



Outline of 14 Medium-Term Management Plan (FY 3/2013 – FY 3/2015)

May 15, 2012

TAIHEIYO CEMENT CORPORATION

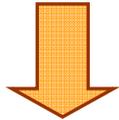
Contents

- **Review of 2010 Medium-Term Management Plan**
- **Group Business Environment**
- **Positioning**
- **Fundamental Policies**
- **Management Targets**
- **Business Strategy Highlights**
- **Profit by Segment**
- **Capital Expenditure/Investment and Financing**
- **Financial Strategies**
- **Group Management**
- **Research and Development**
- **Other Matters**

Review of 2010 Medium-Term Management Plan

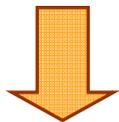


2010 Medium-Term Management Plan



Business structural reforms

- Review and restructuring of domestic production structure
- Review of organizational personnel structure
- Review of domestic cement sales structure and streamlining of logistics



Capital increase

- Restoration of the damaged Ofunato Plant
- Strengthening the revenue base of the domestic cement business
- Strategic investment in growth fields

Revenues have worsened due to a rapid decrease in domestic demand for cement. Quantitative targets will decrease and business structural reforms will be implemented.

The new structure will make it possible to realize improvement results largely as targeted.

Profit improvement effects
⇒ **16 billion yen/year**

- Toward expansion of a stable revenue base and sustainable growth
- Toward financial structural improvements and further increases in business performance

Domestic

- The Great East Japan Earthquake has resulted in a change in consciousness among the Japanese public

“Life-saving concrete”

||
Concrete is a material vital to protecting the property of the public and developing a safe and secure social infrastructure.

- Together with the shift to full-fledged recovery projects such as processing of disaster-related wastes, the importance of the cement industry’s reason for existing and its roles are being appreciated anew.

- Electric power supply constraints
- Over the long term, the domestic market will shrink due to factors such as the progressive aging of society and low birth rates

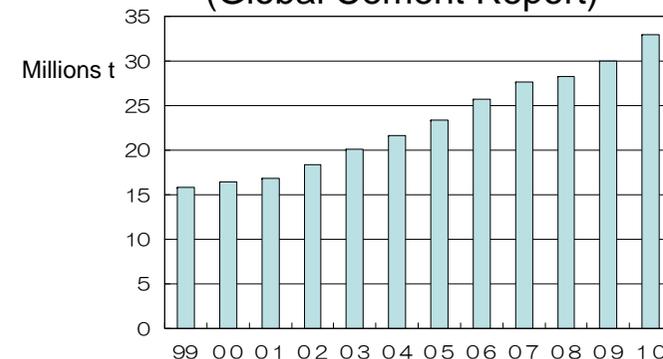
International

- Despite a sense that the economy is slowing, overseas markets are growing in countries such as emerging markets and resource-producing nations.



Global cement demand grew by 5.9% in 2009 and 9.9% in 2010.

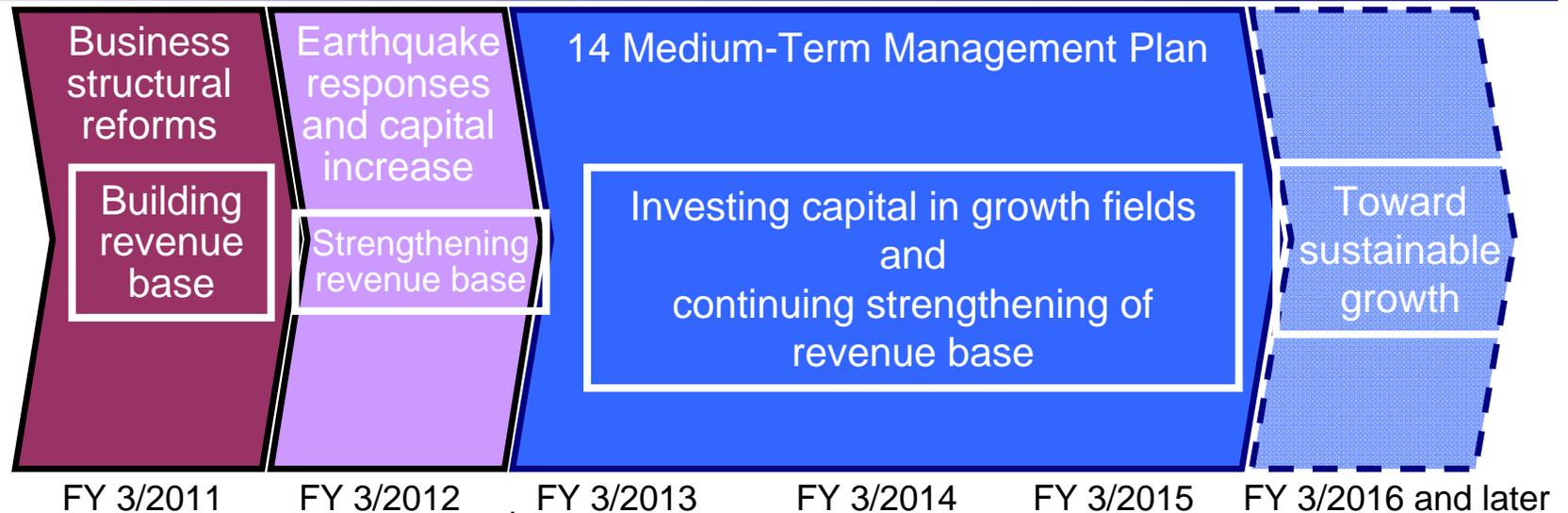
(Global Cement Report)



- Japan’s outstanding production efficiency has attracted attention due to environmental regulations and increasing awareness of environmental issues.

- Effects of European debt issues on each country’s economy
- Rising energy prices due to rising tensions in the Middle East

Positioning



Overview of earning power

Domestic cement business

- Maximum contributions to recovery projects
- Maintaining structures with a view toward business after recovery demand ends

- Responding after recovery demand ends

International cement business

- Recovery in North America, growth in Asia region

Expansion

Growth businesses (International, resource, environmental)

- Implementing strategic investments

Growth

Investing capital in growth fields and continuing strengthening of the revenue base to ensure sustainable growth in the future.

Fundamental policies

- ◆ Building a group of companies and increasing corporate value to move forward toward growth constantly, as a new Taiheiyo Cement
- ◆ Seeking to contribute to society through provision of materials toward the realization of a safe and secure society and development of renewable environmental technologies, as part of a social-infrastructure industry
- ◆ Strengthening the financial system through promoting improvements in the efficiency of group management and strengthening the earning power of core (cement, resources, and environmental) businesses

Business strategies

1. Accomplishment of social mission
2. Pursuit of main businesses
3. Expansion of growth fields

Financial strategies

1. Strengthening of the financial makeup
2. Appropriate distribution of profits

Capital expenditure/investment and finance

1. Strategic investment in growth fields, strengthening the revenue base of core businesses
2. Simultaneously promoting growth strategies and strengthening the financial makeup

Technology

R&D

Sales network

Group network

Strengthening the revenue base

FY 3/2012

FY 3/2013

FY 3/2014

FY 3/2015

Toward sustainable growth

FY3/2016 and later

Investing capital in growth fields
Continuing strengthening of the revenue base

Management Targets



Income Targets

	FY 3/2012 actual	FY 3/2015 planned	Change
Net sales	JPY 727.8 billion	JPY 735.0 billion	+ JPY 7.2 billion
Operating income	JPY 29.1 billion	JPY 52.0 billion	+ JPY 22.9 billion
Return on sales	4.0%	7% or higher	+ 3.0% or higher
Return on assets (ROA) (ordinary income)	1.9%	4.5% or higher	+ 2.6% or higher
EBITDA*	JPY 72.9 billion	JPY 94.0 billion	+ JPY 21.1 billion

Assumptions behind the above income figures:

- Domestic cement demand during the period covered by the 14 Medium-Term Management Plan: 43 million t
- Expected exchange rate: JPY 79.0/USD 1

* EBITDA= Operating income + depreciation (including amortization of goodwill etc.)

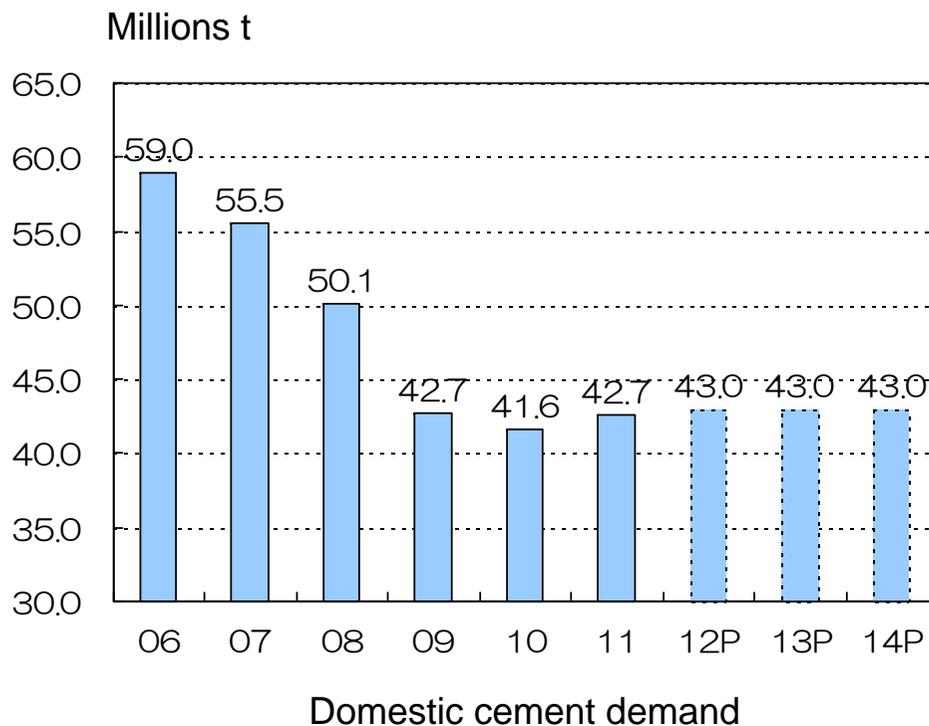
Financial Indicators

	FY 3/2012 actual	FY 3/2015 planned	Change
Interest-bearing debts	JPY 510.1 billion	JPY 460.0 billion	- JPY 50.1 billion
Net debt/equity ratio (DER)	2.6	1.8	-0.8
Net interest-bearing debt/EBITDA	6.1	4.2	-1.9

1. Accomplishment of social mission

– Making maximum contributions to projects related to recovery from the Great East Japan Earthquake –

■ Realizing stable supplies by demonstrating the potential power of the cement industry in response to full-fledged recovery demand.



⇒ Domestic cement demand is estimated to be 43 million t in the 14 Medium-Term Management Plan

⇒ Securing stable supplies and quality in each type of product, including cement, in response to recovery demand.



1. Accomplishment of social responsibility

- Making maximum contributions to projects related to recovery from the Great East Japan Earthquake –

■ Providing solutions through concentration of the group's aggregate power and collecting together technological essentials

⇒ Processing of earthquake-related wastes

- Processing of earthquake-related wastes at the Ofunato Plant
- Studying acceptance of wastes at sites other than the Ofunato Plant

⇒ Providing the group's abundance of products and methods

- Responding to wide-ranging needs for restoration construction in areas such as waterways and harbors

⇒ Responding to radiation issues

- Providing radiation-blocking containers made of concrete and other related products and technologies



2. Pursuit of main businesses

– Establishing sustainability in the domestic cement business and fulfilling responsibilities as part of a social-infrastructure industry –

■ Cement and concrete are important materials in building the social infrastructure that provides safety and security to the public. Based on our self-confidence and pride as part of the social-infrastructure industry, we will strive to provide a stable supply of products and thoroughly pursue our main businesses.

■ While domestic demand has shrunk, the domestic cement business is Taiheiyo Cement's largest revenue base. We will aim to maximize revenues as a reversible industry matched to environmental changes.

⇒ Strengthening cost competitiveness (manufacturing costs, logistics costs)

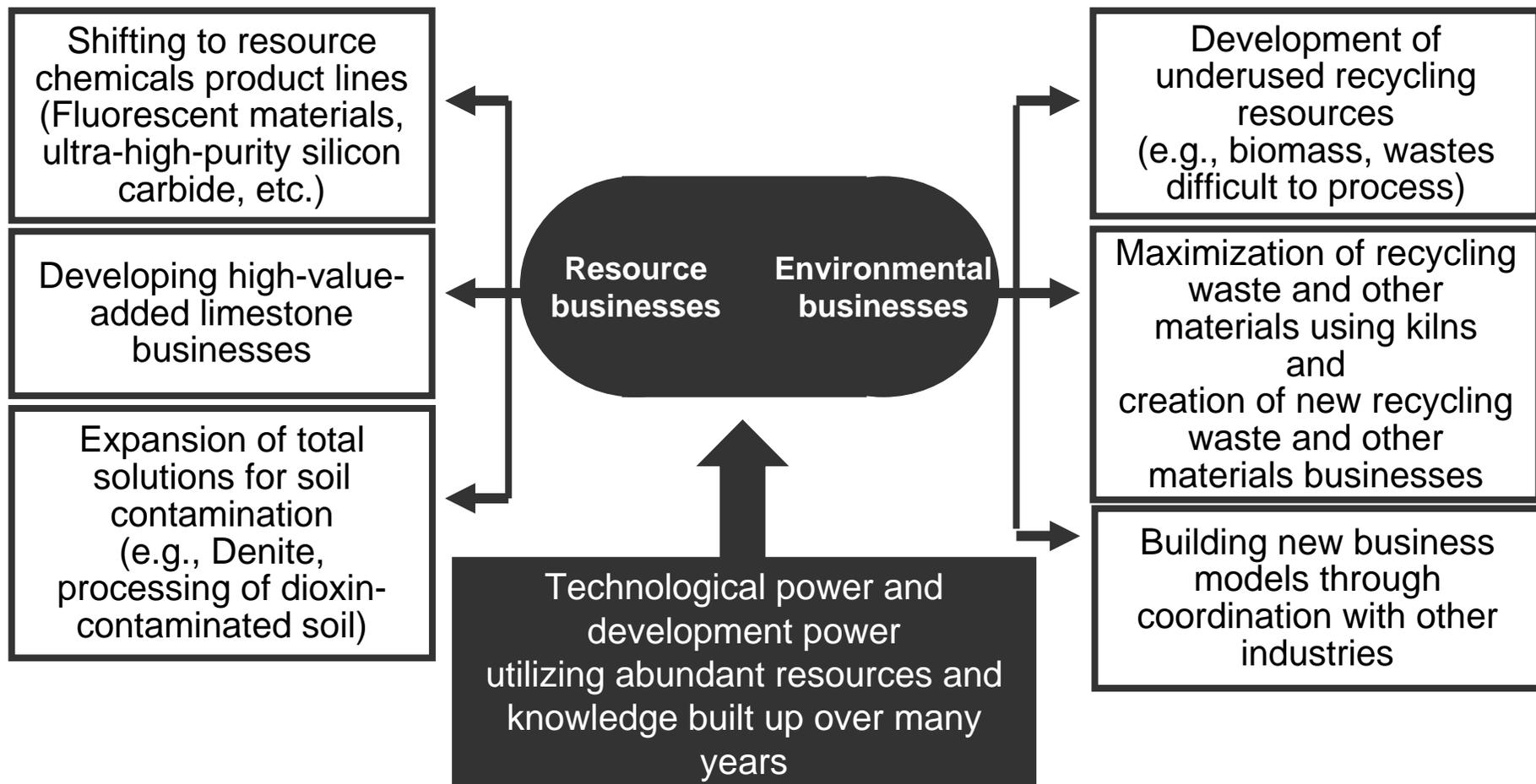
⇒ Pursuit of appropriate revenue levels

⇒ Promoting and strengthening ready-mixed concrete policies (stabilizing the ready-mixed concrete industry)

⇒ Maximization of recycling waste and other materials businesses

3. Expansion of Growth Fields (i)

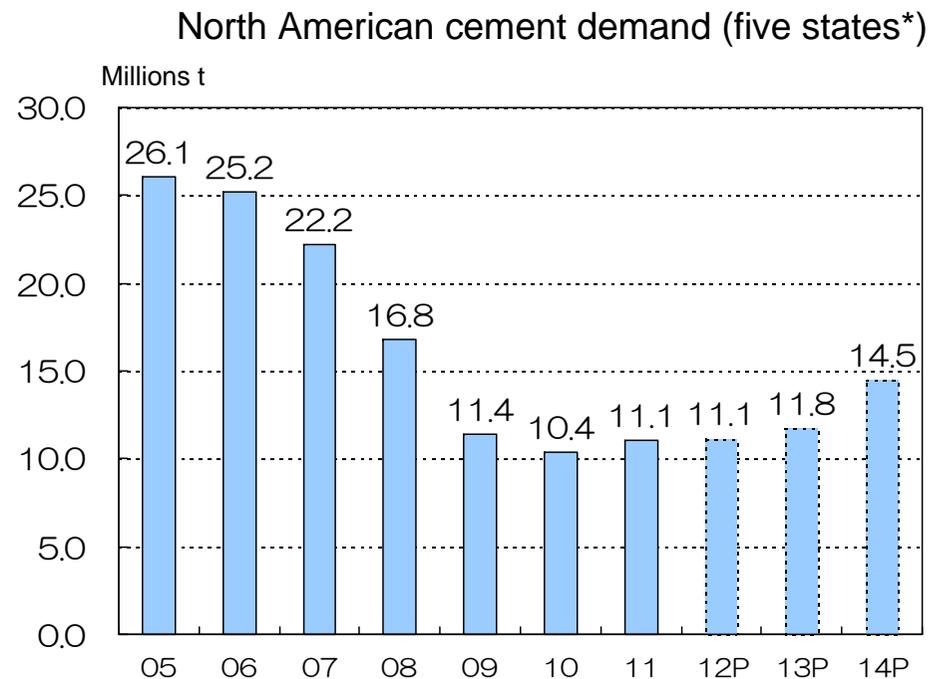
– Promotion of the materials business –



3. Expansion of Growth Fields (ii) – Further advancement of international business development –

Region-specific strategies of existing international cement businesses

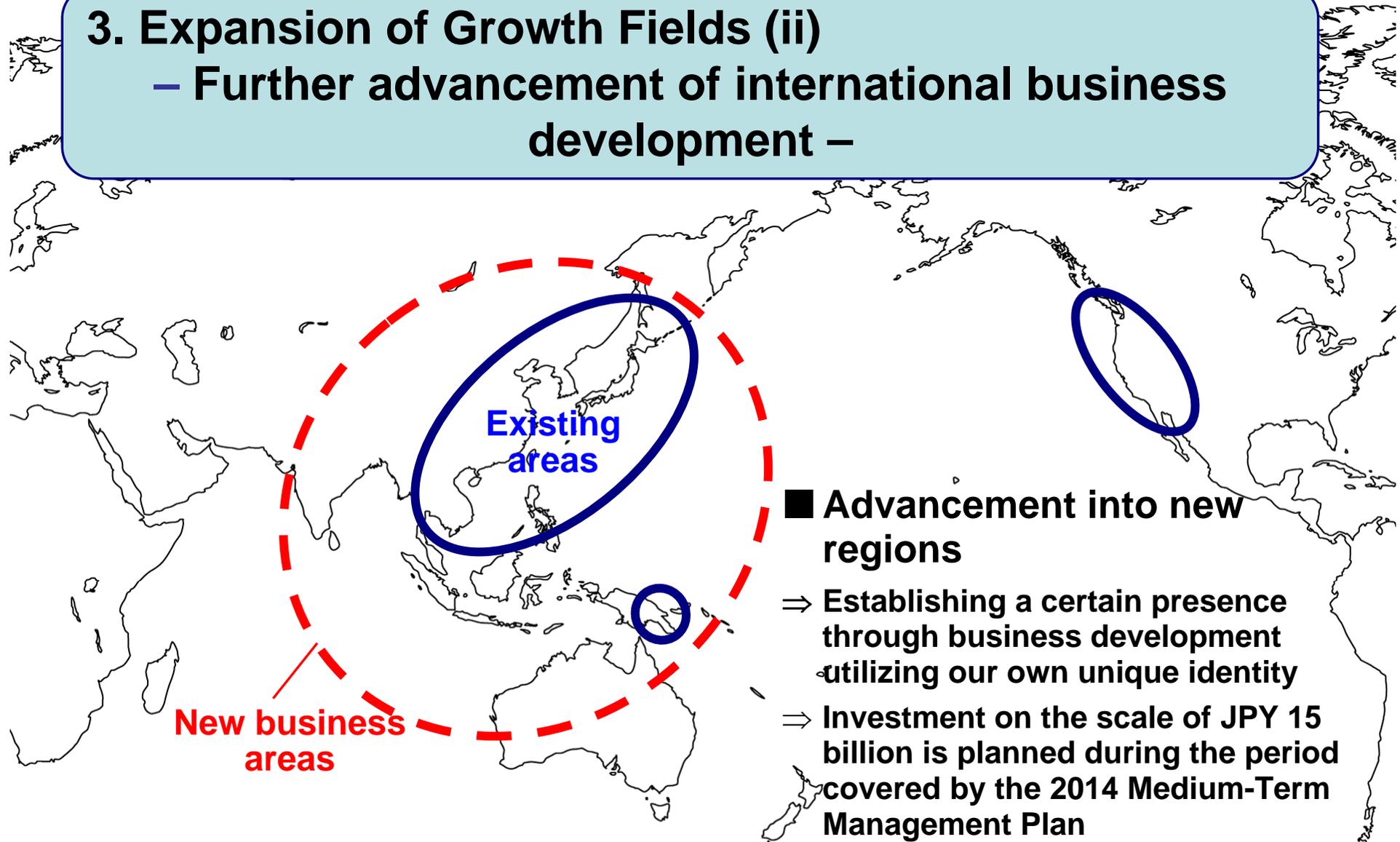
- ⇒ North American businesses
 - Achieving profitability backed by recovering demand
- ⇒ China businesses
 - Business expansion utilizing our technological power
- ⇒ Vietnam businesses
 - Business expansion including downstream business development



Source: Portland Cement Association
* The five states included are Washington, Oregon, California, Arizona, and Nevada

3. Expansion of Growth Fields (ii)

– Further advancement of international business development –



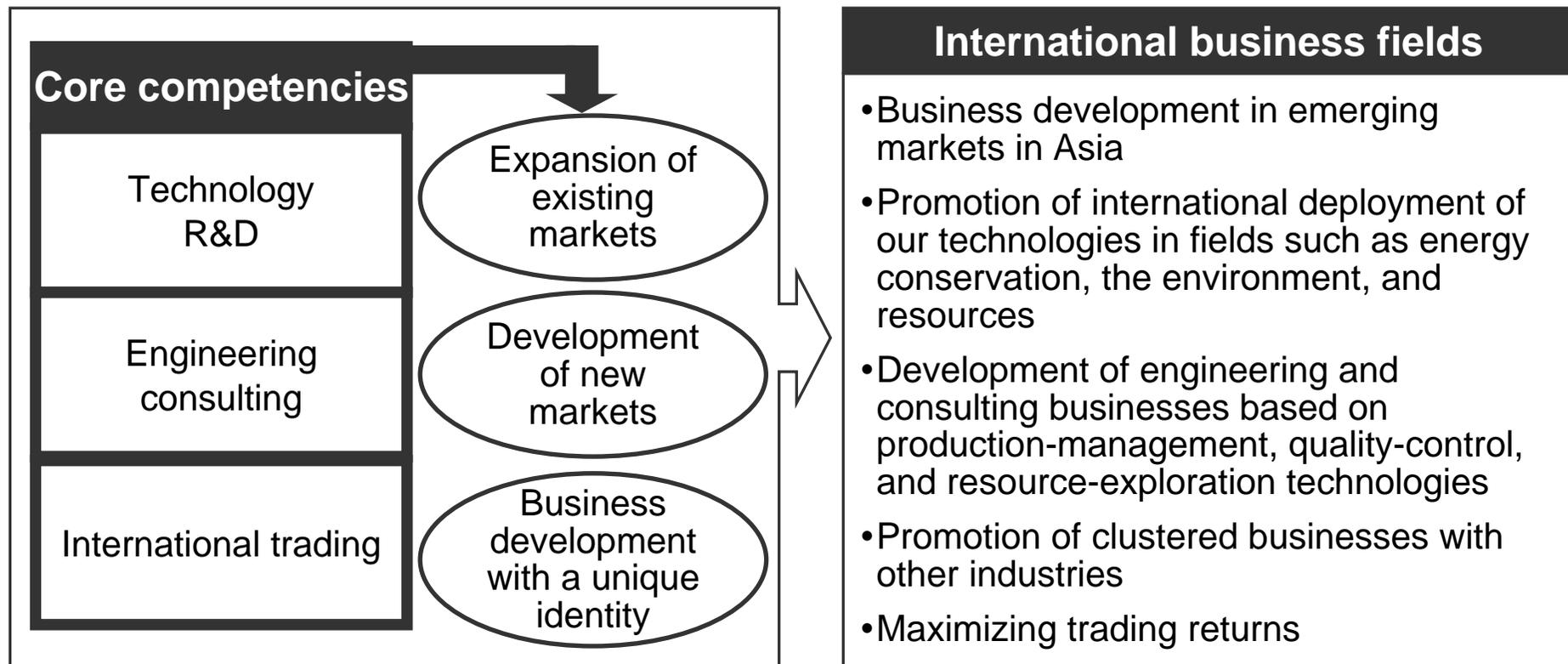
■ Advancement into new regions

- ⇒ Establishing a certain presence through business development utilizing our own unique identity
- ⇒ Investment on the scale of JPY 15 billion is planned during the period covered by the 2014 Medium-Term Management Plan

3. Expansion of Growth Fields (ii)

– Further advancement of international business development –

- Demonstrating and deploying the collective strengths of the group based on clear core competencies in overseas businesses



Profit by Segment



(JPY 100 million)

		FY03/2012A	FY03/2015P	Change
Cement business	Net sales	4642	4855	+213
	Operating income	165	350	+185
(Domestic businesses)	Net sales	3672	3645	-27
	Operating income	209	260	+51
(International businesses)	Net sales	970	1210	+240
	Operating income	-43	90	+133
Resource businesses	Net sales	830	860	+30
	Operating income	26	50	+24
Environmental businesses	Net sales	653	780	+127
	Operating income	65	80	+15
Other businesses*	Net sales	1790	1480	-310
	Operating income	41	40	-1
Eliminated	Net sales	-638	-625	+13
	Operating income	-7	0	+7
Total	Net sales	7278	7350	+72
	Operating income	291	520	+229

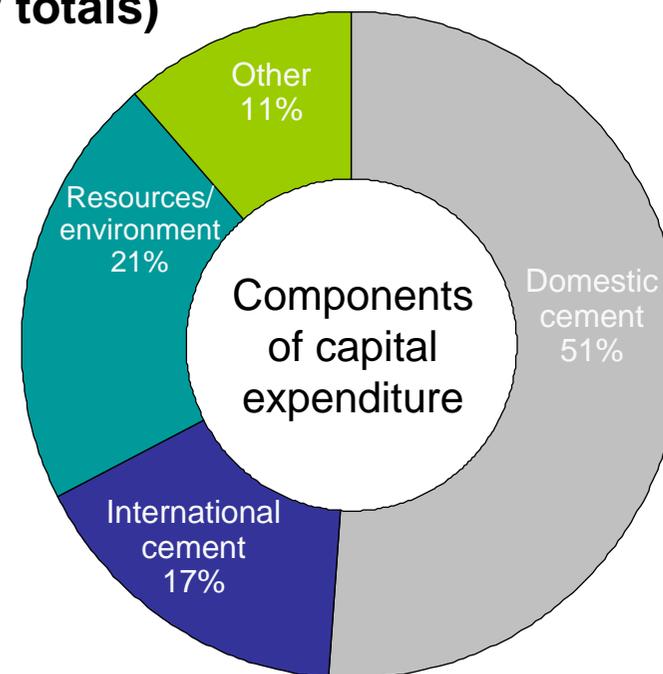
* Other businesses include building materials, construction and civil engineering, ceramics and electronics (CE), and others.

Capital Expenditure/ Investment and Financing

Advancing to sustainable growth through strengthening of the revenue base of core businesses and strategic investment into growth fields

Amounts of capital expenditure (three-year totals)

	Amount invested
Domestic cement	JPY 51.0 billion
International cement	JPY 16.5 billion
Resources/environment	JPY 21.0 billion
Other businesses*	JPY 11.5 billion
Total	JPY 100.0 billion



* Other businesses include building materials, construction and civil engineering, ceramics and electronics(CE), and others.

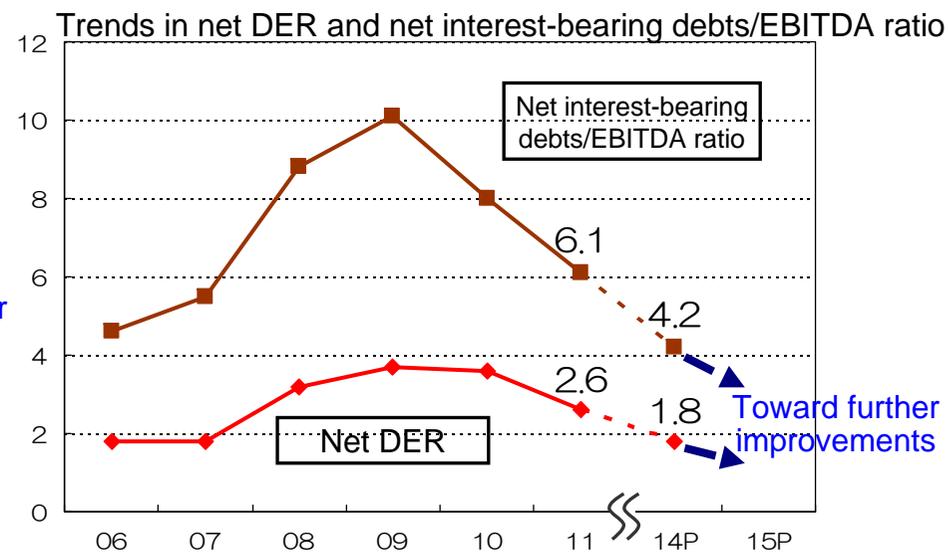
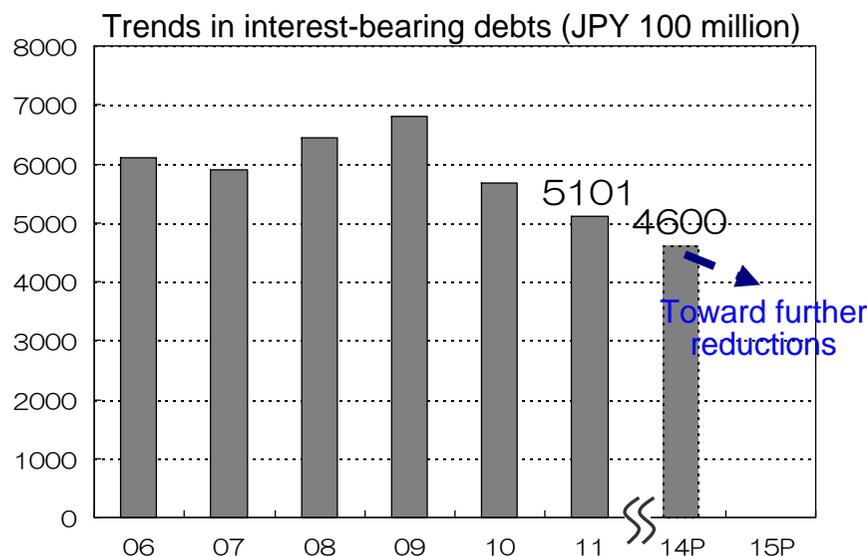
Amount of capital expenditure (three-year total)

An amount of roughly **JPY 20.0 billion** is expected for growth and restructuring of group businesses

Strengthening of the financial makeup

Simultaneously promoting growth strategies and strengthening the financial makeup

- Expanding revenues and promoting sale of assets and businesses owned
- Steadily reducing interest-bearing debts together with increasing asset efficiency

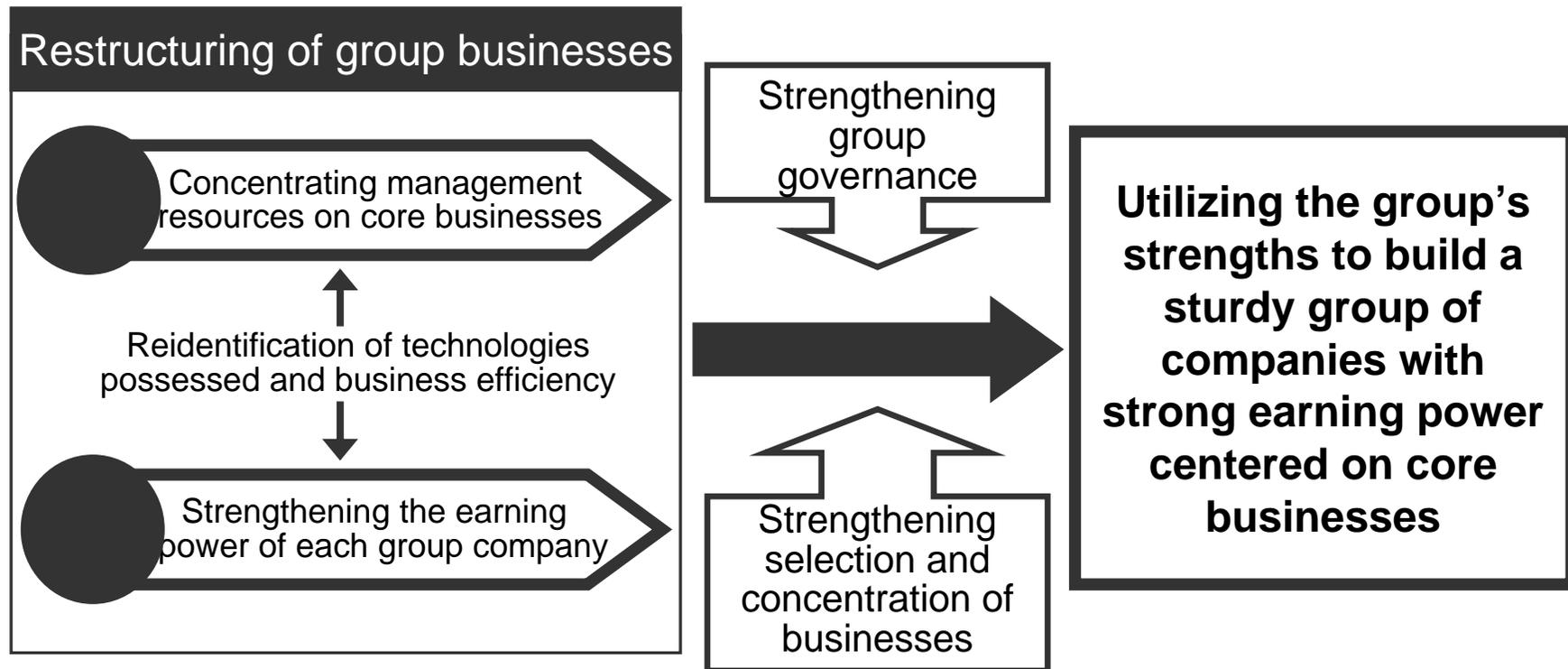


Policy on distribution of profits

Appropriate distribution of profits will be conducted taking into consideration matters such as business conditions and consolidated performance during the period, while sticking to the fundamental policy of maintaining stable dividends. In addition, shareholder value will be increased through continual growth.

■ Demonstrating the Power of the Group

Building a group of companies to move forward toward growth constantly and promoting efficient management to lead to increased corporate value in each field.



■ Driving the 2014 Medium-Term Management Plan

Promoting sustained development of core businesses and development of core technologies to support business expansion in growth fields

■ Pursuit of differentiation in the cement and concrete fields

- ⇒ Strengthening cost competitiveness through fusion of process technologies and environmental technologies
- ⇒ Advancing R&D on Taiheiyo brand concrete and development of applications such as concrete paving

■ Supporting research, technological development, and business development in growth fields

- ⇒ Utilizing accumulated knowledge on the chemistry of nonmetallic minerals
- ⇒ Promoting development of new technologies to utilize wastes
- ⇒ Development of technologies and materials suited to each overseas area and need

■ Promoting technological development for earthquake restoration and recovery

■ Strengthening the Risk and Compliance Management Structures

- Strengthening group risk management and steadily implementing the plan-do-check-act (PDCA) cycle
- Strengthening internal control systems

■ HR Development

Strengthening development of human resources full of self-confidence and a sense of mission, to be responsible for the sustainable growth of the Taiheiyō Group

- Promoting systematic development and exchange of global human resources
- Assignment concentrated on growth fields

Caution

The content of this document concerning plans and forecasts consists of expectations based on information available to the Company at the time of preparation and certain assumptions deemed reasonable. It includes risks and uncertainties. For this reason, it is not intended as a promise or guarantee of the realization of the planned figures or measures covered herein.