

Start of Biomass Power Generation in Ofunato-shi, Iwate Prefecture

Taiheiyo Cement Corporation concluded a shareholders' agreement today to establish the Ofunato Power Inc.(hereinafter"OPI") in Ofunato-shi, Iwate Prefecture on the grounds of the Taiheiyo Cement Ofunato Plant as a joint investment with eREX Co., Ltd. ("eREX"; Head Office: Chuo-ku, Tokyo; President & Representative Director: Hitoshi Honna), and to engage in an electric power wholesale business ("the business") using woody biomass.

OPI will build a 75 MW, thermal power station (among the largest in Japan using biomass fuel) on the grounds of the Taiheiyo Cement Ofunato Plant located in Akasaki-cho, Ofunato-shi. The business will wholesale electric power under Japan's Feed-in Tariff Scheme for Renewable Energy. Construction of the thermal power station will start in fiscal 2016 and reach completion in the autumn of 2019. Commercial operation for power generation business will be continued for 20 years after that.

Palm kernel shells (PKS) are the main type of biomass fuel that the new company expects to use. However, it plans to work with the increasingly diverse forms of fuels, reflecting its intent to get more involved with today's biomass power generation business. To this end, Taiheiyo Cement has focused on the palm's empty fruit bunches (EFB), which in the past would have been discarded after the palm oil extraction process. Working with Saraya Co., Ltd., Rematec & KSN Thailand Co., Ltd. (Thailand), and The Green Biomass Sdn. Bhd. (Malaysia), it has successfully developed an EFB as power generation fuel. The business will achieve stable operation by burning a mixture of EFB and PKS.

Through the business, Taiheiyo Cement will promote the diffusion of eco-friendly renewable energy. The company, moreover, will assist in the recovery of the Tohoku region and stimulate the local economy by hiring employees locally for the new company and creating jobs associated with transporting the fuel.

<Overview of operating company>

Company name	Ofunato Power Inc.
Head office	21-6 Atohama, Akasaki-cho, Ofunato-shi, Iwate
Date to be established	August 5, 2016
Paid-in capital	¥4.0 billion
Capital contribution ratio	Taiheiyo Cement 65%, eREX 35%
Business overview	Electric power wholesale supply and all incidental businesses

<Overview of thermal power generation facility and electric power wholesale supply business>

Address	21-6 Atohama, Akasaki-cho, Ofunato-shi, Iwate (on the grounds of Taiheiyo Cement Ofunato Plant)
Power generation facility	Will use circulating fluidized bed boiler, reheat steam turbine
Output	75 MW

Power generation and sales	100% of electric power generated will be sold wholesale to eREX
Fuel	Ratio of biomass fuel biomass:coal = 90:10 Plan to use PKS and EFB as biomass fuel
Annual electric power generation	About 480,000 MWh/year Equivalent to electricity consumption of about 110,000 ordinary households Will reduce CO ₂ emissions by about 285,000 t/year
Total project cost	¥23.5 billion
Start of supply	Autumn of 2019 and lasting 20 years



Palm kernel shells (PKS)



Palm empty fruit bunches (EFB)