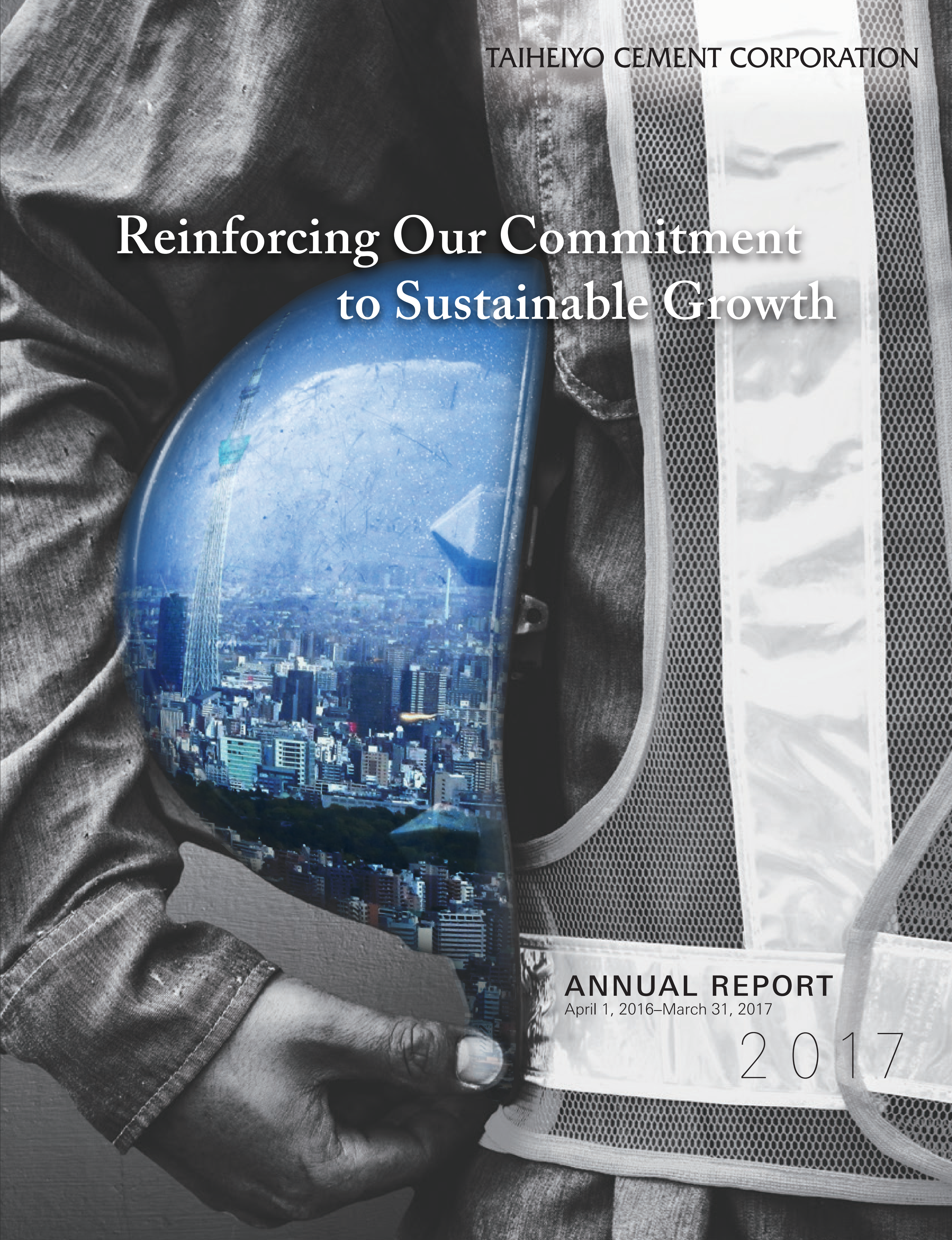
TAIHEIYO CEMENT CORPORATION

Reinforcing Our Commitment to Sustainable Growth



ANNUAL REPORT
April 1, 2016–March 31, 2017

2017

Reinforcing Our Commitment to Sustainable Growth

Corporate Profile

The Taiheiyo Cement Group "aspires to play a leading role in pioneering a sustainable future by ensuring that its business activities reflect not only economic development priorities, but also environmental and social responsibility considerations." We put this philosophy into practice by strengthening our overall profitability and financial standing, and maximizing the sum total of our corporate value while striving to utilize management resources in an integrated and efficient manner that minimizes costs and risks.

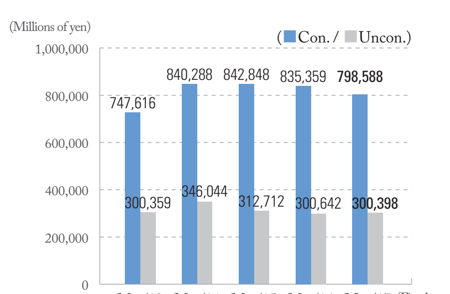
At the same time we are dedicated to protecting the Earth's environment and realizing a recycling-based society by taking advantage of both the unique ability of cement plants to process and recycle large volumes of waste products and byproducts, and the recycling technologies we have developed over time to enable this approach.

Contents

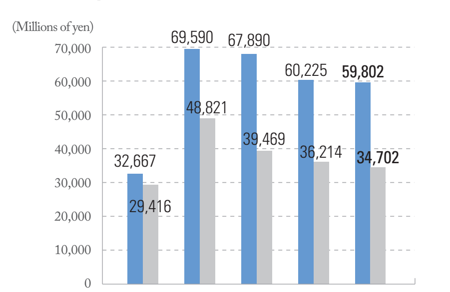
Financial Highlights

	(Millions of yen)		(Thousands of U.S. dollars)
CONSOLIDATED	**2017**	2016	**2017**
For the year:			
Net Sales	**¥ 798,588**	¥ 835,359	**$ 7,118,183**
Operating Income	**63,235**	60,433	**563,642**
Income before Income Taxes	**52,741**	52,592	**470,104**
Profit Attributable to Owners of Parent	**47,597**	36,404	**424,254**
At year-end:			
Net Assets	**400,034**	357,073	**3,565,692**
Total Assets	**1,015,415**	1,014,075	**9,050,858**
	Yen		U.S. dollars
Earnings per Share	**38.39**	29.63	**0.34**

Net Sales

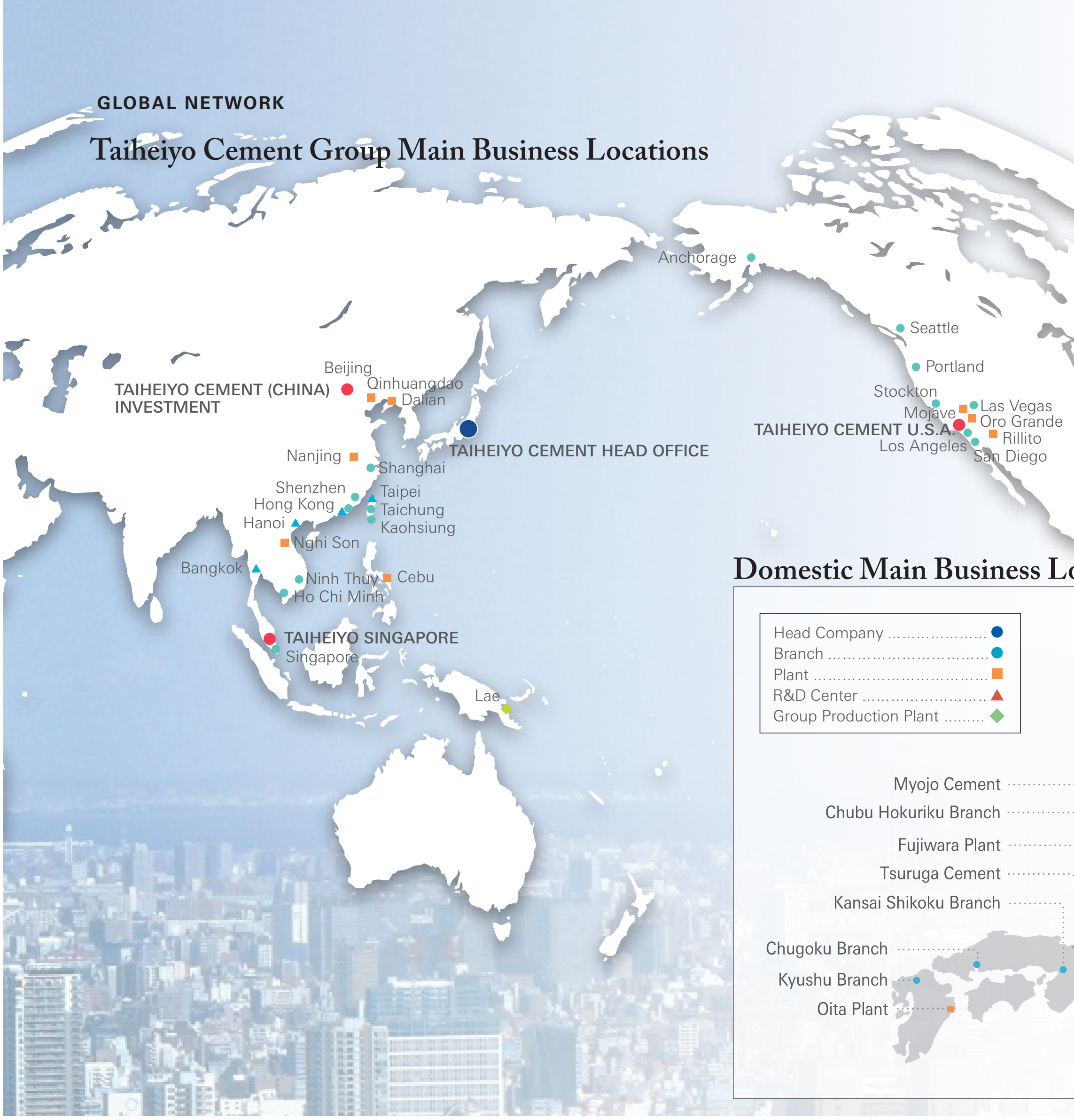


Ordinary Income

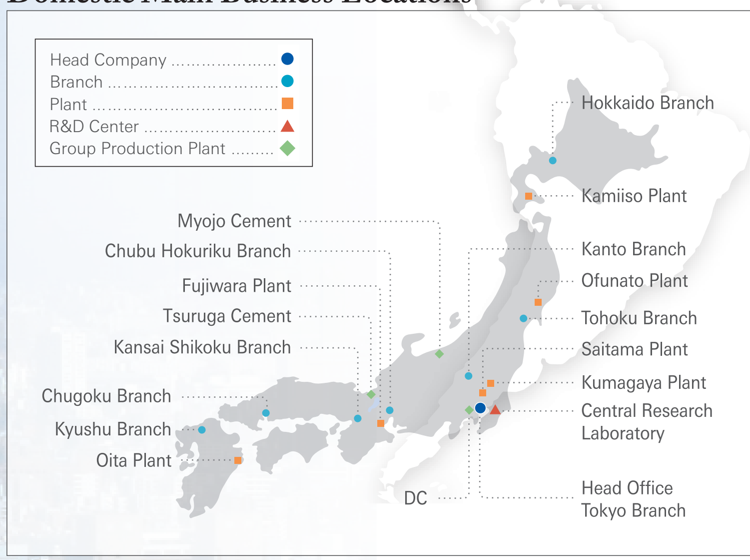


GLOBAL NETWORK

Taiheiyo Cement Group Main Business Locations



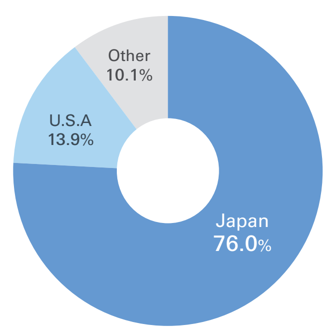
Domestic Main Business Locations



UNCONSOLIDATED	(Millions of yen) 2017	2016	(Thousands of U.S. dollars) 2017
For the year:			
Net Sales	¥ 300,398	¥ 300,642	$ 2,677,589
Operating Income	30,611	32,952	272,855
Income before Income Taxes	33,187	35,527	295,811
Net Income	36,970	26,326	329,532
At year-end:			
Net Assets	258,428	228,610	2,303,489
Total Assets	571,613	587,574	5,095,049
	Yen		U.S. dollars
Net Income per Share	29.64	21.30	0.26
Dividends per Share	6.00	6.00	0.05

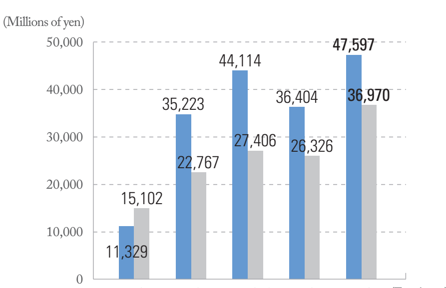
Sales Composition By Geographic Segment

(As of March 31, 2017/Consolidated)

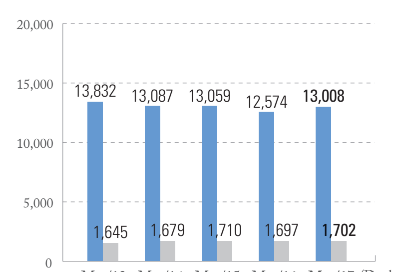


Other:
China, Vietnam, Philippines, Singapore, Papua New Guinea

Profit Attributable to Owners of Parent (Con.)
Net Income (Uncon.)



Employees



Reinforcing Our Commitment to Sustainable Growth

Strengthening initiatives to achieve sustained growth

To Our Stakeholders

The fiscal year under review saw the continuation of Japan's gradual economic recovery as corporate profitability and employment firmed thanks, in part, to support from economic and financial policies implemented by the Japanese government and the Bank of Japan, respectively, despite lackluster figures for consumer spending and capital investment. With uncertainty about the global economic situation rising due to factors such as the UK's exit from the EU and the policy priorities of the new U.S. administration, companies are taking a particularly careful look at market trends.

Gradual growth continued in the U.S. where unemployment remained low amidst robust consumer spending. In China, policy support and other factors showed signs of halting the country's economic slowdown. Elsewhere in Asia a recovery in exports and other developments suggested an end to the recent slump.

In this environment the Group's consolidated net sales fell ¥36,770 million from the previous year to ¥798,588 million. Consolidated operating income was ¥63,235 million, up ¥2,801 million, while consolidated ordinary income fell ¥422 million to ¥59,802 million. Consolidated net profit attributable to owners of parent rose ¥11,192 million to ¥47,597 million.

The gradual recovery of the Japanese economy is expected to continue thanks to the positive effects of various government and Bank of Japan policies, and improvements in the employment environment, among other factors. However, it will continue to be necessary to exercise caution and discernment concerning changes in the business environment as increasing uncertainty about the global economy and confusion with regard to the international political situation bring the risk of downward pressure on the economy.

Turning our attention to the Taiheiyo Cement Group's business environment, our core domestic cement business is expected to benefit from a recovery in demand fueled by reconstruction projects in the aftermath of the Great East Japan Earthquake, construction associated with disaster prevention and mitigation projects, and large-scale urban redevelopment projects, as well as a gradual ramp-up in construction related to the Tokyo Olympics and Paralympics. At the same time, the effects of labor shortages at construction sites are beginning to be felt and we also need to remain watchful concerning the risk of a softening of demand.

Looking to the U.S. economy, growth is expected to accelerate on the back of a robust employment environment, favorable business conditions, and a recovery in capital investment and consumer spending. However, persisting uncertainty about policy priorities will make it necessary to monitor trends closely.

Looking to the future, the Taiheiyo Cement Group has identified "leveraging all Group capabilities to contribute to the safety and security of societies in the Pacific Rim" as a vision and direction to guide it towards the mid 2020s. In keeping with this vision we will redouble our commitment to working to achieve sustained growth in FY2018.

For the fiscal year ending March 2018, we expect consolidated net sales of ¥853,000 million, operating income of ¥65,000 million, ordinary income of ¥61,000 million, and net profit attributable to owners of parent of ¥35,000 million.

I look forward to your continued understanding and support as we pursue these goals.

Shuji Fukuda
President and Representative Director

Shuji Fukuda.

DC Co., Ltd., becomes a wholly-owned subsidiary

In August 2016, Taiheiyo Cement completed a stock swap to convert equity-method affiliate DC Co., Ltd., to a wholly-owned subsidiary.

DC Co., Ltd. has operations including cement, mineral resources, environmental and real estate businesses, and is centered in the Tokyo metropolitan area. It is working to leverage its coastal plant in the Rinkai area in Kawasaki, Kanagawa Prefecture, as it plays a key role in supplying construction materials for infrastructure development and other projects in the Tokyo metropolitan area. Like Taiheiyo, it is also working to recycle waste products and byproducts to help achieve a recycling-based society.

Going forward, we will strengthen the core of our businesses in the Tokyo metropolitan area by optimizing management resources through the integration of DC's operations with those of the Taiheiyo Cement Group. At the same time we will actively work to help build a safe and secure society by supplying high-quality products and solutions.

Launching an environmentally friendly biomass power generation business in Ofunato City, Iwate Prefecture

In August 2016 we launched an electric power wholesale business by establishing Ofunato Power Inc., (OPI) in Ofunato, Iwate Prefecture. In a joint investment with new power company eREX Co., Ltd., OPI will build a 75 MW thermal power station that uses woody biomass (among the largest in Japan to use biomass fuel). The power station in the grounds of the Taiheiyo Cement Ofunato Plant uses a circulating fluidized-bed boiler and will generate wholesale electric power under Japan's Feed-in Tariff Scheme for Renewable Energy. Construction of the thermal power station will be completed by the end of 2019, after which commercial operation of the power generation business will continue for 20 years.

The principal biomass fuel is palm kernel shells (PKS) but the plant is also designed to accommodate other fuel types such as palm empty fruit bunches (EFB) which, in the past, have been discarded after the palm oil extraction process. Working with Saraya Co., Ltd., in Osaka; Rematec & KSN Thailand Co., Ltd., in Thailand; and The Green Biomass Sdn. Bhd., in Malaysia, Taiheiyo Cement has successfully developed EFB as a power generation fuel. The business will achieve stable operation by burning a mixture of EFB and PKS. In generating 480,000 MWh of power per year (equivalent to the power consumption of about 110,000 typical households) the thermal power station will help reduce CO_2 emissions by 285,000 tons per year.

In addition to promoting the production and use of eco-friendly, renewable energy, we will assist in the recovery of the Tohoku region and stimulate the local economy by hiring employees locally for the new company and creating employment in operations such as fuel transportation.

Overview of new company and plant

Company name:	Ofunato Power Inc.
Total project cost:	¥23.5 billion
Investment:	Taiheiyo Cement 65%, eREX 35%
Generating facilities:	Circulating fluidized-bed boiler, reheat-type steam turbine
Capacity:	75 MW

Strengthening capabilities of the Tokyo Service Station to ensure stable supply of products ahead of the Tokyo 2020 Games

To meet the anticipated growth in cement demand in advance of the Tokyo 2020 Games our Tokyo Service Station built a cement-based soil stabilizer* facility in March 2016 and a 20,000-ton cement silo in March 2017.

The cement storage capacity at the Tokyo Service Station is among the largest of all such facilities in Japan and the site has a successful track record in providing a stable supply of cement to the Tokyo area, Japan's largest market. The recent expansion of facilities reflects Taiheiyo's commitment to put robust supply structures in place to handle projects related to the construction of Olympic venues. The new soil stabilization material facility has already begun shipping product for use in the construction of the Olympic Stadium.

Going forward, we will continue to work to ensure a stable supply of cement for large projects planned in the region.

* Cement-based soil stabilizer: Materials for solidifying soft soil, excavated soil and other types of construction spoil.

Palm empty fruit bunches (EFB): Empty bunches remaining after the fruit has been extracted.

Palm kernel shells (PKS): Kernels generated during the process of extracting oil from the fruit of palm trees grown in Southeast Asian countries such as Malaysia and Indonesia.

Cement Business

Operating Income Rises Despite Lower Domestic and Overseas Revenue

Public and private sector demand for cement in Japan fell 2.0% from the previous year to 41.77 million tons due to factors such as a decline in the number of publicly funded construction projects and rising material and labor costs. Some 270,000 tons of that demand was met by imported cement, a year-on-year decline of 12.6%. Total exports rose 8.9% to 11.52 million tons.

The Taiheiyo Group's domestic cement sales by volume, including consignment sales, fell 2.0% from the previous year to 14.37 million tons, while exports rose 9.2% to 4.35 million tons.

As a result, sales in the domestic cement business fell ¥7,639 million from the previous year to ¥385,060 million, while operating income rose ¥1,015 million to ¥29,526 million due to factors including increased profitability in the ready-mixed concrete segment and success in controlling variable costs.

Overseas, total shipments rose in our U.S. West Coast cement and ready-mixed concrete business where market trends generally pointed to a recovery. Our cement business in China continued to suffer from falling demand, while our cement businesses in Vietnam and the Philippines performed well on the back of robust domestic demand. In addition, the yen appreciated against other currencies.

As a result of the above factors the Group's overseas cement business posted net sales of ¥173,854 million, down ¥8,168 million from the previous year. Operating income rose ¥3,251 million to ¥9,371 million thanks to bullish conditions in the U.S. market.

Sales	¥ 558,915 million	down ¥15,808 million year-on-year
Operating Income	¥ 38,898 million	up 4,266 million year-on-year

Mineral Resources Business

Sales and Profits Fall as Subsidiaries are Excluded from Consolidated Results

Streamlining of distribution and other improvements helped bolster the bottom line in our aggregate business, offsetting slumping demand in most areas apart from the Tohoku and Shikoku regions. In our mineral products business, shipments of limestone to customers in the overseas iron and steel industry firmed. Intake in our surplus construction soil recycling business grew from the previous year. However, the conversion of some consolidated affiliates into equity-method affiliates led to a drop in both sales and profits.

Sales	¥ 80,177 million	down ¥13,356 million year-on-year
Operating Income	¥ 7,759 million	down ¥353 million year-on-year

Environmental Business

Sales and Profits Rise as Waste Processing and Gypsum Sales Rise

Sales in waste processing, gypsum, and other products and services strengthened. Initiatives involving the processing of disaster debris from the Kumamoto Earthquake also drove up sales and profits.

Sales	¥ 77,901 million	up ¥4,440 million year-on-year
Operating Income	¥ 7,666 million	up ¥11 million year-on-year

Construction Materials Business

Slowing Demand Weighs on Sales and Profits

Slowing sales of building and civil engineering materials caused profits to decline.

Sales	¥ 74,027 million	down ¥6,826 million year-on-year
Operating Income	¥ 6,061 million	down ¥68 million year-on-year

Other Business

A Slowdown in the Engineering Business Impacts Sales and Profits

This segment includes our real estate, engineering, data processing, finance, transport and warehousing, chemical products, sports facility and other businesses. Sales and profits fell due to factors including a slowdown in construction orders in the engineering business.

Sales	¥ 75,331 million	down ¥9,890 million year-on-year
Operating Income	¥ 3,267 million	down ¥746 million year-on-year


TAIHEIYO CEMENT

Transitioning from defense to offense, proactively developing proposal-based sales

Domestic Cement Business

Recovery in demand for cement

Demand for cement contracted during FY2017, falling to 41.77 million tons. However, the market reversed course around November 2016 and began to grow on a year-on-year basis. We therefore expect demand for cement to grow during FY2018 and forecast demand to be 43 million tons, an increase of about 1.20 million tons on the previous year.

With a number of large-scale construction projects in prospect, including venues for the Tokyo Olympics and Paralympics, the new Chuo Shinkansen, the extension of the Hokkaido Shinkansen and the Hokuriku Shinkansen, as well as reconstruction work in the aftermath of the Kumamoto Earthquake, a strong case can be made for increased cement demand going forward. At the same time, recent changes in construction techniques and other factors have had the effect of dampening cement utilization, with the result that continued forecasting of demand based on conventional assumptions runs the risk of error. Our forecast of 43 million tons considers and includes the effects of such trends.

Over the medium and long term we assume demand will grow steadily until the first half of FY2020. We do not believe that demand will fall excessively after demand associated with the Olympics and Paralympics ends. Instead, our assessment is that the need to update infrastructure such as sewer lines and bridges throughout Japan will maintain demand at around 41 million tons and prevent it from falling below 40 million tons. Indeed, additional demand associated with occasional large-scale projects could underpin annual demand ranging from 43 to 44 million tons.

Transitioning from defense to offense

Reflecting a business environment in which we expect to see cement demand recover during FY2018, we have identified "Transitioning from a defensive to an offensive position" as a major theme for the year, and we will be carrying out a variety of measures to achieve this. In particular, we will focus on securing as much demand as possible from the Tokyo Olympics and Paralympics and other projects that can be expected to spur demand in the Tokyo metropolitan area where we are well positioned to capitalize on our strengths.

Turning to sales policies, we are studying whether to establish new programs to revitalize dealers' businesses. For example, we are considering introducing programs to incentivize the large number of companies that offer products other than cement and ready-mixed concrete to more actively sell our products.

At the same time we will focus on ascertaining customer needs and adopting a proposal-based approach to sales. We plan to not only address customers' wishes, but also to assess their challenges and requirements so that we can offer proposals that offer solutions to those problems.

With regard to pricing policy, we will work to communicate the value of our comprehensive menu of services to customers in order to encourage them to make decisions that are not based simply on price alone. However, coal prices have been rising rapidly since autumn last year, pushing up manufacturing costs. We will study how to address this challenge following a multifaceted assessment of the changing conditions.

We will also work to strengthen the financial footing of directly owned ready-mixed concrete companies to help them grow into regional leaders capable of competing successfully in every aspect of their businesses. Furthermore, we plan to offer active support to help group customers recruit employees and foster a new generation of executives to address the labor shortages and successor-related issues that are proving to be particularly challenging in rural areas.

The Ministry of Land, Infrastructure, Transport and Tourism's i-Construction initiative is currently attracting attention. This initiative was conceived to help boost productivity and shorten working hours at construction sites through the use of information and communications technology, and we plan to address such modernization initiatives ourselves by deepening dialog with ready-mixed concrete companies.

We also plan to pursue closer partnerships with secondary product manufacturers as adoption of pre-cast concrete techniques in which concrete materials are manufactured "off-site" and then transported to construction sites for assembly gather momentum. We have acquired stakes in, and offered technological guidance to, many secondary product manufacturers since the time of our founding, and we believe that strengthening such relationships will serve to further enhance our status in the secondary products industry in the event that the move toward off-site pre-cast concrete gathers momentum.

Accommodating increased demand for cement-based soil stabilizer

Sales of our cement-based soil stabilizers approached record levels during FY2017 as the products saw use in more locations and in a broader range of applications. For example, they were utilized in reconstruction work in the aftermath of the Kumamoto Earthquake, even though liquefaction was not a contributing factor in that disaster. Cement-based soil stabilizers are also being injected into cracks in dams to solidify these structures nationwide. From the perspective of our business, the use of concrete and other materials often follows the initial use of cement-based soil stabilizer, so we are paying close attention to associated demand trends. As demand for cement-based soil stabilizer grows, we will work to build new facilities, increase supply capacity, and enhance distribution and transportation methods.

Masafumi Fushihara
Director, Senior Executive officer
Senior General Manager, Cement Business Division

Fiscal 2018 Business Strategies

Expanding existing core businesses and growing strategic core businesses of the future

Mineral Resources Business

Boosting earning power and maximizing profit

The top priorities in our core aggregate and mineral products businesses in FY2018 are to boost earning power and maximize profit.

We expect our aggregate business to experience growth in the Kanto area. Since the start of 2017 we have seen an uptick in demand related to the Tokyo Olympics and Paralympics, marking an improvement over the lower level of demand that characterized FY2017. Since Tokyo's winning bid to host the Games we have taken steps to enhance and strengthen our distribution structures, for example by expanding our Tokyo Bay yard, in order to capture as much of that demand as possible.

Whereas in the past we sourced limestone aggregate for delivery to the Kanto region from both our Kamiiso Plant in Hokkaido and our Oita Plant, we have now taken steps to maximize earnings by shipping product bound for the Kanto area from Kamiiso and product bound for West Japan from Oita. The resulting streamlining of distribution has allowed us to cut costs and boost profit, even as sales volume remains flat.

We are also working with the Cement Business Division to commercialize strategic products in our aggregate business. Our development of aggregate as a strategic product reflects the belief that our offerings in the segment can be differentiated from those of competitors, unlike cement which allows limited opportunity for differentiation.

In our mineral products business we will focus on increasing sales of limestone, our flagship product, to iron and steel manufacturers and on normalizing pricing. Many steelmakers are facing tough competition and grappling with excess production capacity in China. The thin operating margins of those companies made it impossible for us to raise prices during the previous fiscal year but we will continue to strive to normalize pricing going forward as we supply product to domestic customers as well as customers in South Korea and Taiwan. Expanding exports to more regions would serve to increase sales but we believe that this approach is difficult in light of market prices. Going forward we will continue to strive to maximize profits, including by increasing market share.

Our soil solutions business has begun to receive large volumes of spoil (excavated dirt and sand) from the construction of the Tokyo Gaikan Expressway for processing. As with spoil from building construction, we will work hard to promote our soil solutions services and gather all necessary information to secure stable profits. The most promising aspect of this business involves Denite, a Taiheiyo Cement product used to render soil contaminated by heavy metals insoluble. The Tokyo Gaikan Expressway project is expected to use a cement-based soil stabilizer using Denite technology, and we believe we will see even higher volumes when the Chuo Shinkansen construction gathers momentum in the future. Conditions in Japan as well as the country's strict regulatory environment suggest that demand will come from a variety of sources in the future.

Overseas development and the functional materials business as drivers of our growth strategy

To grow the core businesses of the future we will focus on overseas development and our functional materials business. To promote our overseas development we have already established facilities in Shanghai, Thailand and Vietnam, with a focus on products offered by our environmental business in Japan such as flue-gas gypsum and anhydrite. We plan to use this approach to develop business for mineral products such as high-purity silica stone.

Our functional materials business has numerous promising products, including ChiccaLight, a high-purity phosphor raw material. While still small, the market is growing steadily and we are studying future steps to develop the business overseas. Ultra-High-Purity Silicon Carbide (SiC) is another promising product, and we are studying its potential for use in power semiconductor applications where its properties to minimize electricity losses has spurred growing interest in recent years. Our SiC has already been evaluated favorably in testing and we are working on capital investments to increase production before the end of the current fiscal year. We are also involved in a close partnership with our Central Research Laboratory to commercialize functional hollow particles starting during the next fiscal year.

In addition, we are working to strengthen the management foundation of our Group companies. In keeping with our policy of selection and consolidation, we have merged, integrated, and otherwise combined operations to trim the Group to 37 companies. We are making progress in the drive to bolster the financial strength of those companies and we will continue to work to maximize profits by adjusting our integrated manufacturing and sales strategy.

Going forward, Group and partner companies will work together to prevent accidents and complaints so that we can take pride as a manufacturer while contributing to society.

Expanding and developing our coal ash business while boosting profitability in existing businesses

Environmental Business

Building business models to accommodate conditions overseas

Our first priority for FY2018 will be to expand and develop our coal ash processing business. Significant, sustained growth in the number of coal-fired power plants underpins the importance of our mission of processing coal ash, which is expected to grow in volume in the future. However, since we are already approaching the limits of how much coal ash can be processed as a raw material in cement production, we will turn to exports to boost processing volume in the future. Exporting coal ash requires us to accommodate differences in the environmental regulations of both the importing and exporting countries, and to satisfy the requirements of international treaties and other agreements. We have a successful track record in exporting coal ash to South Korea and Hong Kong, and are looking at expanding exports to include other countries. We have already received regulatory approval to export coal ash to Thailand, and we expect to start exports during the second half of FY2018.

In Japan we are studying potential applications for coal ash, which has not enjoyed widespread use in the past. Examples include increasing use of the material in finishing processes during the manufacture of cement and blended cement. We have finalized plans to introduce technology for eliminating or reducing levels of unburned carbon in coal ash, which has been a barrier to its use in the past, and are planning to start operational trials at the end of FY2018. This technology is expected to stimulate the increased utilization of coal ash in the production of building materials and additives.

Our second priority will be to maximize the profitability of existing businesses. Whereas most industrial waste received by cement plants is otherwise difficult to process and would normally require disposal in landfill sites, we have a successful track record in overcoming technical obstacles and commercializing processes. One example of this is our ash washing system to remove chlorine from incinerator fly ash. Going forward, we plan to utilize our R&D resources to target novel, difficult-to-process materials such as carbon fiber, lithium batteries, and solar panels so that we can grow the processing of those materials into a major source of profit in the future.

Our third priority is to pursue strategic overseas development. The international business team we created in FY2017 has been working with the International Business Division and during FY2018 it will focus on increasing exports of coal ash and other materials that we have been receiving in growing volumes. We will also bring Ceraclean, a product offered as part of our Aqua Business, to Southeast Asia. In addition, we are studying how to license technologies such as our eco-cement system, ash washing system, and AK system (which biodegrades municipal solid waste so that it can be recycled in cement production) to overseas customers.

We believe that areas surrounding local cement plants provide the best locations for developing business operations overseas. However, we will work to establish business models that can accommodate conditions and circumstances specific to the various countries and regions in which we do business.

Continuing to contribute to reconstruction in Fukushima

In our Fukushima reconstruction business, research into processing disaster debris incineration ash and contaminated soil to isolate radioactive components and allow their use in building materials, which has now entered Phase 2, has earned extremely high praise. Furthermore, if requested by the government, we are ready to study the feasibility of a "post-Iitate" program. We are also working to develop model projects for recovering precious metals under the Fukushima Innovation Coast program. In pursuing these businesses and projects our principal focus remains on contributing to Fukushima rather than on generating profit.

We will also address international environmental problems by looking at recycling businesses that reduce carbon dioxide in the broadest sense, starting with exports of fly ash cement.

With regard to the management of Group companies, we are considering expanding operations of the industrial waste processor Nacode in light of the company's robust performance. Now 10 years into its 20-year contract, Tokyo Tama Ecocement continues to operate in a stable manner. We are also planning to strengthen Tohoku Eco-Techno (located in Minamisoma, Fukushima Prefecture), which is playing an important role in our reconstruction business, and Comres (located in Hekinan, Aichi Prefecture), which offers advantages as a supplier of products for use in construction of the Chuo Shinkansen.

Kunihiro Ando
Director, Managing Executive Officer
Mineral Resources Business Division
Environmental Business Division

Focusing on CSR management and achieving our operating income target under the 17 Medium-Term Management Plan

International Business

Four priorities

We have identified four priorities for our business in FY2018. The first is to achieve our operating income target of ¥17.5 billion under the 17 Medium-Term Management Plan. Although we were not able to achieve the plan's targets during FY2017 due to lower-than-expected demand in the U.S. and China, we will work to strengthen the revenue base at each of our facilities during this fiscal year.

Our second priority is to develop and pursue new businesses. One goal of this initiative is to boost cement production and sales in Asian regions that are expected to see market growth, for example through the acquisition of production facilities and by constructing or purchasing plants. Fulfilling this goal will take time, and requires a calm and clear-headed assessment of funding and investment approaches as well as factors such as the environment, market, and business partners in each country together with global conditions. It is a continuation of our policy of expanding our network of overseas facilities.

Our third priority is to expand our trading business. Although during FY2017 we recorded the highest volume of cement and clinker exports since FY2010, these figures reflect an increase in surplus export capacity due to lower-than-expected demand in Japan. During FY2018 we will continue to respond to fluctuations in domestic demand in a flexible manner while working to ensure a high level of profitability through careful monitoring of changes in conditions in export markets. At the same time we will continue to dedicate resources to increasing exports of blended cement. Finally, we will continue to evaluate factors such as regulations and market conditions in the countries where we pursue off-shore trade and bulk exports, both areas of bullish performance during FY2017.

Our fourth priority is to pursue CSR management. In particular, we have identified an initiative to eliminate industrial accidents as a top priority. Overseas worksites have more employees and partner vendors than their Japanese counterparts, and there are regions where it will be challenging to raise safety awareness to the same level as in Japan. Nonetheless, worker safety is an issue that transcends national borders, and we must ensure an equally high level of safety in every country. We will work to strengthen safety management structures as part of a dedicated effort to significantly increase safety awareness through measures such as regular safety inspections by the International Business Division's engineering & technology department team and by convening meetings of safety coordinators from overseas subsidiaries.

Trends in international markets and boosting profits

The U.S. economy is expected to continue to grow in FY2018. The Oro Grande Plant that we acquired in September 2015 began contributing fully to our bottom line in FY2017, with the result that sales grew 20%. We are currently in the process of raising prices as part of an effort to further grow both sales and operating income.

Although the business environment in China was extremely challenging in FY2017 as both demand and prices fell, demand began increasing during the second half of the fiscal year, and prices are recovering as well. We expect these trends to continue during FY2018 as we work to improve the performance of our Chinese business.

In Vietnam demand has continued to steadily grow, but increasing supply capacity on the part of competing manufacturers has made the country a net exporter of cement. Our Vietnamese business has achieved robust results but going forward we will carefully monitor developments such as the privatization of government-owned companies and plant expansions by competing manufacturers.

In the Philippines we believe demand for cement will continue to grow as economic growth accelerates, and will work to increase our supply capacity in order to capture as much of that demand as possible. In addition, we are planning to construct a supply base to enhance our sales capabilities in the country.

Ichiro Egami
Director, Managing Executive Officer
Senior General Manager, International Business Division

Expanding operations to achieve our targets in the 17 Medium-Term Management Plan

Construction Materials Business

Accelerating our "Growth and Expansion" strategy by strengthening our earnings power and financial strength

Since our division was established the profitability of our business has grown continuously, although we do expect performance to remain flat in FY2018 due to delays in construction projects. Nonetheless, as FY2018 is the final year of the 17 Medium-Term Management Plan we will strengthen our revenue base by expanding operations in an effort to boost earning power and financial strength so that we can achieve the targets set out in the plan. Specifically, we plan to expand operations through partnerships with other companies and M&A in regions where we believe these steps can achieve synergies with existing businesses.

At the same time we will carry out measures in anticipation of providing management assistance and business reorganization at Group companies, while carefully monitoring each company's business environment from the standpoint of profitability and efficiency.

We have identified three priorities as we work to accelerate our "Growth and Expansion" strategy. The first is to actively pursue sales activities in partnership with Group companies in an effort to capture demand created by large projects such as the Tokyo Olympics and Paralympics, the Chuo Shinkansen, and rail line construction in and around Tokyo. Anticipating the need for an early start in building structures to accomplish this goal, we are currently setting up a Project Advancement Meeting and a Synergy Development Liaison Team.

The goal of the Project Advancement Meeting is to pursue corporate sales activities through the Group so we can reliably secure orders for the large projects described above. Group companies' operations span a broad range of fields, from the earthworks that comprise the most fundamental stage of a project to exterior and paving work carried out in the run-up to project completion. We will build Group management structures so that Group companies can efficiently reap significant benefits from partnerships.

The Synergy Development Liaison Team is an initiative to develop new products and techniques through the mutual utilization of Group companies' products and technologies. This initiative is being pursued in partnership with our Central Research Laboratory, and we formed a working group to intensify the study of options by exploring topics identified last year.

Our second priority is to strengthen the domestic pre-mix business. The growth in the market for maintaining and repairing outdated infrastructure and an intensifying labor shortage are both driving demand for labor-saving innovation at construction sites. Pre-mix is blended in advance at the plant by adding material known as "essence" to cement and then shipped in bags, but we need to focus on saving labor during its use. Approaches to address the range of anticipated customer needs include possibilities such as supplying the product in light, easier-to-handle sizes, reflecting the increasing prevalence of female workers on construction sites. This business is also positioned to contribute to the Ministry of Land, Infrastructure, Transport and Tourism's i-Construction program and its goal of encouraging use of pre-cast techniques, which we see as an opportunity for expansion. We plan to meet customer needs, including in the product domain, by stimulating technology exchanges with Group customers that are pre-cast product manufacturers.

Our third priority is to strengthen overseas development. Group company Onoda Chemico is currently involved in an earthwork improvement project as part of subway construction in Ho Chi Minh, Vietnam, and the company is proceeding with plans to establish a local subsidiary in the country. The company has also opened a representative office in Myanmar, where the market is expected to grow, as part of an initiative to gather information and pursue sales opportunities. Meanwhile, Taiheiyo Materials Corporation continues to work on boosting exports of its products, including studies into creating new business models in Southeast Asia.

Training a new generation of workers with a global outlook

In human resources development we will work to enhance the skills of the next generation of workers who will be responsible for our businesses going forward by redoubling human resource exchanges with Group companies and helping Group companies to accumulate and share expertise in their operations. We will also foster the training of workers with a global outlook by assigning Group company employees with business expertise to overseas facilities.

In addition, we will pursue Group-wide initiatives in compliance, just as we do in the fields of safety and health, risk management and quality control.

Katsuhide Fukuhara
Director, Managing Executive Officer
Construction Materials Business Division

Directors and Corporate Auditors

(As of June 29, 2017)

Board of Directors

President and Representative Director

Shuji Fukuda

Vice President and Representative Director

Yuuichi Kitabayashi

Directors, Senior Executive Officers

Shigeru Matsushima

Masafumi Fushihara

Directors, Managing Executive Officers

Youichi Funakubo

Keiichi Miura

Masahiro Karino

Kunihiro Ando

Ichiro Egami

Tomoya Sakamoto

Katsuhide Fukuhara

Directors

Yoshiko Koizumi

Yuzo Arima

Corporate Auditors (Standing)

Hidehiko Kasamura
Toshihide Nishimura

Corporate Auditors

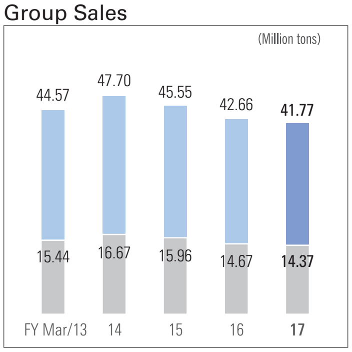
Takashi Nonaka
Yoshio Narukage

Executive Officers

Toshiaki Suzuki
Satoshi Asami
Toru Kanai
Seiichi Araki
Yoshiaki Tominaga
Kazuo Horikawa
Yoshiyuki Uenoyama
Hideaki Asakura
Tetsuya Ohashi
Yukimasa Nakano
Katsuyoshi Fukagawa
Yoshifumi Taura

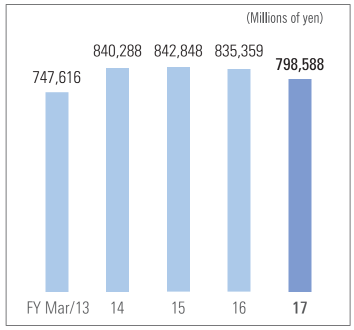
Major Corporate Data

Total Domestic Cement Demand / Group Sales



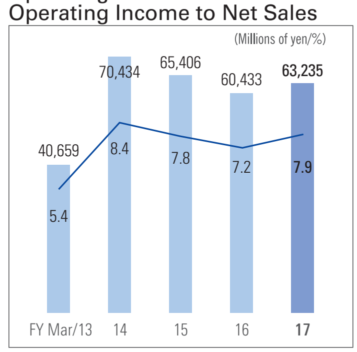
Total Domestic Cement Demand
Group Sales

Net Sales



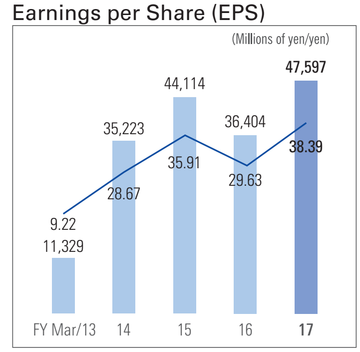
Net Sales

Operating Income / Operating Income to Net Sales



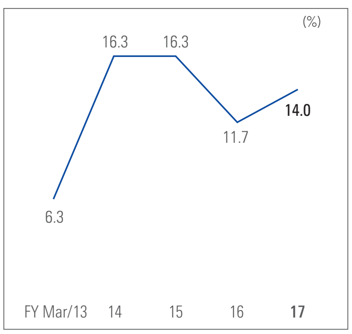
Operating Income
Operating Income to Net Sales

Profit Attributable to Owners of Parent/ Earnings per Share (EPS)



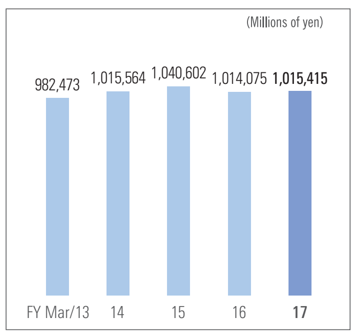
Profit Attributable to Owners of Parent
Earnings per Share (EPS)

Return on Equity (ROE)



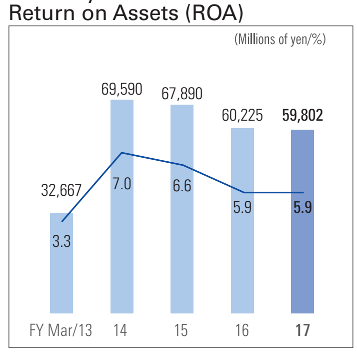
Return on Equity (ROE)

Total Assets



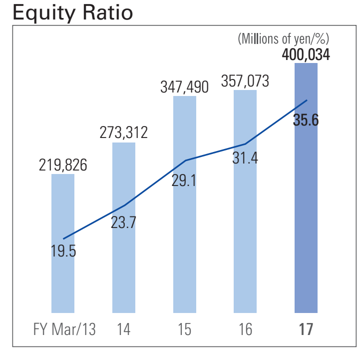
Total Assets

Ordinary Income / Return on Assets (ROA)



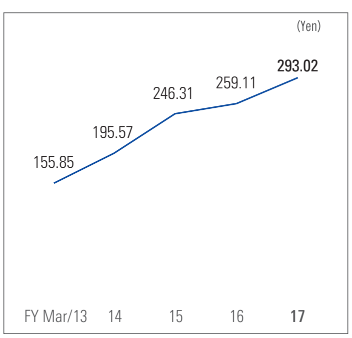
Ordinary Income
Return on Assets (ROA)

Net Assets / Equity Ratio



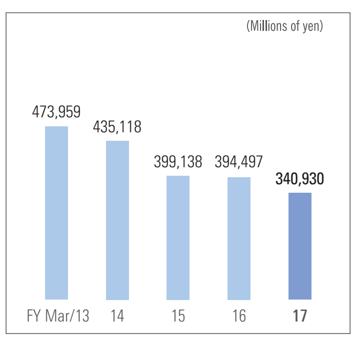
Net Assets
Equity Ratio

Net Assets per Share



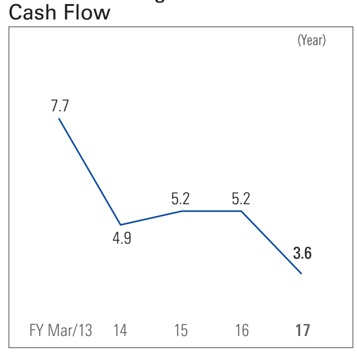
Net Assets per Share

Interest-Bearing Debt



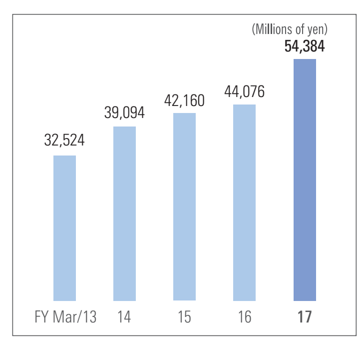
Interest-Bearing Debt

Interest-Bearing Debt / Cash Flow



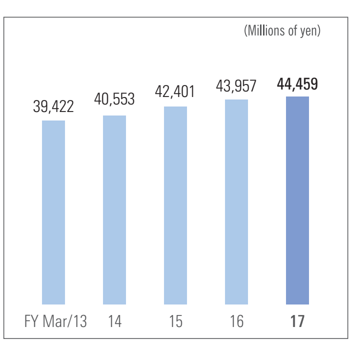
Interest-Bearing Debt/Cash Flow

Capital Expenditure



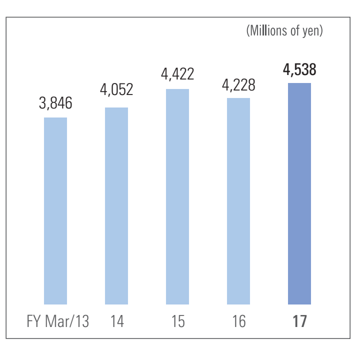
Capital Expenditure

Depreciation



Depreciation

R&D Expense



R&D Expense

Consolidated Balance Sheets

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2017

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Assets			
Current assets			
Cash and deposits	¥53,539	¥60,516	$539,407
Notes and accounts receivable – trade	161,392	171,946	1,532,634
Merchandise and finished goods	31,187	31,835	283,764
Work in process	1,485	1,708	15,232
Raw materials and supplies	42,624	42,422	378,127
Deferred tax assets	6,886	9,098	81,101
Short-term loans receivable	3,018	3,896	34,734
Other	9,721	12,595	112,270
Allowance for doubtful accounts	(938)	(1,125)	(10,029)
Total current assets	308,918	332,895	2,967,243
Noncurrent Assets			
Property, plant and equipment			
Buildings and structures	132,708	136,454	1,216,277
Machinery, equipment and vehicles	147,151	135,380	1,206,709
Land	140,726	160,571	1,431,249
Construction in progress	20,950	19,083	170,102
Other	46,074	45,660	406,996
Total property, plant and equipment	487,611	497,151	4,431,335
Intangible assets			
Goodwill	6,432	3,409	30,391
Other	37,487	34,250	305,290
Total intangible assets	43,919	37,660	335,682
Investments and other assets			
Investment securities	115,443	84,781	755,692
Long-term loans receivable	1,127	3,238	28,866
Assets for retirement benefits	8,968	17,352	154,670
Deferred tax assets	23,258	19,056	169,858
Other	31,483	31,613	281,788
Allowance for doubtful accounts	(6,655)	(8,333)	(74,278)
Total investments and other assets	173,626	147,708	1,316,596
Total noncurrent assets	705,156	682,520	6,083,614
Total assets	¥1,014,075	¥1,015,415	$9,050,858

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥73,893	¥79,676	$710,190
Short-term loans payable	160,421	134,428	1,198,219
Current portion of bonds	450	11,120	99,117
Income taxes payable	8,351	5,914	52,722
Deferred tax liabilities	5	4	41
Provision for bonuses	5,723	5,742	51,186
Other provision	751	410	3,658
Other	71,631	71,613	638,325
Total current liabilities	321,229	308,910	2,753,461
Noncurrent liabilities			
Bonds payable	46,155	35,035	312,282
Long-term loans payable	187,471	160,346	1,429,243
Deferred tax liabilities	3,527	8,378	74,680
Liability for retirement benefits	22,814	24,217	215,865
Provision for directors' retirement benefits	433	568	5,067
Provision for special repairs	245	121	1,085
Other provision	747	981	8,752
Lease obligations	15,662	21,285	189,726
Asset retirement obligations	7,990	7,520	67,035
Other	50,725	48,013	427,964
Total noncurrent liabilities	335,772	306,469	2,731,704
Total liabilities	657,002	615,380	5,485,166
Net assets			
Shareholders' equity			
Capital stock	86,174	86,174	768,109
Capital surplus	50,925	59,548	530,783
Retained earnings	188,731	228,914	2,040,416
Treasury stock	(979)	(10,911)	(97,260)
Total shareholders' equity	324,851	363,725	3,242,049
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	4,755	9,830	87,619
Deferred gains or losses on hedges	16	48	434
Revaluation reserve for land	4,665	5,065	45,149
Foreign currency translation adjustments	(4,174)	(12,862)	(114,652)
Retirement benefits liability adjustments	(11,829)	(3,987)	(35,543)
Total accumulated other comprehensive income	(6,566)	(1,906)	(16,993)
Non-controlling interests	38,787	38,215	340,635
Total net assets	357,073	400,034	3,565,692
Total liabilities and net assets	¥1,014,075	¥1,015,415	$9,050,858

Consolidated Statements of Income

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2017

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Net Sales	¥835,359	**¥798,588**	**$7,118,183**
Cost of sales	640,375	**599,924**	**5,347,395**
Gross profit	194,983	**198,664**	**1,770,787**
Selling, general and administrative expenses	134,550	**135,429**	**1,207,144**
Operating income	60,433	**63,235**	**563,642**
Non-operating income			
Interest and dividends income	1,563	**1,650**	**14,707**
Equity in earnings of unconsolidated subsidiaries and affiliates	5,292	**2,009**	**17,915**
Other	4,600	**2,228**	**19,863**
Total non-operating income	11,456	**5,888**	**52,486**
Non-operating expenses			
Interest expenses	6,492	**4,998**	**44,556**
Other	5,172	**4,321**	**38,521**
Total non-operating expenses	11,664	**9,320**	**83,078**
Ordinary income	60,225	**59,802**	**533,051**
Extraordinary income			
Gain on disposal of non-current assets	1,666	**648**	**5,779**
Gain on sales of investment securities	1,325	**4,012**	**35,768**
Gain on bargain purchase	–	**16,874**	**150,406**
Other	290	**126**	**1,125**
Total extraordinary income	3,282	**21,661**	**193,079**
Extraordinary loss			
Loss on disposal of non-current assets	3,205	**3,965**	**35,349**
Loss on sales of investment securities	81	**24**	**218**
Loss on valuation of investment securities	374	**68**	**610**
Impairment loss	5,757	**20,693**	**184,451**
Loss on step acquisitions	–	**3,034**	**27,048**
Other	1,497	**936**	**8,348**
Total extraordinary loss	10,915	**28,723**	**256,026**
Income before income taxes	52,592	**52,741**	**470,104**
Income taxes-current	14,334	**8,830**	**78,714**
Income taxes-deferred	678	**(3,646)**	**(32,505)**
Profit	37,579	**47,556**	**423,896**
Profit (loss) attributable to non-controlling interests	1,175	**(40)**	**(357)**
Profit attributable to owners of parent	¥36,404	**¥47,597**	**$424,254**

Consolidated Statements of Comprehensive Income

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2017

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Profit	¥37,579	**¥47,556**	**$423,896**
Other comprehensive income:			
Valuation difference on available-for-sale securities	(1,864)	**3,721**	**33,174**
Deferred gains or losses on hedges	(5)	**18**	**160**
Revaluation reserve for land	237	**–**	**–**
Foreign currency translation adjustments	(2,869)	**(8.851)**	**(78,899)**
Remeasurements of defined benefit retirement plans, net of tax	(7,728)	**(7,966)**	**71,011**
Share of other comprehensive income of associates accounted for using equity method	(3,378)	**588**	**5,242**
Total other comprehensive income	(15,608)	**3,443**	**30,689**
Comprehensive income	¥21,971	**¥51,000**	**$454,586**
Comprehensive income attributable to:			
Owners of parent	¥21,758	**¥52,257**	**$465,791**
Non-controlling interests	¥212	**¥(1,257)**	**$(11,205)**

Consolidated Statements of Changes in Net Assets

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2017

2016

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at pre end of term	86,174	50,757	158,939	(934)	294,937	6,908	2	4,295	649	(4,148)	7,707	44,845	347,490
Changes of items during period													
Change in treasury shares of parent arising from transactions with non-controlling shareholders		167			167								167
Dividends of surplus			(7,370)		(7,370)								(7,370)
Profit attributable to owners of parent			36,404		36,404								36,404
Reversal of revaluation reserve for land			14		14								14
Purchase of treasury stock				(46)	(46)								(46)
Disposal of treasury stock		0		0	0								0
Change in scope of consolidation			743		743								743
Change by share exchanges													
Increase by merger of consolidated subsidiary and non-consolidated subsidiary													
Net changes in items other than shareholders' equity						(2,153)	14	369	(4,823)	(7,680)	(14,274)	(6,057)	(20,331)
Total changes of items during the period	–	167	29,791	(45)	29,914	(2,153)	14	369	(4,823)	(7,680)	(14,274)	(6,057)	9,582
Balance at end of this term	¥86,174	¥50,925	¥188,731	¥(979)	¥324,851	¥4,755	¥16	¥4,665	¥(4,174)	¥(11,829)	¥(6,566)	¥38,787	¥357,073

Consolidated Statements of Changes in Net Assets

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2017

2017

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at pre end of term	¥86,174	¥50,925	¥188,731	¥(979)	¥324,851	¥4,755	¥16	¥4,665	¥(4,174)	¥(11,829)	¥(6,566)	¥38,787	¥357,073
Changes of items during period													
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(88)			(88)								(88)
Dividends from surplus			(7,474)		(7,474)								(7,474)
Profit attributable to owners of parent			47,597		47,597								47,597
Reversal of revaluation reserve for land													–
Purchase of treasury stock				(10,045)	(10,045)								(10,045)
Disposal of treasury stock		546		482	1,029								1,029
Change in scope of consolidation													–
Change by share exchanges		8,165		(369)	7,795								7,795
Increase by merger of consolidated subsidiary and non-consolidated subsidiary			59		59								59
Net changes in items other than shareholders' equity						5,074	31	400	(8,688)	7,842	4,660	(571)	4,088
Total changes of items during the period	–	8,623	40,182	(9,932)	38,873	5,074	31	400	(8,688)	7,842	4,660	(571)	42,961
Balance at end of this term	¥86,174	¥59,548	¥228,914	¥(10,911)	¥363,725	¥9,830	¥48	¥5,065	¥(12,862)	¥(3,987)	¥(1,906)	¥38,215	¥400,034

(Thousands of U.S. dollars)

	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at pre end of term	$768,109	$453,920	$1,682,251	$(8,731)	$2,895,551	$42,386	$150	$41,582	$(37,205)	$(105,445)	$(58,530)	$345,732	$3,182,753
Changes of items during period													
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(788)			(788)								(788)
Dividends from surplus			(66,622)		(66,622)								(66,622)
Profit attributable to owners of parent			424,254		424,254								424,254
Reversal of revaluation reserve for land													–
Purchase of treasury stock				(89,539)	(89,539)								(89,539)
Disposal of treasury stock		4,870		4,304	9,174								9,174
Change in scope of consolidation													–
Change by share exchanges		72,781		(3,293)	69,487								69,487
Increase by merger of consolidated subsidiary and non-consolidated subsidiary			533		533								533
Net changes in items other than shareholders' equity						45,232	283	3,566	(77,446)	69,902	41,537	(5,097)	36,440
Total changes of items during the period	–	76,862	358,164	(88,529)	346,498	45,232	283	3,566	(77,446)	69,902	41,537	(5,097)	382,938
Balance at end of this term	$768,109	$530,783	$2,040,416	$(97,260)	$3,242,049	$87,619	$434	$45,149	$(114,652)	$(35,543)	$(16,993)	$340,635	$3,565,692

Consolidated Statements of Cash Flows

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2017

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Cash flows from operating activities:			
Profit (loss) before income taxes	¥52,592	¥52,741	$470,104
Depreciation	43,957	44,459	396,283
Amortization of goodwill	2,967	2,518	22,448
Share of (profit) loss of entities accounted for using equity method	(5,292)	(2,009)	(17,915)
Loss (gain) on valuation of investment securities	374	68	610
Increase (decrease) in net defined benefit asset and liability	(1,027)	3,648	32,517
Increase (decrease) in provision for directors' retirement benefits	(32)	107	955
Increase (decrease) in provision for bonuses	509	(29)	(267)
Increase (decrease) in allowance for doubtful accounts	(689)	826	7,366
Increase (decrease) in provision for removal of assets	(41)	–	–
Increase (decrease) in other provision	(158)	(601)	(5,359)
Interest and dividends income	(1,563)	(1,650)	(14,707)
Interest expenses	6,492	4,998	44,556
Loss (gain) on sales of investment securities	(1,243)	(3,988)	(35,550)
Loss (gain) on disposal of non-current assets	1,539	3,317	29,570
Impairment loss	5,757	20,693	184,451
(Increase) decrease in notes and accounts receivable-trade	7,259	(3,236)	(28,844)
Decrease in inventories	(3,694)	(267)	(2,386)
Decrease in notes and accounts payable-trade	(6,525)	1,200	10,704
Loss (gain) on step acquisitions	–	3,034	27,048
Gain on bargain purchase	–	(16,874)	(150,406)
Other, net	(4,268)	(102)	(914)
Subtotal	96,910	108,854	970,265
Interest and dividends income received	1,971	2,046	18,244
Interest expenses paid	(6,599)	(5,006)	(44,626)
Income taxes paid	(16,655)	(11,460)	(102,152)
Cash flows from operating activities:	75,627	94,433	841,731
Cash flows from investing activities:			
Decrease (increase) in time deposits	(350)	(4,855)	(43,282)
Purchase of property, plant, and equipment	(35,922)	(48,638)	(433,541)
Proceeds from sales of property, plant, and equipment	6,061	4,276	38,117
Purchase of other depreciated assets	(128)	(1,995)	(17,784)
Proceeds from sales of other depreciated assets	0	66	590
Purchase of investment securities	(342)	(870)	(7,759)
Proceeds from sales and redemption of investment securities	995	41,062	366,009
Proceeds from sales of investments in subsidiaries resulting from change in scope of consolidation	6,747	–	–
Payments from sales of investments in subsidiaries resulting from change in scope of consolidation	(1,040)	–	–
Payments of loans receivable	(693)	(3,950)	(35,214)
Collection of loans receivable	3,510	3,826	34,106
Payments for transfer of business	(50,863)	–	–
Other, net	927	685	6,111
Cash flows from investing activities:	(71,099)	(10,394)	(92,646)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(9,798)	(23,513)	(209,588)
Increase (decrease) in commercial paper	(5,000)	–	–
Proceeds from long-term loans payable	105,866	15,253	135,963
Repayment of long-term loans payable	(60,055)	(51,609)	(460,021)
Redemption of bonds	(20,395)	(450)	(4,011)
Proceeds from share issuance to non-controlling shareholder	–	1,400	12,478
Proceeds from sales of treasury stock	0	1,144	10,204
Purchase of treasury stock	(43)	(10,045)	(89,540)
Cash dividends paid	(7,370)	(7,474)	(66,622)
Cash dividends paid to minority shareholders	(1,015)	(639)	(5,696)
Other, net	(6,216)	(5,921)	(52,778)
Cash flows from financing activities:	(4,027)	(81,855)	(729,611)
Effect of exchange rate change on cash and cash equivalents	(510)	(1,474)	(13,139)
Net increase (decrease) in cash and cash equivalents	(10)	710	6,333
Cash and cash equivalents at beginning of period	50,645	50,072	446,318
Decrease in cash and cash equivalents resulting from change of scope of consolidation	(596)	–	–
Increase in cash and cash equivalents resulting from share exchanges	–	1,108	9,879
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	138	83	742
Increase (decrease) in cash and cash equivalents from corporate division	(105)	–	–
Cash and cash equivalents at end the period	¥50,072	¥51,974	$463,273

Notes to the Consolidated Financial Statements

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2017

1. Notes, etc. on Significant Matters Serving as the Basis for Preparation of Consolidated Financial Statements

(1) Matters Concerning Scope of Consolidation

(i) Number of consolidated subsidiaries and name of major consolidated subsidiaries

Number of consolidated subsidiaries: 125

Name of major consolidated subsidiaries:

Major consolidated subsidiaries are DC Co., Ltd., Clion Co., Ltd., Myojyo Cement Co., Ltd., Taiheiyo Materials Corporation, CalPortland Company, Jiangnan-Onoda Cement Co., Ltd., Qinhuangdao Asano Cement Co., Ltd., Dalian Onoda Cement Co., Ltd., Nghi Son Cement Corporation and Taiheiyo Cement Philippines, Inc.

Of note, DC Co., Ltd. was made into a wholly-owned subsidiary via share exchange, so DC Co., Ltd. and its four subsidiaries were included in the scope of consolidation. Additionally, Ofunato Power Inc. was newly established, so it was included in the scope of consolidation. Tsuruga Ready Mixed Concrete Industry Co., Ltd. and another subsidiary had completed the liquidation process, so these subsidiaries were excluded from the scope of consolidation.

(ii) Name, etc. of major unconsolidated subsidiaries

Name of major unconsolidated subsidiaries:

Major unconsolidated subsidiaries are Taiheiyo Singapore Pte., Ltd., Morehead Company., Ltd. and Kawara Seikousho Corporation.

Reason for excluding from the scope of consolidation:

All unconsolidated subsidiaries are small companies, and none of them have a material impact on the consolidated financial statements in terms of the amount of equity interest including total assets, net sales, net income and retained earnings as a whole; accordingly, they were excluded from the scope of consolidation.

(2) Matters Concerning Application of Equity Method

(i) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method and name of major companies, etc.

Number of unconsolidated subsidiaries accounted for by the equity method: 8

Name of major companies, etc.:

Major unconsolidated subsidiaries accounted for by the equity method are Taiheiyo Singapore Pte., Ltd. and Morehead Company., Ltd.

Number of affiliates accounted for by the equity method: 38

Name of major companies, etc.:

Major equity-method affiliates are Okutama Kogyo Co., Ltd., A&A Material Corporation, Fuji P.S Corporation, Yakushima Denko Co., Ltd., Chichibu Railway Co., Ltd. and Azuma Shipping Co., Ltd.

Additionally, change in equity-method subsidiaries are as follows. Nobeoka Onoda Remicon Co., Ltd. was excluded from the scope of equity-method as a result of completion of the liquidation process. Ssangyong Cement Industrial Co., Ltd. was excluded from the scope of equity-method as a result of stock sales. Additionally, DC Co., Ltd. transformed into a consolidated subsidiary from an equity-method affiliate.

(ii) Name, etc. of unconsolidated subsidiaries and affiliates not accounted for by the equity method

Name of major companies, etc.:

(Unconsolidated subsidiaries)

Unconsolidated subsidiaries not accounted for by the equity method are Kawara Seikousho Corporation and 77 other companies.

(Affiliates)

Affiliates not accounted for by the equity method are Cement Terminal Corporation and 65 other companies.

Reason for not applying the equity method:

Unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of the equity method because the amount of equity interest including their respective net income and retained earnings all have minimal impact on the consolidated financial statements.

(iii) Particularly noteworthy matters concerning procedures for application of the equity method

For companies accounted for by the equity method whose fiscal year-end is different from the consolidated fiscal year-end, their respective non-consolidated financial statements for the most recent fiscal year have been used.

(3) Matters Concerning Accounting Policies

(i) Standards and methods for valuation of significant assets

a. Available-for-sale securities

a) Securities with market value:

Such securities are marked to market by the Company and some consolidated subsidiaries based on the average market price, etc. in the one-month period before the end of the fiscal year.
(Valuation differences are all charged/credited directly to net assets, and the cost of selling the securities is determined by the moving-average method.)

b) Securities without market value:

Such securities are stated at cost, based on the moving-average method.

b. Derivatives

Derivatives are stated at market value.

c. Inventories

Inventories are mainly stated at cost, which is determined by the moving average method (subject to write-down due to diminished profitability.)
However, the cost for contract work in process is determined by the specific identification cost method.
Of note, inventories at the consolidated subsidiary in the U.S. are stated at lower of cost or market, based on the gross average method.

(ii) Depreciation method for significant depreciable assets

a. Property, plant and equipment (excluding lease assets)

The declining balance method is adopted by the Company and its domestic consolidated subsidiaries, and the straight-line method by its consolidated overseas subsidiaries.
However, the depreciation of buildings (excluding accompanying facilities) purchased on and after April 1, 1998 and accompanying facilities and structures purchased on and after April 1, 2016 is computed based on the straight-line method by the Company and its domestic consolidated subsidiaries.
The range of useful lives of main property, plant and equipment is as follows:

Buildings and structures:	10 - 75 years
Machinery, equipment and vehicles:	4 - 15 years

b. Intangible assets (excluding lease assets)
Intangible assets are amortized by the straight-line method. However, software is amortized by the straight-line method over its useful life assuming in-house use (5 years).

c. Lease assets
Lease assets are depreciated by the straight-line method that assumes their lease periods are useful lives and residual values are zero (or if there is a residual value guarantee, the guaranteed residual value).

(iii) Accounting standards for significant provisions

a. Allowance for doubtful accounts
Allowance for doubtful accounts is provided for by the Company and its domestic consolidated subsidiaries at the estimated uncollectible amount, which is calculated based on the historical credit loss ratio with respect to ordinary receivables, and in consideration of collectibility on a case-by-case basis with respect to specified receivables such as doubtful accounts. Consolidated overseas subsidiaries mainly provide for such allowance at the estimated uncollectible amount with respect to specified receivables.

b. Provision for bonuses
To prepare for the payment of bonuses payable to employees, the Company and its domestic consolidated subsidiaries record the estimated payable amount to be borne in the consolidated fiscal year under review.

c. Provision for directors' retirement benefits
Certain consolidated subsidiaries provide for retirement allowances for directors and corporate auditors at the necessary payment amount in full at the year-end based on their internal regulations.

(iv) Accounting standards for revenue recognition of construction
Completed construction volume is recorded under the construction progress method (percentage of completion estimates for construction are via the cost to cost method) for construction for which progress results can be determined with certainty by the end of the fiscal year under review, and for others, the completed construction method is applied.

(v) Standards for translating significant foreign currency assets and liabilities into Japanese yen
Monetary claims and obligations denominated in foreign currencies are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, and translation gains (losses) are recognized in profit (loss). Of note, consolidated overseas subsidiaries' assets and liabilities are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, revenue and expenses are translated into Japanese yen based on the average exchange rate for the fiscal year, and translation gains (losses) are included in "Foreign currency translation adjustments" and "Non-controlling interests" under Net Assets.

(vi) Significant hedge accounting methods

a. Method of hedge accounting
Gains/losses on hedges are deferred. For currency swaps, allocation treatment is applied when the swap meets the conditions for application of such allocation treatment. For interest rate swaps, exceptional treatment is applied when the swap meets the conditions for application of such exceptional treatment.

b. Hedging instruments and hedged items
Hedging instruments:
Interest rate swaps, currency swaps, raw materials and fuel swaps, interest-rate options, currency options and forward exchange contracts are employed as hedging instruments.
Hedged items:
Borrowings, bonds payable, fuel, etc.

c. Hedging policy
Hedge accounting policy is to limit hedging to those aimed at hedging against the risk of interest rate, exchange rate, and raw materials and fuel price fluctuations of the hedged items and those aimed at eliminating hedging.

d. Method of evaluating hedge effectiveness
Hedge effectiveness is verified on a transaction-by-transaction basis at the end of each accounting period with respect to hedging instruments and hedged items; however, if the principal, interest rate, period, and other such significant terms of the hedging instruments and hedged items are the same, such verification is omitted.

(vii) Method and period of amortization of goodwill
Goodwill is amortized over the estimated number of years in cases that the number of years can be estimated based on practical judgment starting from the fiscal year of acquisition while the entire amount of goodwill is amortized in the fiscal year of acquisition without analyzing the causes in cases that the amount of goodwill is insignificant.

(viii) Accounting procedures for liability for retirement benefits
To prepare for the payment of retirement benefits to employees, liability for retirement benefits is recorded in the amount of retirement benefit obligation less plan assets based on the projected amount at the end of the consolidated financial year under review.
Actuarial gains and losses and prior service cost are amortized in equal amounts as expenses by the straight-line method over a certain number of years (primarily 10 years) within the average remaining years of service of employees at the time of accrual, commencing in the consolidated fiscal year following the year of accrual for actuarial gains and losses and in the consolidated fiscal year of accrual for prior service cost.
Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded as "Retirement benefits liability adjustments" in "Accumulated other comprehensive income" under Net Assets, after making tax effect adjustments. When the value of plan assets exceeds the amount of the retirement benefit obligation, the amount of such excess is recorded in "Assets for retirement benefits".

(ix) Accounting treatment of consumption tax, etc.
Tax exclusion method is applied.
Of note, there were no applicable transactions in consolidated overseas subsidiaries.

(x) Amounts shown in these consolidated financial statements are rounded down to the nearest million yen.

Notes to the Consolidated Financial Statements

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2017

(4) United States Dollar Amounts

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on a basis of ¥112.19 = U.S.$1, the approximate effective rate of exchange prevailing at 31st March, 2017. The inclusion of such U.S. dollar amounts is solely for convenience of the readers and is not intended to imply that yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

(5) Changes in Accounting Policies

In line with the revisions to the Corporation Tax Act of Japan, the Company applied the Practical Solution on a change in depreciation method due to Tax Reform 2016 (Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the fiscal year under review. Accordingly, the depreciation method for accompanying facilities and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.
Furthermore, the impact of this change on the consolidated financial statements for the fiscal year under review is immaterial.

(6) Additional Information

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the fiscal year under review.

2. Notes to the Consolidated Balance Sheets

(1) Assets pledged as collateral and secured liabilities

	(Millions of yen)	(Thousands of U.S. dollars)
(i) Assets pledged as collateral		
Cash and deposits	¥887	$7,908
Property, plant and equipment	¥34,411	$306,728
Intangible assets	¥812	$7,244
Investment securities	¥114	$1,017
Investments and other assets-other	¥2,004	$17,868
Total	¥38,230	$340,767

	(Millions of yen)	(Thousands of U.S. dollars)
(ii) Secured liabilities		
Notes and accounts payable-trade	¥3,736	$33,301
Short-term loans payable	¥9,065	$80,801
Notes discounted	¥830	$7,403
Other current liabilities	¥3	$33
Long-term loans payable	¥4,773	$42,549
Other noncurrent liabilities	¥26	$238
Total	¥18,435	$164,327

(2) Accumulated depreciation of property, plant and equipment

(Millions of yen)	(Thousands of U.S. dollars)
¥1,120,799	$9,990,191

(3) Guarantee obligations

	(Millions of yen)	(Thousands of U.S. dollars)
Guarantees for loans payable from banks, etc.	¥1,449	$12,922
Guarantees for account payables to Ready-mixed Cooperative Association, etc.	¥1,791	$15,971

(4) Discounted trade notes receivable

	(Millions of yen)	(Thousands of U.S. dollars)
	¥5,242	$46,726
Trade notes receivable transferred by endorsement	¥1,889	$16,840

(5) Revaluation of Land

A&A Material Corporation and Chichibu Railway Co., Ltd., the Company's affiliates accounted for by the equity method, revalued their business-purpose land in accordance with the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998) and the Act on Partial Revision of the Act on Revaluation of Land (revised on March 31, 1999). With respect to the valuation difference, the amount of the Company's share in the valuation difference is recorded in Net Assets as "Revaluation reserve for land".

3. Notes to the Consolidated Statements of Changes in Net Assets

(1) Class and total number of outstanding shares as at the end of the consolidated fiscal year under review:

Common stock 1,271,402,783 shares

(2) Matters concerning dividends

(i) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Amount of dividend per share	Record date	Effective date
Ordinary General Meeting of Stockholders held on June 29, 2016	Common stock	3,707 (Note 1)	¥3.00	March 31, 2016	June 30, 2016
Meeting of Board of Directors held on November 10, 2016	Common stock	3,808 (Note 2)	¥3.00	September 30, 2016	December 2, 2016

(Notes) 1. Includes dividends of ¥16 million associated with treasury stock held by consolidated subsidiaries.
2. Includes dividends of ¥24 million associated with treasury stock held by consolidated subsidiaries.

(ii) Dividends whose record date is at the end of the consolidated fiscal year under review whereas its effective date falls in the next consolidated fiscal year.
The following matters concerning dividends for common stock are scheduled to be proposed at the Ordinary General Meeting of Stockholders.

Total amount of dividends: ¥3,722 million
Amount of dividend per share: ¥3.00

Record date: March 31, 2017
Effective date: June 30, 2017
Of note, the source of funding dividend payments is scheduled to be retained earnings.
Total amount of dividends includes dividends of ¥15 million associated with treasury stock held by consolidated subsidiaries.

(iii) Class and number of shares to be issued upon exercise of share options at the end of the consolidated fiscal year under review (excluding those for which the first day of the exercise period has not yet arrived)
Not applicable

4. Notes on Financial Instruments

(1) Matters concerning Status of Financial Instruments

The Taiheiyo Cement Group limits its fund management activities to short-term deposits, etc., and raises funds principally by bank borrowings and corporate bonds. It performs derivative transactions for the purpose of averting risks due to future exchange-rate, interest-rate, and raw materials and fuel price fluctuations and does not perform speculative transactions.

While notes and accounts receivable-trade, which are operating receivables, are exposed to credit risk in relation to customers, each responsible department periodically identifies the financial position, etc. of the counterparties and manages the due date and outstanding balance with respect to each counterparty, in an effort to identify and reduce collectibility concerns in the early stages. In addition, operating receivables denominated in foreign currencies related to export transactions are exposed to exchange rate fluctuation risks. Investment securities are primarily shares of companies with which the Group has a business relationship, and are exposed to the risk of market price fluctuations.

Notes and accounts payable-trade, which are operating payables, have payment due dates within one year. For a portion of raw materials and fuel procurement, derivative transactions (raw fuel swap transactions) are used as hedging methods to limit risk in the variation of raw materials and fuel prices. Among borrowings, short-term loans payable are mainly funds raised in connection with business transactions, and long-term loans payable and bonds payable are principally funds raised for the purpose of making capital investments. Some long-term loans payable have financial covenants and may influence liquidity risks regarding fund raising activities. Borrowings with variable interest rates are exposed to interest rate fluctuation risk; however, to avert the risk of fluctuations of interest payable and fix interest expenses for some long-term loans payable, derivatives (interest rate swap transactions) are used as hedging instruments on a contract-by-contract basis. Additionally, borrowings in foreign currencies are exposed to foreign exchange risk, but of these, for a portion of long-term borrowings, derivative transactions (currency swap transactions) are used as a hedging method to avoid foreign currency fluctuation risk.

(2) Matters concerning Market Value, etc. of Financial Instruments

The consolidated balance sheet amount and market value of financial instruments and the difference between the two at March 31, 2017 (i.e., end of the consolidated fiscal year under review) are shown in the following table.

(Unit: Millions of yen)

		Consolidated balance sheet amount	Market value	Difference
(i)	Cash and deposits	60,516	60,516	–
(ii)	Notes and accounts receivable-trade	171,946	171,946	–
(iii)	Investment securities	42,018	38,862	(3,156)
	Total assets	274,481	271,324	(3,156)
(iv)	Notes and accounts payable-trade	79,676	79,676	–
(v)	Short-term loans payable	89,296	89,296	–
(vi)	Bonds payable	46,155	46,434	279
(vii)	Long-term loans payable	205,478	207,644	2,165
	Total liabilities	420,606	423,051	2,445
(viii)	Derivative transactions*	11	11	–

* Net receivables and payables arising from derivative transactions are shown in net amount.

(Notes) 1. Calculation method of market value of financial instruments and matters related to securities and derivative transactions

(i) Cash and deposits and (ii) Notes and accounts receivable-trade
Since these items are settled in a short period of time, their market value is more or less the same as carrying value; therefore, the carrying value is adopted.

(iii) Investment securities
The market value of investment securities is based on quoted market prices.

(iv) Notes and accounts payable-trade, (v) Short-term loans payable
Since these items are settled in a short period of time, their market value is more or less the same as carrying value; therefore, the carrying value is adopted.

(vi) Bonds payable
The calculation method involves discounting the sum of the principal and interest by an interest rate that takes into account the credit risk. The presentation of market value of bonds payable includes the current portion of bonds.

(vii) Long-term loans payable
The calculation method involves discounting the sum of the principal and interest by the interest rate that is expected to be applied if a similar new loan is taken out. The presentation of market value of long-term loans payable includes the current portion of long-term loans payable. A portion of long-term loans payable are subject to appropriated treatment for currency swaps and exceptional treatment for interest rate swaps (see (viii) below), and the calculation method involves discounting the sum of the principal, which is an aggregate of the currency swap and interest rate swap, with a reasonably-estimated interest rate that would be applied if a similar loan is taken out.

(viii) Derivative transactions
The market value of derivatives is calculated based on prices, etc. presented by financial institutions with which derivative transactions are performed. Of note, those subject to allocation treatment for exchange rate swaps and exceptional treatment for interest rate swaps are processed integrally with the hedged long-term loans payable, so their market value is included in the presentation of such long-term loans payable (see (vii) above).

2. Unlisted stocks and investments in capital, etc. (consolidated balance sheet amount: ¥42,762 million) are not included in "(iii) Investment securities" as it is deemed extremely difficult to determine their market value because there is no quoted market price and it is impossible to estimate future cash flows.

Notes to the Consolidated Financial Statements

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2017

5. Notes on Real Estate for Rent, etc.

(1) Matters concerning status of real estate for rent, etc.

The Company and some of its consolidated subsidiaries have plants, warehouses (including land), etc. for lease purposes in Tokyo and other regions.

(2) Matters concerning market value of real estate for rent, etc.

(Unit: Millions of yen)

Consolidated balance sheet amount	Market value
54,121	109,820

(Notes) 1. Consolidated balance sheet amount equals the acquisition cost minus accumulated depreciation and accumulated impairment loss.
2. The market value of major properties as at the end of the consolidated fiscal year under review is the amount based on a real estate appraisal conducted by an outside real estate appraiser, whereas the market value of other properties is a certain appraisal value or the amount calculated in-house based on indicators deemed to properly reflect the market price. However, if there are no significant changes in a certain level of valuation amounts or indices which are believed to accurately reflect market values from the most recent evaluation, amounts utilizing these valuations and indices are applied.

6. Notes on Per Share Information

Net assets per share: ¥293.02
Net income per share: ¥38.39

7. Notes on Significant Subsequent Events

Not applicable.

8. Other Notes

(Notes on Impairment Loss)
The Company's assets are grouped together based on segments by business type, except for assets for rent, important idle properties and assets scheduled for disposal, which are grouped together by treating individual property as a single unit.
In the case of consolidated subsidiaries, in principle, a business company is deemed as a single asset group, and in the case of important companies, assets are grouped together based on management accounting classifications, etc., except for important idle properties and assets scheduled for disposal, which are grouped together by treating individual property as a single unit.

As a result, the carrying value was reduced to the recoverable amount with respect to cement business assets with reduced profitability due to such factors as the decrease in demand and substantial fall in the market value of land, assets for rent, and idle properties that are not expected to be used in the future as follows, and such reduction in the amount of ¥20,693 million was recorded as an impairment loss under Extraordinary loss.

(Unit: Millions of yen)

Purpose	Location	Type	Impairment loss*
Cement business assets	Jiangsu Province, China, etc.	Buildings and structures, machinery, equipment and vehicles, etc.	19,383
Assets for rent	Sanyo Onoda City, Yamaguchi Prefecture, etc.	Buildings and structures, land	805
Idle properties	Tano District, Gunma Prefecture, etc.	Buildings and structures, land, etc.	504

* Breakdown of Impairment loss by purpose

(Unit: Millions of yen)

Purpose	Breakdown
Cement business assets	Buildings and structures: 5,488, Machinery, equipment and vehicles: 11,068, Other: 2,826, Total: 19,383
Assets for rent	Buildings and structures: 10, Land: 794, Total: 805
Idle properties	Buildings and structures: 5, Land: 496, Other: 3, Total: 504

Recoverable amount is measured at the higher of net selling price or value in use.
If it is measured at net selling price, it is calculated by making reasonable adjustments based on real estate appraisal standards, etc.
If it is measured at value in use, it is calculated by discounting future cash flows by 5%.

(Notes on Business Combinations, etc.)
Business combination via acquisition
(1) Summary of business combination
1) Name of acquired company and description of its business
Name of acquired company: DC Co., Ltd. (hereinafter "DC")
Business description: Cement business
2) Reasons for business combination
The Company and DC will integrate resources nurtured at each company for optimal operation and maximize the corporate value as the Group as a whole, thereby aiming to achieve sustainable growth of both companies and improvement of the mid-long term corporate value.
3) Date of business combination: August 1, 2016
4) Legal type of business combination: Share exchange
5) Name of the company after the business combination: DC Co., Ltd.
6) Ratio of voting rights acquired
Ratio of voting rights held before the business combination 31.06%
Ratio of voting rights additionally acquired on the date of business combination 68.94%
Ratio of voting rights after the acquisition 100.00%
7) Grounds for determining the acquired company
The Company acquired 100% of the voting rights for the said company by way of share exchange and made it a wholly-owned subsidiary.
(2) Period included in the Consolidated Financial Statements for the acquired company: April 1, 2016 to March 31, 2017
As July 1, 2016 is the deemed acquisition date, the business result of DC for the period until June 30, 2016 has been recorded as equity in earnings of unconsolidated subsidiaries and affiliates.

(3) Acquisition cost for the acquired company and breakdown
Market value of DC's common stock held prior to business combination as of the date of business combination: ¥3,213 million
Market value of the Company's common stock issued on the date of business combination: ¥8,165 million
Acquisition cost: ¥11,379 million

(4) Exchange ratio by class of stock, calculation method, and number of shares issued

1) Exchange ratio by class of stock
The Company allotted 1.375 shares of the Company's common stock per one share of DC's common stock.

2) Calculation method of share exchange ratio
In consideration of respective calculation results for the share exchange ratio received from third-party appraisers and advice from legal advisors, the Company and DC each made considerations on results of due diligence that each party made on the counterparty, etc., and in comprehensive consideration of factors such as the financial status, asset status, and future outlook of both companies, calculations were made upon negotiation and deliberation between the two companies.

3) Number of shares issued: 33,602,197 shares

(5) Content of major acquisition related expenses and amount thereof
Compensation and fees, etc., to advisors, etc.: ¥141 million

(6) Difference between acquisition cost of acquired company and sum of each acquisition cost of step acquisition transactions: ¥3,034 million
Of note, this amount is recorded as "Loss on step acquisitions" under Extraordinary loss on the Consolidated Statements of Income.

(7) Amount of gain on bargain purchase accrued and reason for occurrence

1) Amount of gain on bargain purchase: ¥16,874 million

2) Reason for occurrence
As the acquisition cost was lower than the net amount of assets received and liabilities borne, the difference is recognized as gain on bargain purchase.

(8) Amount of assets received and liabilities borne on the date of business combination and primary breakdown

Current assets	¥14,925 million
Noncurrent assets	¥40,256 million
Total assets	¥55,182 million
Current liabilities	¥14,874 million
Noncurrent liabilities	¥12,053 million
Total liabilities	¥26,928 million

(9) Estimate and calculation method for effects on the Consolidated Statements of Income on the fiscal year under review assuming that the business combination was completed at the beginning of the fiscal year under review
As the amount of this effect is immaterial, it is omitted.
Additionally, this note has not received audit attestation.

Notes to the Consolidated Financial Statements

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2017

[Industry Segments]

Information of net sales, profit or loss, assets, liabilities, and other items by reportable segment are as follows:

(Millions of yen)

2016	Cement	Mineral resources	Environmental business	Construction materials	Subtotal	Other	Total	Adjustment	Consolidated total
Net sales:									
(1) Net sales to outside customers	¥564,303	¥71,293	¥68,154	¥75,228	¥778,980	¥56,379	¥835,359	¥–	¥835,359
(2) Inter-segment net sales	10,420	22,239	5,305	5,624	43,590	28,842	72,433	(72,433)	–
Total	¥574,724	¥93,533	¥73,460	¥80,853	¥822,570	¥85,222	¥907,793	¥(72,433)	¥835,359
Segment profit (loss)	¥34,631	¥8,113	¥7,655	¥6,130	¥56,530	¥4,014	¥60,544	¥(111)	¥60,433
Segment assets	¥659,165	¥95,171	¥17,158	¥67,574	¥839,068	¥223,144	¥1,062,213	¥(48,138)	¥1,014,075
Depreciation	¥30,284	¥4,096	¥370	¥2,338	¥37,089	¥6,358	¥43,448	¥509	¥43,957
Amortization of goodwill	¥2,965	¥–	¥1	¥–	¥2,967	¥–	¥2,967	¥–	¥2,967
Equity in earnings of unconsolidated subsidiaries and affiliates	¥3,484	¥–	¥9	¥1,117	¥4,611	¥680	¥5,291	¥0	¥5,292
Impairment loss	¥4,778	¥292	¥ –	¥38	¥5,109	¥642	¥5,752	¥5	¥5,757
Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method	¥59,933	¥–	¥253	¥11,551	¥71,739	¥15,168	¥86,907	¥332	¥87,240
Increase for property, plant, equipment, and intangible assets	¥28,141	¥7,878	¥488	¥2,899	¥39,408	¥3,896	¥43,305	¥770	¥44,076

2017	Cement	Mineral resources	Environmental business	Construction materials	Subtotal	Other	Total	Adjustment	Consolidated total
Net sales:									
(1) Net sales to outside customers	¥546,891	¥58,559	¥70,405	¥69,912	¥745,769	¥52,819	¥798,588	¥–	¥798,588
(2) Inter-segment net sales	12,023	21,617	7,495	4,114	¥45,250	22,511	67,762	(67,762)	–
Total	¥558,915	¥80,177	¥77,901	¥74,027	¥791,020	¥75,331	¥866,351	¥(67,726)	¥798,588
Segment profit (loss)	¥38,898	¥7,759	¥7,666	¥6,061	¥60,386	¥3,267	¥63,654	¥(418)	¥63,235
Segment assets	¥643,586	¥93,828	¥18,052	¥71,788	¥827,256	¥222,818	¥1,050,074	¥(34,658)	¥1,015,415
Depreciation	¥29,923	¥6,069	¥246	¥2,202	¥38,442	¥5,490	¥43,933	¥525	¥44,459
Amortization of goodwill	¥2,516	¥–	¥1	¥–	¥2,518	¥–	¥2,518	¥–	¥2,518
Equity in earnings of unconsolidated subsidiaries and affiliates	¥40	¥(43)	¥26	¥1,506	¥1,530	¥479	¥2,010	¥(0)	¥2,009
Impairment loss	¥19,393	¥357	¥–	¥–	¥19,751	¥942	¥20,693	¥–	¥20,693
Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method	¥16,101	¥–	¥275	¥12,726	¥29,103	¥15,959	¥45,063	¥331	¥45,394
Increase for property, plant, equipment, and intangible assets	¥34,841	¥7,563	¥1,235	¥2,572	¥46,212	¥7,584	¥53,796	¥587	¥54,384

(Thousands of U.S. dollars)

2017	Cement	Mineral resources	Environmental business	Construction materials	Subtotal	Other	Total	Adjustment	Consolidated total
Net sales:									
(1) Net sales to outside customers	$4,874,692	$521,971	$627,556	$623,159	$6,647,380	$470,803	$7,118,183	$–	$7,118,183
(2) Inter-segment net sales	107,172	192,682	66,810	36,676	403,342	200,658	604,000	(604,000)	
Total	$4,981,864	$714,654	$694,367	$659,836	$7,050,722	$671,461	$7,722,184	$(604,000)	$7,118,183
Segment profit (loss)	$346,717	$69,164	$68,339	$54,032	$538,253	$29,123	$567,377	$(3,734)	$563,642
Segment assets	$5,736,573	$836,338	$160,908	$639,885	$7,373,705	$1,986,080	$9,359,786	$(308,928)	$9,050,858
Depreciation	$266,720	$54,101	$2,200	$19,635	$342,658	$48,937	$391,595	$4,688	$396,283
Amortization of goodwill	$22,432		$16		$22,448		$22,448		$22,448
Equity in earnings of unconsolidated subsidiaries and affiliates	$362	$(386)	$240	$13,428	$13,643	$4,272	$17,916	$(0)	$17,915
Impairment loss	$172,862	$3,190			$176,053	$8,397	$184,451		$184,451
Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method	$143,522		$2,455	$113,435	$259,413	$142,256	$401,669	$2,954	$404,623
Increase for property, plant, equipment, and intangible assets	$310,554	$67,412	$11,012	$22,932	$411,912	$67,603	$479,516	$5,237	$484,754

[Geographic Segments]

(Millions of yen)

	Japan	America	Other	Total
Net sales	606,996	111,186	80,405	798,588
Non-current assets	346,686	103,831	46,634	497,151

DOMESTIC NETWORK

Taiheiyo Cement's facilities include our head office and Research & Development Center, eight branch offices, and six cement plants.

OVERSEAS NETWORK

Taiheiyo Cement U.S.A., Inc.
2025 East Financial Way, Glendora, CA 91741, U.S.A.
Tel: +1-626-852-6200 Fax: +1-626-852-6217

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Jian Guo Men Wai Da Jie,
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Taiheiyo Singapore Pte. Ltd.
16 Raffles Quay, #41-03 Hong Leong Building,
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Tel: +65-6220-9495 Fax: +65-6225-5853

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Suite 801, 8th Fl., Sun Red River Building,
23 Phan Chu Trinh Street,
Hoan Kiem District, Hanoi, Vietnam
Tel: +84-4-3933-0913 Fax: +84-4-3933-0922

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17th Fl., 5 Sitthivorakit Building, Soi Pipat, Silom Road,
Silom, Bangrak, Bangkok 10500, Thailand
Tel: +66-2-266-8741 Fax: +66-2-266-8742

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5th Fl., 139, Cheng-Chou Road, Taipei 103, Taiwan
Tel: +886-2-2557-8098 Fax: +886-2-2553-9853

Hong Kong Representative Office
20th Fl., Tern Centre, Tower 1, 237 Queen's Road Central,
Hong Kong
Tel: +852-2545-9987 Fax: +852-2542-0474

MAJOR SUBSIDIARIES AND AFFILIATES

CEMENT AND READY-MIXED CONCRETE
DC Co., Ltd.
Kokusai Kigyo Co., Ltd.
Myojyo Cement Co., Ltd.
Tsuruga Cement Co., Ltd.

MINERAL RESOURCES
Abekawa Kaihatsu Co., Ltd.
Buko Mining Co., Ltd.
Chichibu Mining Co., Ltd.
Chichibu Taiheiyo Cement Corporation
Ishizaki Co., Ltd.
Kansai Matech Co., Ltd.
Kansai Taiheiyo Minerals Corporation
Kosyu Saiseki Co., Ltd.
Oita Taiheiyo Mining Corporation
Okutama Kogyo Co., Ltd.
Ryushin Mining Co., Ltd.
Yuko Mining Co., Ltd.

ENVIRONMENT
NACODE Corporation
Tokyo Tama Ecocement Inc.

CONSTRUCTION AND CONSTRUCTION MATERIALS
A&A Material Corporation
Chichibu Concrete Industry Co., Ltd.
Clion Co., Ltd.
Fuji P.S Corporation
Onoda Chemico Co., Ltd.
Taiheiyo Materials Corporation
Taiheiyo Precast Concrete Industry Co., Ltd.
Taiheiyo Soil Corporation

OTHERS
Azuma Shipping Co., Ltd.
Chichibu Railway Co., Ltd.
Onoda Chemical Industry Co., Ltd.
Pacific Systems Corporation
Taiheiyo Accounting & Financial Services Corporation
Taiheiyo Engineering Corporation
Taiheiyo Real Estate Co., Ltd.

OVERSEAS ACTIVITIES
CalPortland Company (USA)
Dalian Onoda Cement Co., Ltd. (CHINA)
Jiangnan Onoda Cement Co., Ltd. (CHINA)
Jidong Taiheiyo (Beijing) Environmental Engineering Co., Ltd. (CHINA)
Kalahari Dry (Thailand) Co., Ltd. (THAILAND)
Nghi Son Cement Corporation (VIETNAM)
PNG-Taiheiyo Cement Limited (PAPUA NEW GUINEA)
Qinhuangdao Asano Cement Co., Ltd. (CHINA)
Shanghai Sanhang Onoda Cement Co., Ltd. (CHINA)
Shenzhen Haixing-Onoda Logistics Development Co., Ltd. (CHINA)
Taiheiyo Cement Philippines, Inc. (PHILIPPINES)
Taiheiyo International (Thailand) Co., Ltd. (THAILAND)

Corporate Data

(As of March 31, 2017)

Company Name	TAIHEIYO CEMENT CORPORATION
Head Office	Daiba Garden City Building, 2-3-5 Daiba, Minato-Ku, Tokyo 135-8578 Japan
Established	May 1881
Paid-in Capital	¥ 86,174 million
Fiscal Year	April 1–March 31
Annual Meeting	June
Common Stock	Authorized: 1,977,308,000 Issued: 1,271,402,783 (including 30,501,997 shares of treasury stock)
No. of Stockholders	69,882

Agent of Record	Sumitomo Mitsui Trust Bank, Ltd.

Major Stockholders

Stockholder	Holding (thousand shares)	% of shares issued
Japan Trustee Services Bank, Ltd. (Trust Account)	88,846	6.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	71,844	5.6
Mizuho Bank, Ltd.	25,155	1.9
Japan Trustee Services Bank, Ltd. (Trust Account 5)	23,209	1.8
HSBC-FUND SERVICES BANK NEGARA MALAYSIA-EQUITY	21,189	1.6
STATE STREET BANK AND TRUST COMPANY	19,783	1.5
MSCO CUSTOMER SECURITIES	19,533	1.5
STATE STREET BANK WEST CLIENT - TREATY 505234	19,222	1.5
Japan Trustee Services Bank, Ltd. (Trust Account 7)	17,555	1.3
STATE STREET BANK AND TRUST COMPANY 505225	17,422	1.3

Details of the reverse stock split

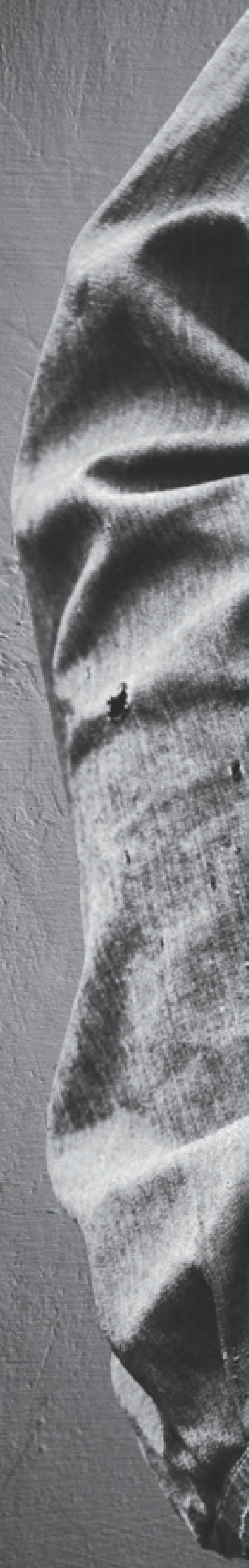
(1) Class of stock for the reverse stock split and ratio of reverse stock split
The Company will conduct a reverse stock split for its common stock at a ratio of one for 10. If fractions of less than one share are produced as a result of the reverse stock split, the Company shall collectively dispose of them and distribute the proceeds resulting from the disposal to all the shareholders whose shares have produced fractions, in proportion to the ratio of such fractions in accordance with Article 235 of the Companies Act.

(2) Effective date of the reverse stock split
October 1, 2017

(3) Total number of shares authorized to be issued as of the effective date
197,730,800 shares
The Company will decrease the total number of shares authorized to be issued of the Company to one-tenth the current number in line with the reverse stock split ratio.

TAIHEIYO CEMENT

www.taiheiyo-cement.co.jp



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