August 30, 2011

Announcement of New Share Issue and Secondary Offering

Taiheiyo Cement Corporation resolved as follows on new share issue and secondary offering at the meeting of Board of Directors held on August 30, 2011.

1. Circumstance and purpose of this fund raising

   We have marked the fiscal year ended March 2011 as the year to develop an infrastructure for transforming ourselves as the renewed Taiheiyo Cement, and set up our management objectives (i) to win out in the tough market through reinforcing cost-competitiveness and (ii) reestablish ourselves firmly as a top manufacturing brand through exerting its technological strength and creativity, under which we carried out business restructuring focused on review and restructuring of the domestic production structure, review of organization and personal reforms and review of the domestic cement sales system and streamlining of logistics, along with the disposal of some of the noncurrent assets. As a result, profitability started to improve from the latter half of the fiscal year ended March 2011, enabling the Company to pay out dividends for the fiscal year ended March 2011, after two fiscal years absence.

   As the Great East Japan Earthquake inflicted loss to some of the Group’s production and distribution facilities, priority was given to the restoration of Ofunato plant which suffered significant damage from the aftermath of the tsunami. In June we started burning disaster rubbles using the kilns used in cement manufacture in the plant. We are targeting to restart production activities in the plant this November to manufacture cement using the rubbles collected from the inflicted areas as alternative raw materials and fuels, and supply it to those in need of materials for restoration, thereby contributing further to the restoration of the Tohoku region.

   The Group will be committed to constant supply of cement and related products for the purpose of infrastructure investment to develop a social infrastructure providing safety and security for now and for the future, let alone meeting the immediate demand involving the restoration work, while furthering the ongoing effort for waste recycling by the application of the cement production process. Cement plants have come to play a vital role in the sustainable waste disposal in Japan. The Company is making investment for the expansion of its capacity to accept disposal wastes along with investments necessary for rationalization, maintenance and renewal of cement plants. Thus we are strengthening the revenue base in cement business and environmental business, while contributing to developing a recycling-oriented society in this country. In the meantime, our mineral resources business is tackling the development of high-performance inorganic materials, in a strategic shift of focus from quantity to quality.

   In overseas business on the other hand, we are rationalizing cement plants while maintaining and enhancing the soundness of production facilities, by providing loans to our U.S. subsidiary in an effort to develop a structure that will enable active business development in the demand recovery phase in the future.

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Meanwhile, in Asia and Oceania where we currently see remarkable growth mainly in emerging economies, we are targeting to enhance the Group's earning power by promoting business investment to strengthen operation basis of the existing businesses and promoting overseas development capitalizing on our proprietary technologies.

The capital increase we currently propose is intended to procure enough funds to reinforce the revenue base of our domestic cement business and to make strategic investment in the growth areas (overseas/mineral resources/environmental businesses) for expanding stable revenue basis and sustainable corporate growth. Added to this, we will be reinforcing equity capital while improving financial structure with a view to further enhancing business performance on a medium-to-long-term basis.

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2. New share issue offered to the public (public offering)

(1)	Class and number of shares for the offering	250,000,000 shares of common stock of the Company.
(2)	Method to determine the amount to be paid	To be determined on a day ("Issue Price Determination Date") between September 7, 2011 (Wednesday) and September 9, 2011 (Friday), by the method set out in Article 25 of the Regulations Concerning Underwriting, etc. of Securities by Japan Securities Dealers Association.
(3)	Increases in capital and capital reserve	Increase in capital shall be 50% of the maximum allowable increase in capital calculated according to Article 14, Paragraph 1 of Ordinance for Corporate Accounting, where any fraction less than one yen resulting from the calculation shall be rounded up to a whole yen. Increase in capital reserve shall be the amount of maximum allowable increase in capital less the above increase in capital.
(4)	Method of offering	Public offering in which all shares shall be underwritten on a bought deal basis by Mizuho Securities Co., Ltd., SMBC Nikko Securities Inc., Nomura Securities Co., Ltd. and Daiwa Securities Capital Markets Co., Ltd. (collectively "Underwriters"). Joint lead managers shall be Mizuho Securities Co., Ltd., SMBC Nikko Securities Inc. while the two shall also act jointly as the book-running lead managers. Issue price (offering price) in the public offering shall be determined on the Issue Price Determination Date in consideration of the trend of its demand, subject to the indicative price calculated by multiplying the closing price on the Issue Price Determination Date (or the closing price on the immediate preceding day, if no closing price was recorded on the Issue Price Determination Date) of the Company's common stock in the regular transactions on Tokyo Stock Exchange, Inc., by the factor of 0.90-1.00 (where fraction of less than one yen resulting from the calculation shall be rounded off), based on the method set out in Article 25 of the Regulations Concerning Underwriting of Securities by Japan Securities Dealers Association.
(5)	Consideration for the underwriters' services	Instead of underwriting commission, the whole amount of difference between the issue price (offering price) in the public offering and the amount to be paid to the Company by the underwriters, shall be the proceeds payable to the underwriters.
(6)	Subscription period	From the business day after the Issue Price Determination Date to the day after two business days from the Issue Price Determination Date.
(7)	Date of payment	A day between September 14, 2011 (Wednesday) and September 16, 2011 (Friday) that falls on the day after five business days from the Issue Price Determination Date.
(8)	Share unit for subscription	1,000 shares

(9) Determination of the amount to be paid, increases in capital and capital reserve, and all other matters necessary for the public offering shall be left entirely up to the President and Representative Director of the Company.

(10) Each of the above shall be subject to the filing having taken effect under the Financial Instruments and Exchange Act.

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3. Secondary offering of the shares of the Company (secondary offering by over allotment) (Please see [Reference] 1. below.)

(1)	Class and number of shares for the secondary offering	37,500,000 shares of common stock of the Company The above number of shares for the secondary offering is an indication of the maximum number of shares for this transaction. Subject to the trend of demand for the public offering, such number of shares can be decreased or the secondary offering by over allotment could wholly been cancelled. Such number of shares shall be determined on the Issue Price Determination Date, in consideration of the trend of demand for the public offering.
(2)	Vendor	Mizuho Securities Co., Ltd.
(3)	Offer price	To be announced (to be determined on the Issue Price Determination Date: Offer price shall be the same as the issue price in the public offering (offering price)).
(4)	Method for secondary offering	Secondary offering of the common stock of the Company in which Mizuho Securities Co., Ltd. shall borrow up to 37,500,000 shares from the Company's shareholders, subject to the consideration of the trend of demand for the public offering.
(5)	Subscription period	The same as the subscription period in the public offering.
(6)	Date of payment	The next business day after the date of payment in the public offering.
(7)	Share unit for subscription	1,000 shares

(8) Determination of the offer price and all other matters necessary for the secondary offering by over allotment shall be left entirely up to the President and Representative Director of the Company.

(9) Each of the above shall be subject to the filing having taken effect under the Financial Instruments and Exchange Acts.

(10) In the event of cancellation of the public offering, the secondary offering by over allotment shall be cancelled as well.

4. New share issue by means of allocation to a third party (Please see [Reference] 1. below.)

(1)	Class and number of shares for the offering	37,500,000 shares of common stock of the Company
(2)	Method to determine the amount to be paid	To be determined on the Issue Price Determination Date: The amount to be paid shall be the same as in the public offering.
(3)	Increases in capital and capital reserve	Increase in capital shall be 50% of the maximum allowable increase in capital calculated according to Article 14, Paragraph 1 of Ordinance for Corporate Accounting, where any fraction less than one yen resulting from the calculation shall be rounded up to a whole yen. Increase in capital reserve shall be the amount of maximum allowable increase in capital less the above increase in capital.
(4)	Allocatee	Mizuho Securities Co., Ltd.
(5)	Subscription period	September 27, 2011 (Tuesday)
(6)	Date of payment	September 28, 2011 (Wednesday)
(7)	Share unit for subscription	1,000 shares

(8) Issue of the shares that have not been subscribed during the subscription period in (5) above shall be cancelled.

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(9) Determination of the amount to be paid, increases in capital and capital reserve, and all other matters necessary for the new share issue by means of allocation to a third party shall be left entirely up to the President and Representative Director of the Company.

(10) Each of the above shall be subject to the filing having taken effect under the Financial Instruments and Exchange Acts.

(11) In the event of cancellation of the public offering, the new share issue by means of allocation to a third party shall be cancelled as well.

[Reference]

1. Secondary offering by over allotment

The secondary offering by over allotment as described in "3. Secondary offering of the shares of the Company (secondary offering by over allotment)" above is a secondary offering of the common stock of the Company in association with the public offering as described in "2. New share issue offered to the public (public offering)" in which Mizuho Securities Co., Ltd. shall borrow up to 37,500,000 shares from the Company's shareholders, subject to the consideration of the trend of demand for such public offering. Number of shares to be offered on this secondary offering by over allotment is scheduled to be 37,500,000, which, however, is the maximum number of shares allowed for offering, and may be decreased subject to the trend of the demand. In the extreme case of discouraging demand, this secondary offering by over allotment could wholly been cancelled.

In association with the above secondary offering by over allotment, the Company decided by the resolution at the meeting of Board of Directors held on August 30, 2011 (Tuesday) to issue 37,500,000 new shares to Mizuho Securities Co., Ltd. as described in "4. New share issue by means of allocation to a third party" above (hereinafter "Third Party Allocation") with the payment date set on September 28, 2011 (Wednesday), for the purpose of allowing Mizuho Securities Co., Ltd. to acquire the shares that will enable it to return the shares it borrowed from shareholders of the Company (hereinafter "Borrowed Shares").

To procure the shares to be applied for the return of the borrowed shares, Mizuho Securities Co., Ltd. may purchase the common stock of the Company not exceeding the number of shares on the secondary offering by over allotment, on Tokyo Stock Exchange, Inc. (hereinafter "Syndicate Cover Transaction"), in the period between the day after the date on which subscription period for the public offering and the secondary offering by over allotment expires, and September 20, 2011 (Tuesday) (hereinafter "Syndicate Cover Transaction Period"). The common stocks of the Company acquired by Mizuho Securities Co., Ltd. under the Syndicate Cover Transaction, shall wholly be applied for the purpose of returning the shares borrowed from shareholders. Mizuho Securities Co., Ltd., at its discretion, may not engage in the Syndicate Cover Transaction at all or stop the Syndicate Cover Transaction at fewer shares than the number of shares on secondary offering by over allotment during Syndicate Cover Transaction Period.

Also, Mizuho Securities Co., Ltd. may engage in stabilization transactions in association with the public offering and the secondary offering by over allotment, and may apply the whole or part of the common stocks of the Company purchased through such stabilization transactions, for the purpose of returning the

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borrowed shares.

Mizuho Securities Co., Ltd. is scheduled to acquire the number of shares equal to the number of shares on secondary offering by over allotment, less the number of shares acquired through the stabilization transactions and the Syndicate Cover Transaction, which is to be applied for the purpose of returning the borrowed shares by accepting the offer under the Third Party Allocation with the use of its proceeds from the secondary offering by over allotment. As such, the whole or part of the number of shares to be issued under the Third Party Allocation may not be met by actual subscription, which should reduce the number of shares to be finally issued under the Third Party Allocation by the number of shares forfeited, or even abort the issue itself.

Whether secondary offering by over allotment goes ahead or not, and the number of shares on such secondary offering if it goes ahead, shall be decided on the Issue Price Determination Date. If the secondary offering by over allotment will not go ahead, Mizuho Securities Co., Ltd. will not carry out the above borrowing of the common stocks of the Company from shareholders, either. In this case, Mizuho Securities Co., Ltd. will not accept the offer of allocation under the Third Party Allocation, and thus will not apply for subscription, where forfeiture resulting therein will stop both the new share issue under the Third Party Allocation, and the Syndicate Cover Transaction on Tokyo Stock Exchange, Inc.

Mizuho Securities Co., Ltd. shall engage in the stabilization transactions and the Syndicate Cover Transaction, in consultation with SMBC Nikko Securities Inc.

2. Scheduled changes in the total number of outstanding shares in the proposed public offering and the allocation of new shares to a third party

(1) Total number of outstanding shares at present	950,300,586	(As of August 30, 2011)
(2) Increase in the number of shares due to the public offering	250,000,000	
(3) Total number of outstanding shares after the public offering	1,200,300,586	
(4) Increase in the number of shares due to the allocation of new shares to a third party	37,500,000	(Note)
(5) Total number of outstanding shares after the allocation of new shares to a third party	1,237,800,586	(Note)

(Note) These are the numbers calculated based on the assumption that shares on offer under "4. New share issue by means of allocation to a third party" above are wholly met by the subscription from Mizuho Securities Co., Ltd. and issued accordingly.

3. Use of the funds raised

(1) Use of the funds raised by the proposed exercise

Of the approximate proceeds from the public offering and the allocation to a third party, not exceeding ¥37,534,000,000, ¥8,700,000,000 shall be used by the end of the fiscal year ending March 2012, as capital expenditure for restoring Ofunato plant which inflicted significant damage in the Great East Japan Earthquake, ¥3,200,000,000 shall be used by the end of the fiscal year ending March 2013 as capital expenditure for installing a waste heat power generator and waste acceptance facility at Kamiiso plant, ¥13,300,000,000 shall be used by the end of the fiscal year ending March 2013, as capital expenditure at other plants and business premises, ¥10,000,000,000 shall be used by the end of the fiscal year ending March 2013, as investments and loans for subsidiaries of the Company, while the balance shall be used by the end of the fiscal year ending March 2012, to repay the borrowings of the Company.

Of the ¥10,000,000,000 earmarked for investments and loans, ¥5,000,000,000 shall be used as capital expenditure at the Company's U.S. subsidiary, CalPortland Company, while another ¥5,000,000,000 shall be used for business investments for cement and related businesses in Asia and Oceania regions.

The Group's capital expenditure plan as of August 30, 2011 (Amounts already paid for the scheduled investments are as at the end of May, 2011) is as follows:

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<table>
<tr><th rowspan="2">Names of companies and plants, etc.</th><th rowspan="2">Location</th><th rowspan="2">Business segment</th><th rowspan="2">Description of facilities</th><th colspan="2">Scheduled Investments (million yen)</th><th rowspan="2">Methods for fund raising</th><th colspan="2">Scheduled launch and completion</th><th rowspan="2">Production capacity when completed</th></tr>
<tr><th>Total amount</th><th>Amounts already paid</th><th>Launch</th><th>Completion</th></tr>
<tr><td>Ofunato plant of the Company</td><td>Ofunato, Iwate Prefecture</td><td rowspan="4">Cement</td><td>Restoration of facilities</td><td>8,700</td><td>-</td><td rowspan="3">Own fund, borrowings and capital raising</td><td>March, 2011</td><td>November, 2011</td><td>(Note) 2.</td></tr>
<tr><td>Kamiiso plant of the Company</td><td>Hokuto, Hokkaido</td><td>Installation of waste heat power generator and waste acceptance facility</td><td>8,200</td><td>4,957</td><td>October, 2008</td><td>March, 2013</td><td>19,100kw
50,000t/ year</td></tr>
<tr><td>Other plants and business premises of the Company</td><td>-</td><td>Rationalization, maintenance and renewal</td><td>22,400</td><td>5,616</td><td>March, 2011</td><td>March, 2014</td><td>(Note) 2.</td></tr>
<tr><td>CalPortland Company</td><td>California and Arizona, etc., the United States</td><td>Rationalization, maintenance and renewal</td><td>5,800</td><td>-</td><td>Own fund and loans from the Company (Note) 1.</td><td>October, 2011</td><td>September, 2013</td><td>(Note) 2.</td></tr>
</table>

(Notes) 1. The proposed capital raising shall be the source of loans from the Company.
2. Production capacity when completed is not stated here as this capital expenditure is primarily for restoration, rationalization and maintenance of facilities.

(2) Changes in the use of funds raised on the previous occasion
Not applicable.

(3) Impact on the business performance
We believe that this capital raising exercise will improve and strengthen the Company's financial position, as it will facilitate sustainable growth of the Group on a medium-to-long-term basis.

4. Profit distribution to shareholders

(1) Basic policy on profit distribution

The Company is committed to constant dividend payouts for now and into the future while tackling the reinforcement of management base, with priority focus on its financial position. Thus, we will remain committed to appropriate profit distribution to shareholders, in consideration of management environment and consolidated business performance for the relevant period, while maintaining the above basic policy for constant dividend payouts.

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(2) Decision-making in profit distribution

According to the basic policy on profit distribution described in (1) above, final dividends are decided at the annual General Meeting of Shareholders while interim dividends are decided by the Board of Directors.

(3) Use of internal reserve

Internal reserve shall be used effectively for constant capital expenditure and further reinforcement of financial position, towards the establishment of a corporate structure furnished with stability and growth potential.

(4) Dividend payouts in the past three fiscal years

	FY3/09	FY3/10	FY3/11
Consolidated net income (loss) per share	(¥37.69)	(¥39.50)	¥4.73
Annual dividend payout per share (of which interim dividend per share)	¥2.00 (¥2.00)	- (-)	¥2.50 (-)
Actual consolidated dividend payout ratio	-	-	52.84%
Consolidated return on equity	(14.94%)	(21.99%)	3.01%
Consolidated dividend on net assets	0.79%	-	1.59%

(Notes) 1. Actual consolidated dividend payout ratio is calculated by dividing annual dividend payout per share, by consolidated net income per share. Actual consolidated dividend payout ratios for the fiscal year ended March 2009 and the fiscal year ended March 2010 are not stated here as both of the two fiscal years recorded consolidated net loss per share.

2. Consolidated return on equity is calculated by dividing consolidated net income, by own capital (the average between the beginning and ending figures of total net asset less minority interests in consolidated subsidiaries).

3. Consolidated dividend on net assets is calculated by dividing the total annual dividend payout per share, by consolidated net asset per share (the average between the beginning and ending figures).

4. Consolidated financial statements for the fiscal year ended March 2011 have been adjusted retroactively as some of the overseas affiliates accounted for using the equity method retroactively adjusted their financial statements following the adoption of International Financial Reporting Standards (IFRS).

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5. Others

(1) Designation of distribution destination

Not applicable.

(2) Dilution effect by residual securities

Not applicable.

(3) Equity financing in the past three years

1) Equity financing

Not applicable.

2) Trend of share price in the past three fiscal years and the share price immediately prior to the preparation of this document

	FY3/09	FY3/10	FY3/11	FY3/12
Opening price	¥241	¥149	¥135	¥141
Highest price	¥275	¥207	¥173	¥174
Lowest price	¥86	¥93	¥87	¥131
Closing price	¥144	¥134	¥140	¥158
Price earnings ratio (consolidated)	-	-	29.60 times	-

(Notes) 1. Share price as of August 29, 2011 (Monday) is quoted to represent the share price for the fiscal year ending March 2012.

2. Price earnings ratio is calculated by dividing share price at the end of each fiscal year (closing price), by consolidated net income per share at the end of the same fiscal year. Price earnings ratios for the fiscal year ended March 2009 and the fiscal year ended March 2010, along with the fiscal year ending March 2012 are not stated here as both of the former two recorded consolidated net loss, while the data has not been finalized for the last. For the fiscal year ended March 2011, figures after retroactive adjustment are stated.

(4) Lock-up

In connection with the public offering, the Company has agreed with joint lead managers that without obtaining their prior written approval, it will not issue its common stocks or securities carrying rights or obligations to acquire its common stocks (except for the new share issue by public offering or by the Third Party Allocation, the new share issue by share split or by allotment of shares without contribution and sale of treasury stocks to holders of fractional shares demanding such sale based on the Articles of Incorporation of the Company) during the period beginning on the Issue Price Determination Date and ending on the 180th day from the delivery date of the public offering (hereinafter "Lock-up Period"),

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provided that the joint lead managers shall, at their discretion, be entitled to cancel the whole or part of such agreement, even during the Lock-up Period.

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