

September 26, 2017

**Notice regarding a business alliance with Hitachi Cement Co., Ltd. for consigned production of cement and clinker, etc**

Taiheiyo Cement Corporation (hereinafter “Taiheiyo Cement”) hereby announces that it resolved at a meeting of the Board of Directors held on September 26, 2017 to enter into a business alliance with Hitachi Cement Co., Ltd. (hereinafter “Hitachi Cement”) primarily for the consigned production of cement and clinker, and concluded a basic agreement regarding the business alliance on the same day.

Note: Clinker is an intermediate product of cement.

1. Reason for business alliance

Taiheiyo Cement aims “to be an enterprise group that provides a sense of safety and security to societies in the Pacific Rim by demonstrating the Group’s overall capabilities” as its future vision and direction targeted at the mid-2020s. As the first step to achieve this, it formulated the 17 Medium-Term Management Plan to be implemented during the three years from FY2015 to FY2017. As part of this, the Plan states that we will “vigorously push ahead with further strengthening our earnings base and financial structure while aiming at sustainable development by strengthening businesses through exhaustive cost-cutting” as one of our fundamental policies.

The two companies have established a cooperative business relationship over the long term, including joint investments in a ready-mixed concrete company and a calcium carbonate manufacturing, as well as cement delivery exchanges. However, in light of the outlook for domestic cement demand, both parties have agreed to form a business alliance regarding the consigned production of cement and clinker and to further enhance the efficiency of distribution with the aim of expanding the cement business through improvements in business efficiency and the reinforcement of cost competitiveness.

2. Details of business alliance

- (1) Hitachi Cement will cease clinker production at the Hitachi plant and consign the production of clinker and cement to Taiheiyo Cement by the targeted date of March 31, 2019.
- (2) Hitachi Cement will use the clinker and cement it has commissioned Taiheiyo Cement to produce and produce blended cement and solidification material at the Hitachi plant. In addition, Hitachi Cement will undertake production of some blended cement consigned by Taiheiyo Cement.
- (3) Taiheiyo Cement will supply the cement it has been commissioned to produce to Hitachi Cement’s shipping bases from each plant and from Taiheiyo Cement’s shipping bases.
- (4) The cement shipped from the shipping bases of Taiheiyo Cement and Hitachi Cement and the cement produced at the Hitachi plant of Hitachi Cement will be sold under respective brands by the two companies.
- (5) In addition, the two companies will discuss the business alliance plan and move ahead on it appropriately in order to strengthen their cost competitiveness.

### 3. Overview of the counterparty to the business alliance

(1) Name	Hitachi Cement Co., Ltd.	
(2) Address	2-1-1, Heiwa-cho, Hitachi-shi, Ibaraki	
(3) Name and title of representative	Chikara Ozaki, President and Representative Director	
(4) Business activities	Cement business, environmental business, engineering business, etc.	
(5) Capital	537 million yen	
(6) Establishment	November 1947	
(7) Major shareholders and shareholding ratios	Undisclosed, as the alliance partner is an unlisted company.	
(8) Relationships between applicable company and listed companies	Capital relationships	Not applicable.
	Personal relationships	Not applicable.
	Business relationships	Hitachi Cement purchases early strength cement and moderate-heat cement from Taiheiyo Cement.
	Status of relationship with related parties	Not applicable.
(9) Consolidated operating results and consolidated financial position during past three years	Undisclosed, as the alliance partner is an unlisted company.	

### 4. Schedule

(1) Date of resolution at Board of Directors' meeting	September 26, 2017
(2) Contract conclusion date	September 26, 2017
(3) Business commencement date	April 2019

Note that this business alliance is scheduled to be discussed with relevant government ministries and agencies and implemented within the scope permitted by relevant laws.

### 5. Future outlook

At present, we believe that this alliance will have a minimal impact on the consolidated earnings of Taiheiyo Cement.

(For reference) Consolidated earnings forecasts for current fiscal year (those announced on May 11, 2017)

and consolidated results for previous fiscal year

	Consolidated sales	Consolidated operating income	Consolidated ordinary income	Net income attributable to owners of parent
Consolidated results forecast for current fiscal year (year ending March 31, 2018)	million yen 853,000	million yen 65,000	million yen 61,000	million yen 35,000
Consolidated results for previous fiscal year (year ending March 31, 2017)	million yen 798,588	million yen 63,235	million yen 59,802	million yen 47,597