

June 29, 2016

Notice Regarding Transfer of Shareholder Interest in Equity-Method Affiliate and Associated Extraordinary Gain

On June 29, 2016, the Board of Directors of Taiheiyo Cement Corporation (“Taiheiyo”) resolved to transfer the company’s entire shareholder interest in South Korean company Ssangyong Cement Industrial Co., Ltd. (“Ssangyong”), an equity-method affiliate of Taiheiyo, to Hahn & Co. No. 10 Co., Ltd. (“Hahn & Co.”). The transfer included all shares of Ssangyong owned by Taiheiyo as well as those owned by TCC Holdings Labuan, Inc., a wholly owned subsidiary of Taiheiyo. Following the transfer, Ssangyong will no longer be an equity-method affiliate of Taiheiyo.

1. Reason for Transferring Equity Interest

Taiheiyo first acquired its equity interest in Ssangyong in 2000 and began participating in the company’s management. At that time, major European and North American cement companies were expediting entry into Asian markets in the wake of the Asian currency crisis. By incorporating Ssangyong (South Korea’s leading cement manufacturer) into Taiheiyo’s production and distribution network in the Pacific Rim, the investment presented an attractive opportunity for Taiheiyo to boost its international presence and level of competition in the global marketplace. As a result, Taiheiyo elected to acquire a stake in the South Korean company.

In the fifteen (15) years since Taiheiyo acquired shares in Ssangyong, and during that time the vision it set forth at the outset has been realized, for example by facilitating the supply of Ssangyong products to Taiheiyo’s U.S. business. Recently, however, the business environment in which the cement industry operates in Asia has undergone dramatic change due to factors such as the Chinese economic slowdown and the emergence of local capital in the cement industry in emerging markets. The Taiheiyo Group has been implementing its 17 Medium-Term Management Plan, which ends in FY 2017, as part of an effort to achieve a vision for operations into the mid-2020s. While this effort includes an active program of investment that targets overseas business as a growth sector, there are inevitable limits to the management resources that are available to pursue such priorities. Taiheiyo has always studied how to best utilize available funds for the purpose of making investments in regions promising growth by reviewing its business portfolio and reallocating management resources as necessary.

It was against this backdrop that Hahn & Co.’s recently purchased a large number of shares in Ssangyong to become that company’s largest shareholder. Together with Hahn & Co.’s desire to solidify its controlling interest in Ssangyong by acquiring Taiheiyo’s stake in the company, Taiheiyo’s determination that recouping its investment in South Korea for subsequent investment in a region promising greater growth opportunities would be the best way to increase the Group’s corporate value led to a series of negotiations concerning a transfer of Taiheiyo’s shares in Ssangyong to Hahn & Co.

Now that both companies have reached agreement on the terms of the transaction, the Taiheiyo Group has decided to transfer its stake in Ssangyong.

2. Overview of Ssangyong, As the Equity-Method Affiliate Whose Shares Will Be Transferred

(1) Name	Ssangyong Cement Industrial Co., Ltd.
(2) Address	34 Supyo-ro Jung-gu, Seoul, South Korea
(3) Name and title of representatives	Yeo-Eul Yoon, Joint Representative Director and Chairman of the Board Dong-Chul Hwang, Joint Representative and President
(4) Business	Cement manufacture
(5) Capital	KRW 401.5 billion
(6) Date of establishment	May 14, 1962
(7) Major shareholders and percentage shares (as of April 21, 2016)	Hahn & Co. No. 10 Co., Ltd.: 46.80% Taiheiyo Cement Corporation: 27.49% TCC Holdings Labuan, Inc.: 4.87%

3. Overview of Hahn & Co., As the Purchaser in the Share Transfer

(1) Name	Hahn & Co. No. 10 Co., Ltd.
(2) Address	21F Ferrum Tower, 19, Eulji-ro 5-gil, Jung-gu Seoul, South Korea
(3) Name and title of representative	Sang-Won Hahn, Representative Director
(4) Business	Investment

4. Number of Shares to Be Transferred, Transfer Price, and Number of Shares Owned After Transfer

(1) Number of shares to be transferred	Shares owned by Taiheiyo: 20,828,960 shares of common stock 1,250,000 shares of preferred stock (Total: 22,078,960 shares) Shares owned by TCC Holdings Labuan, Inc.: 3,910,050 shares of preferred stock (Total shares owned by the Taiheiyo Group: 25,989,010 shares) (Number of voting rights: 25,989,010)
(2) Transfer price	KRW 454,807,675,000
(3) Number of shares owned after transfer	0 shares

5. Schedule

(1) Date of enabling resolution by Board of Directors	June 29, 2016
(2) Date of agreement	June 29, 2016
(3) Date of execution of share transfer (tentative)	By the end of the 2nd quarter of Taiheiyo's FY 2016

6. Extraordinary Gain

(Consolidated)

Taiheiyo expects to book a gain on sales of investment securities of ¥2.5 billion as an extraordinary gain during the fiscal year ending March 31, 2017.

(Non-consolidated)

Taiheiyo expects to book a reversal of allowance for doubtful accounts of ¥4.4 billion as non-operating revenue, as well as a gain on sales of investment securities of ¥24.4 billion as an extraordinary gain during the fiscal year ending March 31, 2017.

An exchange rate of KRW 1 = ¥0.087297 has been used to calculate the above figures. The gain from the sale of shares may vary with the exchange rate in effect at the time of the transaction as well as other factors.

7. Future Outlook

Taiheiyo continues to carefully study the outlook for its consolidated and non-consolidated business performance during the fiscal year ending March 31, 2017.