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To: All concerned parties

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Taiheiyo Cement Announces “17 Medium-Term Management Plan”

Taiheiyo Cement Corporation (hereinafter the “Company”) announces that, for the purpose of clarifying its medium and long-term direction to achieve sustained growth, it has determined its *future vision and direction* targeted at the mid-2020s and formulated the 17 Medium-Term Management Plan as its first step as outlined below.

I Review of the 14 Medium-Term Management Plan

Under the 14 Medium-Term Management Plan, which is the three-year plan ended in the previous fiscal year, the Group worked to strengthen its earnings base and deploy capital in growth fields to ensure sustained growth in the future. We also adopted a financial strategy designed to achieve the promotion of growth strategies and the reinforcement of our financial structure at the same time.

As for reinforcement of the earnings base, we worked under the themes of *accomplishment of social mission* and *pursuit of main businesses*. As a result, our profits significantly outperformed the plan supported by our all-out efforts for disaster waste processing and strong demand for construction materials and ground improvement works, in addition to the fact that domestic cement demand significantly exceeded the expectation due to the effect of the reconstruction activities following the Great East Japan Earthquake.

On the other hand, we could not execute investment of capital in growth fields despite our efforts to cultivate suitable opportunities particularly in overseas businesses. Therefore, as a result of a higher prioritization of the reduction of interest-bearing debt for the purpose of strengthening our financial structure, financial indicators improved significantly to exceed the targets.

However, we recognize that the deployment of capital in growth fields remains to be a challenge for us to ensure sustained growth in the future.

<14 Medium-Term Management Plan: Management targets>

(Billions of yen, unless otherwise stated)

	FY2012 Actual	FY2015 Plan	FY2015 Actual
Net sales	727.8	735.0	842.8
Operating income	29.1	52.0	65.4
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*	72.9	94.0	110.6

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

<14 Medium-Term Management Plan: Financial indicators>

(Billions of yen, unless otherwise stated)

	FY2012 Actual	FY2015 Plan	FY2015 Actual
Interest-bearing debt	510.1	460.0	399.1
Net debt/equity ratio (DER) (times)	2.6	1.8	1.1
Net interest-bearing debt/EBITDA (times)	6.1	4.2	3.1

II Our Understanding of the Present and Future

The domestic business environment in which the Taiheiyo Cement Group operates is expected to be stable up to the period around 2020 supported by, among others, the Tokyo Olympics and Paralympics and investments in large infrastructure projects. However, in the long run, domestic demand for cement is expected to decrease as large infrastructure projects are to be completed as well as due to declining birth rates and aging population becoming more prominent. Nevertheless, we believe that there will be some growth fields in the domestic market including anti-disaster projects (national resilience), reconstruction activities following the Great East Japan Earthquake, works to restore deteriorating infrastructure, and increasing needs for waste processing, where we can make use of our competitive advantages such as “technological strength,” “R&D strength,” “sales capability,” and “knowhow” in the field of cement and concrete as well as their related fields.

In overseas markets, as further urbanization is expected particularly in emerging economies, we expect to find opportunities such as the provision of construction materials for infrastructure improvements and contribution to the creation of a recycling-oriented society not only in the regions where we have existing businesses, but also in new regions.

In light of these circumstances, we recognize the importance of achieving sustained growth as a member of the social infrastructure industry by deploying capital in growth fields both in Japan and overseas.

III Future Vision and Direction

Based on our understanding of the present and future described above, we believe the Taiheiyo Cement Group’s *raison d’être* is to provide products and solutions as a member of the social infrastructure industry in response to various needs and issues both at home and abroad. To fulfill this, we are required to forecast and pre-empt changes in the environment from a long-term perspective, and attain sustained growth while maintaining our stakeholders’ confidence in us and meeting their expectations into the future. With the Mission of the Taiheiyo Cement Group in mind, we declare the following *future vision and direction* targeted at the mid-2020s and will take various measures for its realization.

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”

IV Outline of the 17 Medium-Term Management Plan

1. Fundamental policies and positioning

The 17 Medium-Term Management Plan covers the three-years from FY2016 to FY2018 and is regarded as the first step toward the realization of our *future vision and direction*. We will aim to maximize our enterprise value in accordance with the following basic policies:

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

2. Management Targets

The management targets under 17 Medium-Term Management Plan are as follows:

Operating income on sales	FY2018	8.4% or more
ROA (ordinary income)	FY2018	7% or more

By adopting the following indicators as guidelines to achieve the management targets set forth above, we will *generate and improve our earnings capacity* by making capital-efficiency-oriented growth investments and *build a flexible and strong financial structure* by making improvements in the financial structure, and at the same time, steadily execute the *enhancement of stockholders' returns*.

<Generate and improve our earnings capacity>

	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

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

To *generate and improve our earnings capacity*, we will execute capital expenditure and investment and financing of 200 billion yen in total during the three years (approximately 50% of which will be allocated to growth investments). In principle, cash flow from operating activities generated during the period of the 17 Medium-Term Management Plan will be used as the funding source of these investments.

<Build a flexible and strong financial structure>

	FY2015 Actual	FY2018 Plan	Change
Net debt/equity ratio (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 future 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>

During the period of the 17 Medium-Term Management Plan, we will strengthen our financial structure while putting growth investments first. At the same time, we also recognize the importance of enhancing stockholder's returns as a management challenge. Given our forecast that net DER (debt equity ratio) will be less than 1.0, which is our short-term target, under the 17 Medium-Term Management Plan, we plan to increase dividend by 1 yen per share from the previous fiscal year to 6 yen per share for FY2016. Dividend for FY2017 and FY2018 will be determined in consideration of the funding needs of growth investments as well as the actual financial performance of the fiscal year.

3. Business Strategies

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

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

<Cement Business (Japan)>

We will implement the following measures to strengthen our earnings base to prepare against the fall in domestic cement demand in the future, with the aim of becoming a dominant, leading company. For the purpose of the 17 Medium-Term Management Plan, we have assumed that the cement demand during the period of the plan will be within the range from 46 million tons to 48 million tons.

- 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

<Cement Business (Overseas)>

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

- Enhance the earnings base of existing businesses
 - U.S. Ensure that our profit reflects the expected increase in demand
 - China Take advantage of environmental technologies to a maximum extent

Vietnam Take advantage of our production and logistics resources to a maximum extent

Philippines 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

<Mineral Resources Business>

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

- Boost the earnings capacity of existing businesses
 - Strengthen the aggregates business, the mineral products business, and the geo-solution business
- Develop and execute growth strategies
 - Revitalize the resource chemicals business and expand the mineral products business focusing on Southeast Asia

<Environmental Business>

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

- Make active efforts on coal ash processing in response to the increase in thermal power plants
- Maximize the scale of the existing waste processing business
 - Expand the operation in such areas as the processing of general waste incineration ash, fuel waste processing, and the processing of waste difficult to process
- Implement overseas expansion leveraging advanced environmental technologies
- Develop new businesses and create new business models
 - Aqua business, development of next-generation recycling technologies

<Construction Materials Business>

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

- 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.

<Other Business>

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

(Reference: Net sales and operating income by segment)

(Billions of yen)

	Net sales		Operating income		
	FY2015	FY2018	FY2015	FY2018	
	Actual	Plan	Actual	Plan	
Cement Business	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 Business	95.9	106.5	6.7	8.0	
Environmental Business	74.7	98.5	7.4	8.5	
Construction Materials Business	90.3	92.0	5.4	6.0	
Other Business	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	

(2) Strengthen management foundations: Enhance backbone of management

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

(i) 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 ratio of female employees under “G Course” categories to at least 30.0%.

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

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

(ii) Encourage all employees to participate in the efforts to create innovation

(iii) Rebalance the asset mix through ongoing *selection and concentration*

(iv) Strengthen group governance

(v) Develop workers who can function effectively in a global setting

(3) Support for National project

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

(4) Enhance research & development

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

- (i) Research and development to support business activities
Contribute to sustained growth of existing businesses activities and support business segments as a growth engine, in addition to providing active support to national projects.
- (ii) Research for the reduction of environmental load on the earth
Reduce the environmental load on the earth by developing environmental protection technologies and reducing cost
- (ii) Promotion of strategic intellectual property activities

End

Note: Plans and forecasts in this document are based on information currently available to the Company and certain assumptions the Company deems reasonable, and therefore 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.