March 30, 2010

Medium-Term Management Plan Revisions and Business Restructuring

— Laying the Groundwork for Sustainable Growth from FY3/2012 Onward—

Taiheiyo Cement Corporation announces the following decisions to rescind its quantitative targets for FY3/2011, the final year of its Taiheiyo 10 Medium-Term Management Plan, to position FY3/2011 as a time to lay the groundwork for sustainable growth from FY3/2012 onward, and to implement business restructuring.

I Taiheiyo Cement Group business environment

Taiheiyo Cement Group faced difficult circumstances in FY3/2010, as domestic cement demand fell well below our expectations, similar to FY3/2008 and FY3/2009. We expect demand to decline by about 15% year-on-year to 42.7 million tons in FY3/2010, versus our initial estimate of 48 million tons.

Additionally, concerning domestic cement demand in FY3/2011, we anticipate a difficult market environment characterized by continued uncertainty, opacity, and instability.

As this suggests, our domestic cement business faces an extremely challenging business environment unlike anything it has previously experienced. We believe this crisis requires bold action to implement business restructuring without exceptions.

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

We previously prepared our 04 Medium-Term Business Plan and 07 Medium-Term Business Plan and worked to improve our financial position and enhance our earnings power. Our Taiheiyo 10 Medium-Term Management Plan sought to enhance our earnings power to solidify our previous growth trajectory, and we pursued the basic strategies of focusing management resources on core businesses of cement and mineral resources and of building a revenue structure that balanced domestic and overseas business.

Nevertheless, the business environment affecting our group deteriorated significantly, creating large disparities with the assumptions underlying the quantitative targets in our Taiheiyo 10 Medium-Term Management Plan.

In this business environment, we believe it will be very difficult to achieve the growth trajectory we seek based on our current business structure. Consequently, we position FY3/2011 as a year to implement business restructuring to prepare for the rebirth of new Taiheiyo Cement.

Our specific business strategies are to:

(1) prevail in difficult markets by enhancing our cost competitiveness; and
(2) solidify our position as a top-class manufacturer by leveraging our technological and creative capabilities.

While swiftly and steadily implementing the main policies for FY3/2011 outlined in section III, we seek to achieve not only sustainable growth from FY3/2012, but also the profit levels and business infrastructure required to maintain stable dividends, invest in future growth, and improve our financial position.

Accordingly, we are withdrawing the quantitative targets for FY3/2011 listed in our Taiheiyo 10 Medium-Term Management Plan.

The following earnings forecasts factor in the effects of our main policies for FY3/2011. We intend to announce FY3/2011 forecasts again after further examination.

Consolidated (Billions of yen)

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

Non-consolidated (Billions of yen)

	FY3/2010 estimate	FY3/2011 forecast	FY3/2012 forecast
Net Sales	277	260	265
Income from operations	2.5	7	13

III Main policies for FY3/2011

We seek to swiftly and steadily implement the following three business restructuring without exceptions, optimize our business structure to generate stable earnings despite falling domestic cement demand, and establish a robust corporate structure.

1. Domestic production reorganization

(1) We assume domestic cement demand of about 40 million tons (including 700,000 tons of imports) from FY3/2011 and will reduce our production capacity as described below.

(i) Taiheiyo Cement plants

We will stop cement production at the following two plants, as announced on February 23. This will reduce our annual production capacity by 2.305 million tons.

- Tosa Plant (stop cement production in the first half of FY3/2011)
- Saiki Factory at the Oita Plant (stop cement production in the first half of FY3/2011)

As a result of stopping cement production, employees of these two plants will either be relocated to other plants or to subsidiaries and affiliates or will be handled as part of the personnel measures described below.

We will also consult with companies that cooperate with these two plants concerning the impact of stopping cement production.

We intend to move forward while holding sincere discussions with all parties affected by these two plants, including local government authorities.

(ii) Alliance companies (contract production and sales companies)

We will stop cement production at Chichibu Taiheiyo Cement Corporation during the first half of FY3/2011, as announced on February 23. This will reduce our annual production capacity by 800,000 tons. We will also revise our production and sales contracts with five alliance companies and expect to reduce annual production volume at the five companies by 2.5 million tons during fiscal 2011. Going forward, we will work to reduce production further.

Due to the foregoing, we expect to reduce the annual production capacity of Taiheiyo Cement and its contract production and sales companies by a combined total of 5.6 million tons.

(2) At the plants that will stop cement production, we plan to continue the limestone mining, crushing, and sales business and the specialty cement production business.

We will continue to investigate the conversion of existing facilities for use in new businesses.

(3) Export shipments are within the range of our surplus production capacity, but because profitability is low compared with domestic sales, we basically intend to gradually reduce exports.

We are building an optimal structure to supply overseas markets by combining exports from domestic and overseas plants with tripartite trading.

(4) We expect the stoppage of cement production to result in total extraordinary losses of about ¥19 billion, including about ¥15 billion from impairments for cement production facilities and about ¥4 billion from other costs. We expect profitability to improve by ¥8 billion annually as a result of reducing fixed costs, excluding personnel expenses.

2. Organization and personnel reforms

Responding to a decrease in domestic cement demand, we seek to reform an organization and personnel structure commensurate with the size of our business.

(1) Organization

We plan to implement fundamental organizational reforms in October 2010 to streamline our organization and revise the in-house company system introduced in 2004.

(2) Personnel

In combination with organizational streamlining and stoppage of cement production at certain plants, we seek to reduce personnel and achieve the following personnel structure by September 2010 by encouraging employee transfer and early retirement, as described below.

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

(3) Encouraging early retirement

We are encouraging early retirement to achieve the personnel structure noted above.

(i) Number of candidates: About 500

(ii) Eligible candidates: All regular employees

(iii) Period of offer: July 1 to August 20, 2010

(iv) Retirement date: September 10, 2010

(v) Other: Retirees will receive a special bonus in addition to their prescribed retirement allowance.
Applicants will receive assistance from a reemployment assistance company.

(4) We expect organization and personnel reforms to result in total extraordinary losses about ¥14 billion, including about ¥6 billion from special retirement bonuses and about ¥8 billion from one-time amortization of unfunded retirement benefit obligations and other costs. We expect these measures to improve profitability by ¥4 billion annually.

3. Domestic cement sales reorganization and logistics streamlining

(1) Sales reorganization

(i) To create a structure commensurate with the great decline in domestic cement demand, we will follow the closure of all of our sales office in May 2009 with the reorganization of our 10 branch offices into eight branch offices in April 2010.

(ii) As we slim down our sales organization, we seek to reorganize functions that overlap with dealerships and strengthen the capabilities of our main dealerships.
(iii) We are working to encourage structural improvement and quality control to preserve and stabilize the ready-mixed concrete industry.

(2) Logistics streamlining
(i) We will reduce the number of cement transport ships from 36 to 31 by September 2010.
(ii) We will reduce the number of service stations from 123 to 99 by March 2013.

(3) We expect logistics streamlining to result in extraordinary losses of about ¥2.5 billion from impairments. We expect these measures to improve profitability by ¥2 billion annually.

The losses and profitability improvement (non-consolidated) of business restructuring, including the foregoing three items, are presented in the table below.

	Business restructuring losses	**Profitability Improvement (annual)**
Domestic 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

Note: Of the losses listed above, we plan to include losses of ¥33 billion in FY3/2010.

We also plan to include gains and raise funds by disposing assets in FY3/2011.

IV Sustainable growth in overseas and domestic businesses

To convert to a future-focused business portfolio amid a decline in domestic cement demand, we seek to increase the strategic importance of the following businesses, notably overseas business as a new growth area, and to establish a presence through priority investment of business resources from FY3/2012.

(1) Overseas business: Expand and solidify the Taiheiyo Cement brand overseas
(i) Enhance earnings power and expand business in current regions
(ii) Expand into cement, construction materials, and mineral resources in new regions
(iii) Expand trading business (cement, slag, mineral products, etc.)
(iv) Enhance earnings power by licensing environmental technologies, including fly ash washing system and chlorine bypass

(2) Environmental business: Maximize existing businesses and establish business model not reliant on cement plants
(i) Maximize waste per unit production through greater efforts with waste that is difficult to recycle and by building a wide-area logistics network.
(ii) Expand efforts for recycling fuel and household waste
(iii) Develop new environmental businesses (expand business scope by using unused waste and expanding use in unused areas, forming partnerships in other industries, entering energy-related fields, and developing businesses based on proprietary technologies)

(3) Mineral resources business: Strategic shift from quantity to quality
(i) Enhance earnings power by restructuring domestic business (establish production and sales structure optimized to cement production structure)

(ii) Expand high-value-added products (quicklime business, commercialize new products based on resource chemical strategy)

(4) Strengthen R&D structure: Pursue research and development to continue expanding existing businesses and develop new businesses
   (i) Cement differentiation strategy
      - Pursue advanced waste recycling technology to enhance cost competitiveness
      - Establish differentiation and high performance in concrete segment
   (ii) Enter growth areas (environment, energy, resource recovery, etc.)

We plan to set targets for a new stage by FY3/2011 after completing restructuring, including:
   (i) specific measures to strengthen growth businesses and segments other than cement; and
   (ii) strategic efforts to identify and focus on key operations to leverage synergies with group companies.

V Impact on FY3/2010 earnings

The impact of these business structure reforms on our FY3/2010 earnings forecast is described in "Consolidated and Non-consolidated Earnings Forecast Revisions for Fiscal 2010," released on March 30, 2010.