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January 26, 2021

**Notice regarding conclusion of Definitive Agreements on the Capital Alliance with
PT Semen Indonesia (Persero) Tbk Group**

Taiheiyo Cement Corporation (hereinafter "Taiheiyo Cement" or "we") is pleased to announce that today our Board has approved and concluded definitive agreements (the "Definitive Agreements") on a capital alliance (the "Capital Alliance") with PT Semen Indonesia (Persero) Tbk ("SI"), PT Solusi Bangun Indonesia Tbk ("SBI", SI Group company), and PT Semen Indonesia Industri Bangunan ("SIIB", SI Group company and majority shareholder SBI). The Definitive Agreements on the Capital Alliance are in accordance with the Memorandum of Understanding (the "MOU") announced on April 21, 2020 in "Conclusion of Memorandum of Understanding on the Capital/Business Alliance with PT Semen Indonesia (Persero) Tbk Group" (**English version unannounced**).

Taiheiyo Cement, SI and SBI have already concluded a definitive agreement on the business alliance (the "Business Alliance") announced on December 8, 2020 in "Conclusion of Definitive Agreement on the Business Alliance with PT Semen Indonesia (Persero) Tbk Group" (**English version unannounced**), and with the conclusion of these Definitive Agreements on the Capital Alliance we have concluded all the agreements stipulated in the MOU.

1. Outline of the Capital Alliance

(1) Content of the Capital Alliance

In the Capital Alliance, we will subscribe to SBI in a rights issue process (in accordance with Indonesian law and corresponding to a rights offering in Japan) by SBI. We will exercise the rights, acquire at least 15% of SBI's total shares issued, and dispatch a director and a commissioner from Taiheiyo Cement to SBI upon the completion of the rights issue, thereby making SBI an equity method affiliate of Taiheiyo Cement.

In addition to the above, it is stipulated that SBI's Tuban plant (clinker production capacity: approximately 3 million tons/year) carries out capital investment to increase the shipping capacity of the plant, such as the construction of a new jetty and silos, and exports 500,000 tons of cement annually to our United States subsidiary.

As demand for cement in the United States is expected to continue to grow, we anticipate that taking measures to stably supply 500,000 tons of cement annually to the United States will enhance our competitiveness in the cement business in the United States.

(2) Rights issue exercise conditions

In the Capital Alliance, we conclude the agreement that the purchase price per share is set at 2,300 Rp and acquisition price of the shareholding in SBI is approximately 220 million USD. Depending on the exchange rate at the time, the minimum share acquisition will be 15%.

1	Number of shares held before the Transaction	- shares
2	Total number of shares to be acquired	Approx. 1,400 million shares
3	Purchase price per share	2,300 Rp
4	Acquisition Cost	Approx. 220 million USD
5	Number of shares to be held after the Transaction	Approx. 1,400 million shares

(3) Timeline

Exercise date of the rights to acquire shares of SBI: July 2021 (plan)

※The date of acquisition is subject to change due to the need to notify the relevant authorities and obtain necessary licenses and approvals, or for various other reasons

2. Background to and objectives of the Capital and Business Alliance

It is predicted that cement demand in Japan will be under 40 million tons in fiscal year ending March 2021 due to the interruption or postponement of construction works caused by the coronavirus pandemic. Although it is not possible to predict when we will reach the end of the pandemic, in the medium-term cement demand in Japan is expected to remain stable due to large investment projects, the renewal of and repairs to worn out infrastructure, and measures to prevent and mitigate the effects of natural disasters which are increasingly becoming more severe. However, the long-term domestic demand is forecast to decline gradually due to the shrinking population.

We have expanded our overseas business; at the end of 1980's to the United States and China, and later to Vietnam and the Philippines. Today we shift our focus in Asia from East Asia to Southeast Asia for our sustainable business development. This shift is one of our overseas strategies. As part of this strategy, we have concluded

agreements on the Capital and Business Alliance with SI Group, which holds the largest share in the Indonesian cement market and will enlarge its business inside and outside of Indonesia. We see consensus in the direction of both parties.

3. Effect of the Capital and Business Alliance

(1) Establishing strategic cooperation in the trading business

We will pursue maximization of synergies while working to expand the trading business and optimize logistics by utilizing our group's business know-how of the overseas cement business (exports, trilateral transactions, US and other overseas subsidiary businesses), SI Group's largest cement production capacity in Southeast Asia, and their cement and clinker export bases throughout Indonesia. As defined in the agreements on the Capital and Business Alliance, more than 1 million tons/year of cement and clinker will be exported from Indonesia, 500,000 tons of which will go to our subsidiary in the US.

(2) Establishing a partnership with Indonesia's largest state-owned cement company group

Although the demand for cement in Indonesia has temporarily declined due to the impact of the coronavirus pandemic, it is expected to increase in the medium to long-term seeing as Indonesia has the largest land area (about 5 times that of Japan) and economic scale in Southeast Asia, and is expected to grow economically, backed by an increasing labor force (4th in the world).

As its economy expands, Indonesia is focusing on infrastructure and industrial development and it ranks environmental measures as one of the most significant issues. We believe we can contribute to sustainable development in Indonesia with SI group through applying the strengths of both companies. For Taiheiyo Cement Group these strengths include cement business and trading know-how based on logistics and sales capabilities, together with advanced technology and know-how in the environmental, resources and building materials businesses. For SI Group, these strengths include not only having the largest cement production capacity in Southeast Asia, but a business network that includes state-owned enterprises which engage in cement related business.

Through the Capital and Business Alliance we will further promote the globalization of business operations, including cement trading, by boosting our relationships in Indonesia and building a new cement distribution base in Southeast Asia, and aim for sustainable growth by enhancing our position as a corporate group that contributes to the development of social infrastructure and a recycling-based society in the Pacific Rim.