TAIHEIYO CEMENT

Medium-Term Management Plan Revision and Business Restructuring

Laying the Groundwork for Sustainable Growth from FY3/2012

March 30, 2010

TAIHEIYO CEMENT CORPORATION

1. Taiheiyo Cement Group business environment and current understanding

Great Declining domestic cement demand

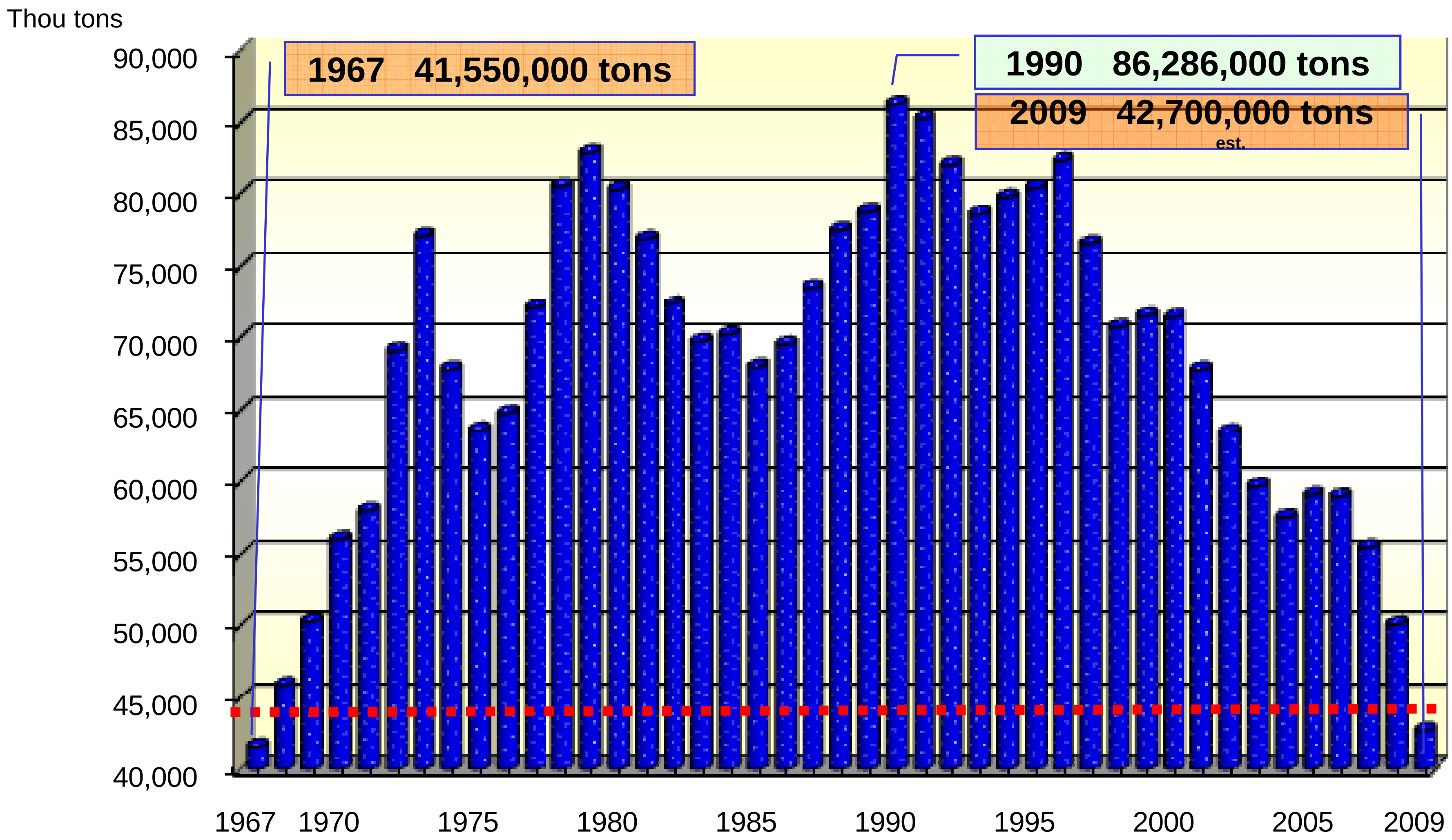
Taiheiyo Cement Group

Tendency to strengthen environmental regulations, including CO_2 emissions reductions

Risk of sharply higher prices for coal and other inputs (heavy oil, steel)

Slow US economic recovery due to Lehman shock

Domestic cement demand (including imports)



Taiheiyo 10 Medium-Term Management Plan

(Announced April 2008)

Our vision for the Taiheiyo Cement Group

Be a Leading Pacific Rim company

Basic strategies

- ✓ **Focus management resources on core businesses of Cement and mineral resources**
- ✓ **Build a revenue structure that balanced domestic and overseas businesses**

Taiheiyo 10 Medium-Term Management Plan themes

Domestic

1) Cement

Steadily pass through cost increases

2) Mineral resources

Shift strategy from quantity to quality (high value-added products)

Overseas

1) North America

Enhance business base through horizontal and vertical expansion

2) Asia

Expand existing facilities and enter regions with growth prospects

Shared theme

Speed up “selection and concentration”

Current status of themes

Domestic

1) Cement

Unable to pass through recycling business costs

2) Mineral resources

No achievements

Overseas

1) North America

Vertical expansion: Acquired SSMC, other firms

Lower demand from Lehman shock weakened business base

2) Asia

Completed 2nd line in Vietnam

Did not enter any new markets

Shared theme

Speed up “selection and concentration”

Earnings deterioration on great decline in domestic cement demand

Hard to achieve growth with current business structure

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Lay the groundwork through business restructuring

Restructure domestic cement business

2. FY3/2011 business strategies and revision of Taiheiyo 10 Medium-Term Management Plan

Position FY3/2011 as a year to implement business restructuring to prepare for the rebirth of a new Taiheiyo Cement

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Withdraw quantitative targets listed in the Taiheiyo 10 Medium-Term Management Plan

Position FY3/2011 as a year to implement business restructuring to prepare for the rebirth of a new Taiheiyo Cement

FY3/2011 management strategies

(1) Prevail in difficult markets by enhancing our cost competitiveness

(2) Solidify our position as top-class manufacturer by leveraging technological and creative capabilities

3. Main policies for FY3/2011

Main policies for sweeping business structure reforms

1. Domestic production reorganization

2. Organization and personnel reforms

3. Domestic cement sales reorganization and logistics streamlining

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1. Domestic production reorganization

Taiheiyo Cement: Plants (kilns) and capacity

Kamiiso Plant (3)	3,617,000 tons
Ofunato Plant (2)	1,857,000 tons
Kumagaya Plant (1)	1,816,000 tons
Saitama Plant (1)	1,311,000 tons
Fujiwara Plant (2)	2,062,000 tons
Tosa Plant (1)	1,106,000 tons
Oita Plant Tsukumi (3)	4,069,000 tons
Oita Plant Saiki (1)	1,199,000 tons
Total (14)	17,037,000 tons

Note: Capacity as of April 1, 2009, according to Japan Cement Association data.

Chichibu Taiheiyo Cement: Capacity

One kiln	800,000 tons

Five alliance firms: Capacity

Myojyo Cement Co., Ltd.	Total 6,192,000 tons
Tsuruga Cement Co., Ltd.	
DC Co., Ltd.	
TOSOH CORPORATION	
Lafarge Aso Cement Co., Ltd.	

Note: OEM contract with Lafarge Aso expires in March 2011.

TAIHEIYO CEMENT

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(1) Taiheiyo Cement plants: Stop cement production at the Tosa Plant and the Saiki factory at the Oita Plant

(2) Subsidiary firm: Stop cement production at Chichibu Taiheiyo Cement

(3) Other five alliance firms: Reduce output

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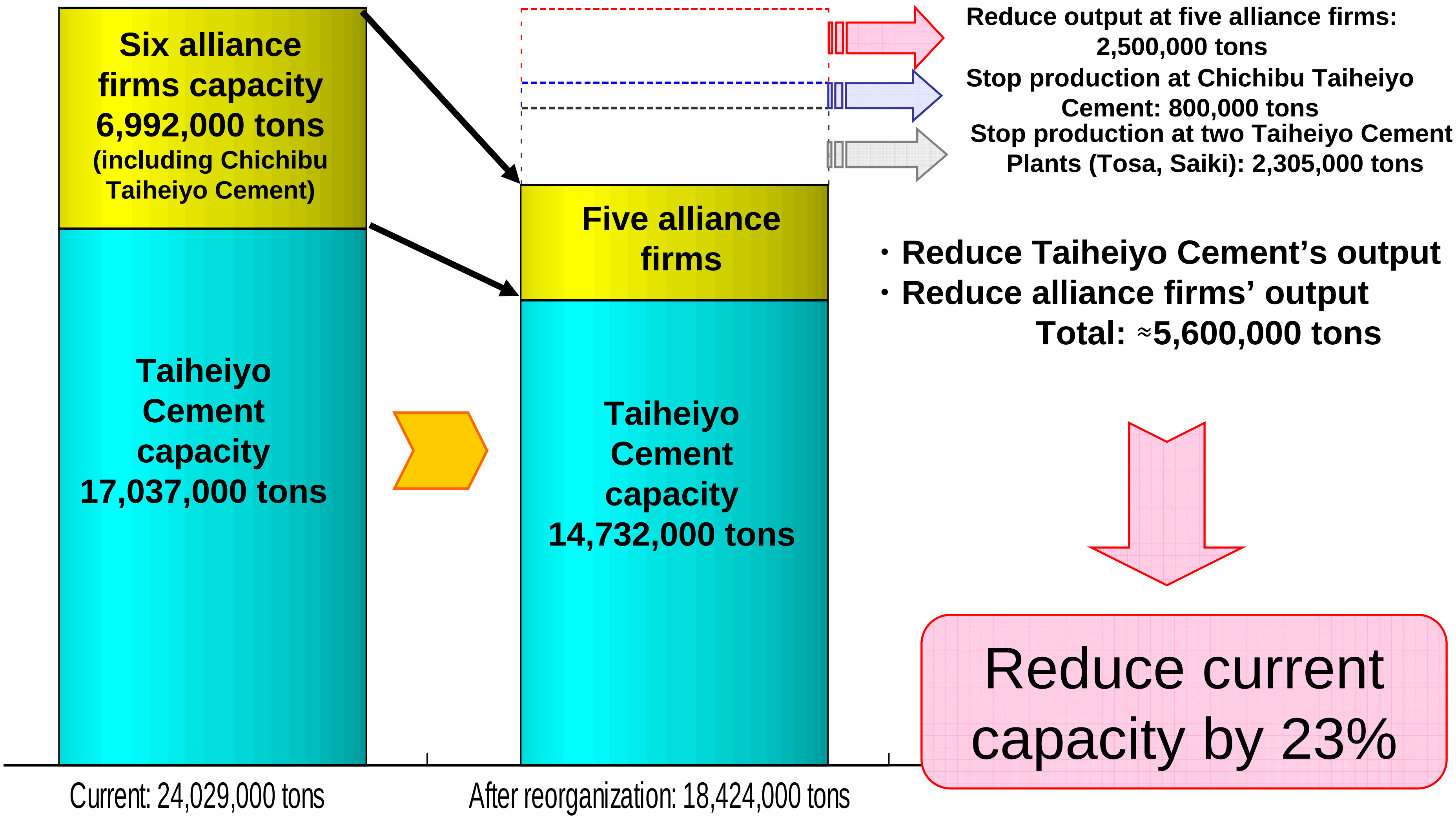
1. Domestic production reorganization



- **Reduce Taiheiyo Cement's output**
- **Reduce alliance firms' output**

Total: ≈5,600,000 tons

Reduce current capacity by 23%

1. Domestic production reorganization

- Profitability improvement from stopping cement production

Reduce fixed costs by about ¥8 billion
(excluding personnel expenses)

- Capacity utilization at Taiheiyo Cement plants

Before reorganization: ≈80%

After reorganization:
≈95%
(including exports)

1. Domestic production reorganization

- Operations that will continue at the three plants stopping cement production

(1) Limestone mining, crushing, and sales
(2) Specialty cement production

Convert existing facilities to new business uses → Ongoing investigation

- Exports and overseas markets

(1) Shipments are within surplus production capacity, but basically gradually reduce
(2) Build optimal structure by combining exports from domestic and overseas plants with tripartite trading

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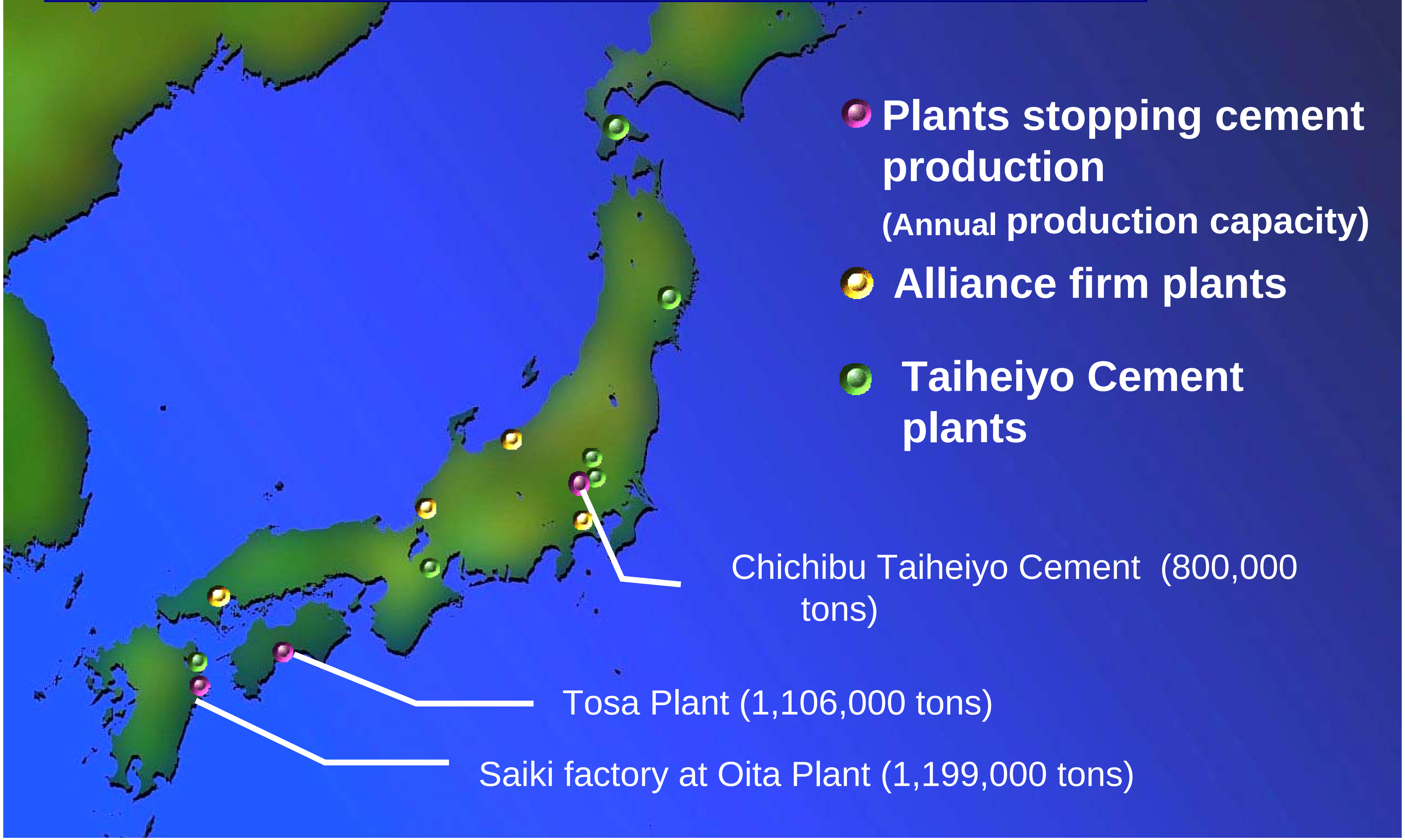
1. Domestic production reorganization



2. Organization and personnel reforms

Reform organization commensurate with 40 million tons of domestic demand

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Implement fundamental organizational reforms in October 2010 to revise in-house company system and streamline organization

2. Organization and personnel reforms

Achieve the following personnel structure by September 2010
by encouraging employee transfer and early retirement

Item	April 1, 2010	September 30, 2010 target	Personnel reduction
Employees	3,238	2,500	**−738**

Profitability improvement in performance: ¥4 billion/year

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3. Domestic cement sales reorganization, logistics streamlining

Sales and logistics network optimized to demand and production structure

Office reorganization

Reduce branch offices from 10 to 8 (closed sales offices in FY3/2010)
Branch offices: Hokkaido, Tohoku, Tokyo, Kanto, Chubu Hokuriku, Kansai Shikoku, Chugoku, Kyushu

Logistics streamlining

Reduce tankers by 5 from 36 in end-March 2009 to 31 in end-September 2010
Reduce service stations by 24 from 123 in end-March 2009 to 99 in end-March 2013

Profitability improvement in performance: ¥2 billion/year

3. Domestic cement sales reorganization, logistics streamlining

Sales and logistics network optimized to demand and production structure

Sales strategy

Create slim sales structure through office reorganization

Reorganize functions that overlap with dealerships

Ensure sales capabilities by enhancing the function of main dealerships in each region

Ready-mixed concrete strategy

Pursue appropriate supply/demand balance (improve structure to appropriate number of plants)

Select and concentrate on subsidiary ready-mixed concrete operations

Enhance quality control

4. Profitability improvement of business restructuring

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Loss and profitability improvement of business restructuring

	Business restructuring loss	Profitability improvement in performance (annual basis)
Production reorganization	¥19 billion	¥8 billion
Organization and personnel reforms	¥14 billion	¥4 billion
Logistics streamlining	¥2.5 billion	¥2 billion
Other	—	¥2 billion
Total	¥35.5 billion	¥16 billion

Plan to include ¥33 billion of the ¥35.5 billion of loss in FY3/2010

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Earnings forecasts after business restructuring

(¥ billion)

Non-consolidated	FY3/2010 estimate	FY3/2011 forecast	FY3/2012 forecast
Net sales	277	260	265
Income from operations	2.5	7	13

Consolidated	FY3/2010 estimate	FY3/2011 forecast	FY3/2012 forecast
Net sales	725	710	710
Income from operations	2	13	26

5. Toward sustainable growth

Overseas business

Expand and solidify the Taiheiyo Cement brand overseas

Priorities

(1) Enhance earnings power and expand business in current regions
(2) Expand into cement, construction materials, and mineral resources business in new regions
(3) Expand trading business (cement, slag, mineral products, etc.)
(4) Enhance earnings power by licensing environmental technologies, including fly ash washing system and chlorine bypass

Environmental business

Maximize existing businesses and establish business model not reliant on cement plants

Priorities

(1) Maximize waste per unit production through greater efforts with waste that is difficult to recycle and by building wide-area logistics network
(2) Expand efforts for fuel recycling and household waste
(3) Develop new environmental businesses (use unused waste and expand use in unused areas, form partnerships with other industries, enter energy-related fields, develop businesses based on proprietary technologies)

Mineral resources

Shift strategy from quantity to quality

Priorities

(1) Enhance earnings power by restructuring domestic business (establish production and sales structure optimized to cement production structure)
(2) Expand high-value-added products (quicklime business, commercialize new products based on resource chemical strategy)

Strengthen R&D structure

Pursue research and development to continue expanding existing businesses and develop new businesses

Priorities

(1) Cement differentiation strategy
- Pursue advanced waste recycling technology to enhance cost competitiveness
- Establish differentiation and high performance in concrete segment

(2) Enter growth fields
- Develop high-value-added materials targeting the environmental and energy fields
- Recover useful resources from waste

Important Disclaimer

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Accordingly, the achievement of future targets and policies listed in this presentation is not guaranteed.