

July 10, 2009

Company: Taiheiyo Cement Corporation
Representative: Keiji Tokuu, President and Representative Director
(Stock code 5233: 1st Section of Tokyo Stock Exchange, Fukuoka Stock Exchange)

Company: Nihon Ceratec Co., Ltd.
Representative: Shiro Moriyama, President
(Stock code 5345: 1st Section of Tokyo Stock Exchange)

Announcement of Execution of Share Exchange Agreement Regarding Acquisition of Nihon Ceratec Co., Ltd. by Taiheiyo Cement Corporation as Its Wholly-owned Subsidiary

Taiheiyo Cement Corporation (hereinafter “Taiheiyo Cement”) and Nihon Ceratec Co., Ltd. (hereinafter “Nihon Ceratec”), following their respective Boards of Directors’ resolutions, have executed a Share Exchange Agreement today to make Nihon Ceratec a wholly-owned subsidiary of Taiheiyo Cement through a share exchange (hereinafter the “Share Exchange”) as described below.

The Share Exchange is subject to the approval of the extraordinary general meeting of shareholders of Nihon Ceratec to be held on September 18, 2009, and will take effect on November 1, 2009. Taiheiyo Cement plans to implement the Share Exchange without obtaining approval at a general meeting of its shareholders in accordance with the simplified procedure for share exchange pursuant to Article 796, Paragraph 3 of the Companies Act. Prior to the effective date of the Share Exchange, common stock of Nihon Ceratec will be delisted from the Tokyo Stock Exchange, Inc. (hereinafter “TSE”).

1. Purpose of making Nihon Ceratec a wholly-owned subsidiary by share exchange

(1) Purpose of Share Exchange

In light of the fact that the tough management environment surrounding Nihon Ceratec has not shown signs of improvement, Taiheiyo Cement and Nihon Ceratec, in an effort to understand the situation and find out problems, carefully collected information on Nihon Ceratec’s business and financial conditions, its management resources, and the present value and future prospects of its businesses, as well as on the impacts that the deterioration in the company’s business and financial conditions would have on its business partners such as financial institutions and other stakeholders. Both companies have also considered various options to meet the challenges. As a result, Taiheiyo Cement and Nihon Ceratec have decided that, in order to overcome the difficult management challenges Nihon Ceratec is facing, it is best to make Nihon Ceratec a wholly-owned subsidiary of Taiheiyo Cement by share exchange, from the perspective of maintaining and increasing medium- to long-term corporate value of both companies.

The combined impact of the downturn of the silicon cycle and the global credit crunch created a very difficult environment for obtaining orders and significantly affected Nihon Ceratec’s business performance. The

company's consolidated net sales for the fiscal year ended March 31, 2009 showed a significant decline of 24% compared with the previous fiscal year due to a sharp decline in sales resulting from the suspension or delay of capital investment at companies in the semiconductor industry, the main purchasers of the company's core products, particularly since the last fiscal year. It posted net losses of 2.4 billion yen for the fiscal year and notes on going-concern assumption were included in the financial statements. A 33% year-on-year decrease in net sales and net loss of 2.6 billion yen are expected in the fiscal year ending March 31, 2010; the company would remain in the red for the second consecutive year. Under such circumstances, Nihon Ceratec is making all out efforts to cope with its deteriorating business performance by developing and implementing management improvement measures such as labor cost reductions, including a reduction in and reassignment of human resources and wage cuts, as well as initiatives for improving productivity and reducing production costs.

However, since the global demand trend in the semiconductor and liquid crystal manufacturing device industries remains uncertain, the company requires quick and stable deployment of management resources to address various business risks that it is currently facing and solve pressing problems. Moreover, if the current tough market conditions persist for a longer period, it will become increasingly difficult to improve performance and rebuild businesses on its own.

Given these conditions, in order to properly respond to prevailing business challenges, it is necessary to first solidify Nihon Ceratec's management base, and then thoroughly review its business structure as well as improve and enhance the management practices to maintain and increase its corporate value. Furthermore, for the Taiheiyo Cement Group to be able to promptly implement measures in the future, it was judged essential to secure flexibility in capital policy and obtain agility in business operations with respect to Nihon Ceratec. Therefore, it was concluded that it would be best to make Nihon Ceratec a wholly-owned subsidiary of Taiheiyo Cement in order to maximize the corporate value of the Taiheiyo Cement Group and ensure the best interests of shareholders of both companies.

By becoming a wholly-owned subsidiary of Taiheiyo Cement, Nihon Ceratec can secure financial stability, rebuild its businesses in a quicker and more flexible manner, and stabilize its business operations. In addition, it can also secure medium- and long-term benefits for its customers, employees, business partners and other stakeholders. Going forward, as a member of the Taiheiyo Cement Group, the company can take advantage of the Group's personnel, financial and other resources in various aspects, including management and finance, and will overcome the challenges in partnership with other members of the Group.

Meanwhile, making Nihon Ceratec a wholly-owned subsidiary will help Taiheiyo Cement expedite "selection and concentration" in the Group's business portfolio, or more specifically, flexible reorganization of the entire Group. After the procedures are completed, Taiheiyo Cement will consider and implement measures to restructure Nihon Ceratec's businesses while efficiently utilizing the Group's management and financial resources. Moreover, Taiheiyo Cement will consider all available options, including building technological and business partnerships, in order to drastically reorganize the Group's ceramic business and realize more efficient

group management.

(2) Schedule for delisting and reason for delisting

Taiheiyo Cement will become a wholly-owning parent company of Nihon Ceratec on November 1, 2009, which is the scheduled effective date of the Share Exchange. Accordingly, the common stock of Nihon Ceratec, which will become a wholly-owned subsidiary, will be delisted from the TSE pursuant to the criteria for delisting of the TSE as of October 27, 2009 (the final day on which the common stock of Nihon Ceratec will be traded is scheduled to be October 26, 2009).

After the common stock of Nihon Ceratec is delisted, such shares will no longer be traded on the TSE. The shares of Taiheiyo Cement's common stock will be allocated to the shareholders of Nihon Ceratec (excluding Taiheiyo Cement) in accordance with this Agreement as described in Section 2 (2) below.

(3) Measures to ensure fairness

Since Taiheiyo Cement holds 62.94% of all voting rights in Nihon Ceratec, there was a need to ensure the fairness and appropriateness of the calculation of the share exchange ratio in the Share Exchange. It was discussed and determined at a Taiheiyo Cement Board of Directors' meeting that Taiheiyo Cement refers to the opinions concerning the share exchange ratio expressed by Mizuho Securities Co., Ltd. (hereinafter "Mizuho Securities"), an independent third party appraiser, in undertaking negotiations and discussions, and implements the Share Exchange based on the agreed-upon share exchange ratio.

On the other hand at Nihon Ceratec, to secure the fairness and appropriateness of the calculation of the share exchange ratio in the Share Exchange, it was discussed and determined at a Board of Directors' meeting that Nihon Ceratec refers to the opinions concerning the share exchange ratio expressed by Masters Trust Inc. (hereinafter "Masters Trust"), an independent third party appraiser, in undertaking negotiations and discussions, and implements the Share Exchange based on the agreed-upon share exchange ratio. In addition, Nihon Ceratec's Board of Directors has received a fairness opinion dated July 10, 2009 from Masters Trust which stated that the agreed-upon exchange ratio was fair to Nihon Ceratec's shareholders from a financial perspective.

(4) Measures to avoid conflicts of interest

From the perspective avoiding conflicts of interest, at the meeting of the Board of Directors of Nihon Ceratec, Mr. Ken Kikuchi, an Outside Director who is also an employee of Taiheiyo Cement, did not participate in deliberation or voting in connection with the Share Exchange. In addition, Mr. Hiroshi Tsukahara, an Outside Auditor who is also an employee of Taiheiyo Cement, did not express his opinion.

(5) Matters pertaining to a transaction with the majority-owning shareholder

Since Taiheiyo Cement holds 62.94% of all voting rights in Nihon Ceratec as stated in Section (3) above, this Share Exchange falls under the category of transactions with majority-owning shareholders.

In order to prevent improper transactions, in which the parent company exerts its influence to obtain favorable

benefits, and which may result in harming the company and minority shareholders' interests, Nihon Ceratec has been applying the same standards to transactions with the parent company as to other companies, and properly making internal decisions on such transactions, thereby ensuring the management independence. Moreover, its Corporate Auditors and the Corporate Auditors' Office perform periodical internal audits to ensure transparency and fairness. With regard to this Share Exchange too, the decision has been made while ensuring the management independence as described above, and securing fairness through measures mentioned in (3) and (4) above.

2. Summary of Share Exchange

(1) Schedule of Share Exchange

July 10, 2009:	Board of Directors' meeting to approve the Share Exchange
July 10, 2009:	Execution of Share Exchange Agreement
July 13, 2009 (scheduled):	Announcement of the record date of general meeting of shareholders (Nihon Ceratec)
July 28, 2009 (scheduled):	Record date of general meeting of shareholders to approve the Share Exchange Agreement (Nihon Ceratec)
September 18, 2009 (scheduled):	General meeting of shareholders to approve the Share Exchange Agreement (Nihon Ceratec)
October 27, 2009 (scheduled):	Date of delisting of shares (Nihon Ceratec)
November 1, 2009 (scheduled):	Effective date of the Share Exchange

Notes: 1. Taiheiyo Cement plans to implement the Share Exchange without obtaining approval at a general meeting of its shareholders in accordance with simplified procedure for share exchange pursuant to Article 796, Paragraph 3 of the Companies Act.

2. The effective date of the Share Exchange may be changed by agreement between Taiheiyo Cement and Nihon Ceratec.

(2) Share Exchange Ratio

	Taiheiyo Cement (wholly-owning parent company)	Nihon Ceratec (wholly-owned subsidiary)
Share exchange ratio	1	250
Number of shares newly issued in the Share Exchange	There will be no issuance of new shares of common stock upon the Share Exchange.	

Notes: 1. Allocation Ratio

250 shares of Taiheiyo Cement's common stock will be allocated for each share of Nihon Ceratec's common stock. However, no shares will be allocated for the 49,488 shares of Nihon Ceratec's common stock held by Taiheiyo Cement.

2. Number of shares newly issued in the Share Exchange

Taiheiyo Cement will not issue new shares of Taiheiyo Cement for this 250-to-1 Share Exchange. Instead, it plans to use for the allocation its currently held treasury stock (as of May 31, 2009;

3,384,403 shares) and treasury stock to be acquired before the effective date of the Share Exchange. Regarding the treasury stock to be acquired from now, please refer to the press release “Announcement of Decision Regarding Acquisition of Treasury Stock” separately announced today.

3. Treatment of shares constituting less than one unit

Each shareholder of Nihon Ceratec who ends up holding shares constituting less than one unit of Taiheiyo Cement upon the Share Exchange will not be able to sell such shares on any stock exchange. However, the shareholder, if so wishes, may use the following programs: additional purchase program for shares constituting less than one unit (acquisition of shares to constitute one unit of 1,000 shares) or buyback program for shares constituting less than one unit (sale of shares constituting less than one unit). For more details, please refer to the press release “Treatment of Shares in connection with the Share Exchange” separately announced today.

(3) Calculation basis, etc. for share exchange ratio

1) Calculation basis and background

In order to ensure the fairness and appropriateness of the share exchange ratio to be adopted for this Share Exchange, Taiheiyo Cement appointed Mizuho Securities and Nihon Ceratec appointed Masters Trust as their independent third party appraisers to calculate the share exchange ratio.

When conducting its calculation of the share exchange ratio to be applied to the common stock of Taiheiyo Cement and Nihon Ceratec, Mizuho Securities employed the market price standard method and the discounted cash flow method (hereinafter “DCF method”). For the purpose of the market price standard method, Mizuho Securities employed a valuation date of July 8, 2009 and, in consideration of various factors such as stock market conditions, used the simple average closing prices of the stock of both companies on the TSE during the one-week period preceding such valuation date (from July 2, 2009 to July 8, 2009), the one-month period preceding such valuation date (from June 9, 2009 to July 8, 2009) and the three-month period preceding such valuation date (from April 9, 2009 to July 8, 2009). Using each method, the number of Taiheiyo Cement shares to be allocated in exchange for one share of common stock of Nihon Ceratec was calculated. The calculation results were: 236 – 251 under the market price standard method and 161 – 308 under the DCF method. Mizuho Securities submitted the results to Taiheiyo Cement.

	Valuation range of share exchange ratio
Market price standard method	236 — 251
DCF method	161 — 308

In calculating the share exchange ratio, Mizuho Securities, in principle, adopted the information supplied by both companies and publicly disclosed information without any modification. Mizuho Securities assumed that such obtained information was all accurate and complete and did not independently verify the accuracy and correctness of such information. Furthermore, Mizuho Securities did not conduct its own appraisal or assessment of individual assets and liabilities of either company or their related companies. In addition, with

respect to the financial forecasts used as references in the calculation, Mizuho Securities assumed that such forecasts were reasonably prepared based on the currently available best estimates and judgment of both companies, and that the calculation reflects information and economic conditions as of July 8, 2009. The calculation results of the share exchange ratio submitted by Mizuho Securities are not intended to represent any opinion on the fairness of the share exchange ratio in the Share Exchange.

Masters Trust calculated the per-share value of each of the common stock of Taiheiyo Cement and Nihon Ceratec by the market price method and the DCF method. Using each method, calculations were performed to calculate the value ratio of one Nihon Ceratec share with the value of one Taiheiyo Cement share set at 1.0. The calculation results were: 223 – 238 under the market price method and 233 – 279 under the DCF method. Masters Trust submitted the results to Nihon Ceratec. In calculating the share exchange ratio, Masters Trust assumed that the information supplied by both companies and adopted by Masters Trust was accurate and complete. Furthermore, Mizuho Securities did not conduct its own appraisal or assessment of individual assets and liabilities of either company. In addition, Masters Trust performed the share value evaluation assuming that the financial forecasts prepared by the management of both companies are based on the currently available best estimates and judgment, and are the most reasonable and accountable information.

For the purpose of the market price method, in consideration of various factors such as stock market conditions, Masters Trust employed a valuation date of July 8, 2009 and, calculated the share exchange ratio using the simple average closing prices of the stock of both companies on the TSE during the one-month period preceding such valuation date (from June 9, 2009 to July 8, 2009), the three-month period preceding such valuation date (from April 9, 2009 to July 8, 2009) and the six-month period preceding such valuation date (from January 9, 2009 to July 8, 2009).

	Valuation range of share exchange ratio
Market price method	223 — 238
DCF method	233 — 279

Taiheiyo Cement and Nihon Ceratec carefully examined the results of analysis and opinions concerning the share exchange ratios submitted by the above-mentioned independent third party appraisers, and discussed and negotiated the ratio in consideration of the capital relationship between Taiheiyo Cement and Nihon Ceratec, the share exchange ratios in the similar examples of share exchange in the past, and financial conditions of both companies, etc. As a result, both companies determined the share exchange ratio stated in Section 2 (2) above is appropriate and beneficial to the interests of both companies' shareholders, and at their respective Board of Directors meetings held on July 10, 2009, decided the share exchange ratio to be used in the Share Exchange and entered into the Share Exchange Agreement on the same day.

When significant changes occur in the assumptions that form the basis of calculation, the agreed-upon share exchange ratio may be changed by consultation between Taiheiyo Cement and Nihon Ceratec.

2) Relationship with the appraisers

Neither Mizuho Securities nor Masters Trust are related parties of either Taiheiyo Cement or Nihon Ceratec.

(4) Stock acquisition rights and bonds with stock acquisition rights of the wholly-owned subsidiary

As for the stock acquisition rights issued by Nihon Ceratec, Nihon Ceratec will acquire and cancel all issued stock acquisition rights with no compensation by the day prior to the effective date of the Share Exchange.

Nihon Ceratec has not issued any bonds with stock acquisition rights.

3. Outline of the parties involved in the Share Exchange

(as of March 31, 2009)

(1) Trade name	Taiheiyo Cement Corporation (consolidated) (wholly-owning parent company)	Nihon Ceratec Co.,Ltd. (consolidated) (wholly-owned subsidiary)
(2) Business description	Cement business, mineral resources business, environmental business, construction materials business, ceramics & electronics business, etc.	Manufacture and sale of structural ceramics, piezoelectric ceramics, ceramic matrix composites, and metal matrix composites
(3) Date of incorporation	May 3, 1881	July 7, 1987
(4) Location of head office	8-1, Akashi-cho, Chuo-ku, Tokyo	5, Akedori 3 cho-me, Izumi-ku, Sendai, Miyagi
(5) Name and title of representative	Keiji Tokuee, President and Representative Director	Shiro Moriyama, President
(6) Capital stock	69,499 million yen	1,826 million yen
(7) Total number of shares issued	950,300,000	78,622
(8) Net assets (consolidated)	220,038 million yen	3,963 million yen
(9) Total assets (consolidated)	1,158,086 million yen	22,112 million yen
(10) Closing date	March 31	March 31
(11) Number of employees (consolidated)	18,534	491
(12) Major business Partners	Ready-mixed concrete manufacturers, precast concrete product manufacturers	Semiconductor and liquid crystal manufacturing device manufacturers
(13) Major shareholders and their holding ratios (as of March 31, 2009)	The Master Trust Bank of Japan, Ltd. (Trust Account): 7.57% Japan Trustee Services Bank, Ltd. (Trust Account): 6.55% Japan Trustee Services Bank, Ltd. (Trust Account 4G): 5.43% Nippon Life Insurance Company: 3.32% Mizuho Corporate Bank, Ltd.: 3.31%	Taiheiyo Cement Corporation: 62.94% Japan Trustee Services Bank, Ltd. (Trust Account 4G): 1.66% Nihon Ceratec Employees' Shareholding Association: 0.75% Hiroshi Morishita: 0.54% The Master Trust Bank of Japan, Ltd. (Trust Account): 0.39%
(14) Main banks	Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Mizuho Corporate Bank, Ltd. The 77 Bank, Ltd. Sumitomo Mitsui Banking Corporation

(15) Relationship between the Parties to the Share Exchange	1) Capital relationship:	As of March 31, 2009, Taiheiyo Cement holds 62.94% (49,488 shares) of Nihon Ceratec's shares issued.
	2) Personnel relationship:	Two Taiheiyo Cement employees serve as a Director and a Corporate Auditor of Nihon Ceratec, respectively. In addition, eight employees of Taiheiyo Cement have been seconded to Nihon Ceratec.
	3) Business relationship:	Nihon Ceratec consigns R&D works to Taiheiyo Cement, and leases its real estate properties to Taiheiyo Cement.
	4) Status of relationship with related parties	Nihon Ceratec is a consolidated subsidiary of Taiheiyo Cement, and therefore, is considered a related party of Taiheiyo Cement.

Note: The registered address of Taiheiyo Cement has been changed on June 26, 2009 to 3-5, Daiba 2-chome Minato-ku, Tokyo, Japan

(16) Consolidated business results for the most recent three fiscal years

(Figures in million yen, unless otherwise stated)

Fiscal year	Taiheiyo Cement Corporation (wholly-owning parent company)			Nihon Ceratec Co.,Ltd. (wholly-owned subsidiary)		
	Year ended March 2007	Year ended March 2008	Year ended March 2009	Year ended March 2007	Year ended March 2008	Year ended March 2009
Net sales	940,630	927,576	871,833	12,683	12,383	9,428
Operating income	76,692	51,551	11,176	1,202	485	(1,628)
Ordinary income	67,907	41,645	(4,880)	1,128	270	(1,870)
Net income	24,408	20,485	(35,371)	592	226	(2,440)
Total assets	1,256,980	1,218,033	1,158,086	23,061	24,108	22,112
Net assets	329,637	327,589	220,038	6,637	6,643	3,963
Net income per share (yen)	26.08	21.84	(37.69)	7,531.76	2,876.44	(31,038.78)
Annual dividend per share (yen)	4.00	5.00	2.00	6,000	3,000	—
Net assets per share (yen)	312.98	308.82	195.80	84,426.41	84,290.01	49,783.99

Note: Nihon Ceratec's figures for the fiscal year ended March 31, 2007 are on a non-consolidated basis because the company started to prepare consolidated financial statements from the fiscal year ended March 31, 2008.

4. Conditions following the Share Exchange

(1) Trade name	Taiheiyo Cement Corporation
(2) Business description	Cement business, mineral resources business, environmental

	business, construction materials business, ceramics & electronics business, etc.
(3) Location of head office	3-5, Daiba 2 cho-me, Minato-ku, Tokyo
(4) Name and title of representative	Keiji Tokuue, President and Representative Director
(5) Capital stock	69,499 million yen
(6) Total assets (consolidated)	1,158,086 million yen (as of March 31, 2009)
(7) Net assets (consolidated)	220,038 million yen (as of March 31, 2009)
(8) Closing date	March 31

(9) Overview of accounting procedures

This Share Exchange is expected to be considered a transaction with minority shareholders under the category of transactions involving entities under common control. The amount of goodwill that will be incurred as a result of the Share Exchange is currently unknown, but expected to be small.

(10) Impact on business results

Since Nihon Ceratec is a consolidated subsidiary of Taiheiyo Cement, the Share Exchange is expected to have a minor impact on Taiheiyo Cement's consolidated and non-consolidated business results.