (4 pillars)

Environment:

Sophisticated use of coal ash, recovery of rare resources

Mineral resources:

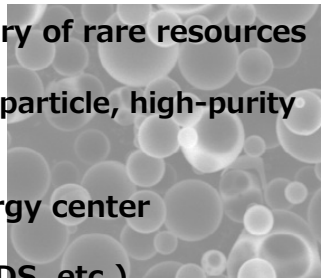
Develop functional materials (empty particle, high-purity silicon carbide, etc.)

Construction materials:

Establish a group development synergy center

Overseas:

Global strategy (blended cement, CCDS, etc.)

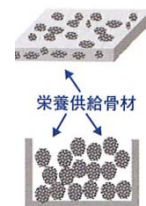


National projects

- Tokyo Olympics and Paralympics support
- Repair/replacement of deteriorating infrastructure
- Contribution to recovery from earthquake disaster (cesium separation, container, etc.)
- Resource protection (nutrient supplying aggregates)



栄養供給骨材



使用例

Cement

- Maintain and improve quality (introduce quality prediction system)
- Sophisticated use of waste (fossil fuel replacement technology)
- Environmental load reduction (CO₂ emission restraining technology)

Existing businesses

Fusion

Concrete

- World's highest-strength and highest-liquidity concrete
- Demand expansion (pavement)
- Infrastructure preservation (WIMO®)



Net sales and operating income by segment



(Billions of yen)		Net sales		Operating income	
		FY2015 Actual	FY2018 Plan	FY2015 Actual	FY2018 Plan
Cement		570.6	647.5	40.2	54.0
	(Japan)	412.1	421.5	33.0	36.5
	(Overseas)	158.5	226.0	7.1	17.5
Mineral Resources		95.9	106.5	6.7	8.0
Environmental		74.7	98.5	7.4	8.5
Construction materials		90.3	92.0	5.4	6.0
Other		81.7	86.0	5.6	5.5
Elimination		-70.6	-80.5	-0.1	-2.0
Total		842.8	950.0	65.4	80.0

Plans and forecasts in this document are based on information currently available and certain assumptions deemed reasonable, and subject to risks and uncertainties. As such, we do not offer any promise or guarantee that the planned results and measures included in this document will be realized in the future.