

Taiheiyo Cement Corporation

Reference Materials of Financial Results for the First Half of Fiscal 2014 (From April 1, 2013 through September 30, 2013)

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November 12, 2013

1. Trend in Construction Investments and Domestic Demand of Cement

	Estimate of construction investments (in nominal terms) (100 million yen)	Year-on year change (%)	Domestic Demand (including imports) (Thousand tons)	Year-on year change (%)	Exports (Thousand tons)	Year-on year change (%)
Fiscal 1997	828,077	4.8	82,417	2.5	12,427	-7.2
Fiscal 1998	751,906	-9.2	76,573	-7.1	11,219	-9.7
Fiscal 1999	714,269	-5.0	70,719	-7.6	7,558	-32.6
Fiscal 2000	685,039	-4.1	71,515	1.1	7,564	0.1
Fiscal 2001	661,948	-3.4	71,435	-0.1	7,477	-1.2
Fiscal 2002	612,875	-7.4	67,811	-5.1	7,863	5.2
Fiscal 2003	568,401	-7.3	63,514	-6.3	8,554	8.8
Fiscal 2004	536,880	-5.5	59,687	-6.0	9,879	15.5
Fiscal 2005	528,246	-1.6	57,569	-3.5	10,373	5.0
Fiscal 2006	515,676	-2.4	59,089	2.6	10,273	-1.0
Fiscal 2007	513,281	-0.5	58,985	-0.2	9,592	-6.6
Fiscal 2008	476,961	-7.1	55,506	-5.9	10,017	4.4
Fiscal 2009	481,517	1.0	50,087	-9.8	10,672	6.5
Fiscal 2010	429,649	-10.8	42,732	-14.7	11,054	3.6
Fiscal 2011	419,282	-2.4	41,614	-2.6	9,967	-9.8
Fiscal 2012	(estimated value) 418,900	-0.1	42,650	2.5	10,006	0.4
Fiscal 2013	(estimated value) 449,000	7.2	44,577	4.5	9,632	-3.7
Fiscal 2014	(forecasted value) 489,800	9.1	47,000	5.4	9,000	6.6
(For reference)						
First Half of Fiscal 2012			20,157	1.7		
First Half of Fiscal 2013			21,342	5.9		
First Half of Fiscal 2014			22,905	7.3		

[Sources]

Estimate of construction investments:

for Fiscal 1997 to Fiscal 2013, Ministry of Land, Infrastructure, Transport and Tourism

for Fiscal 2014, Research Institute of Construction and Economy (RICE)

Domestic demand of cement:

for Fiscal 1997 to Fiscal 2013, Japan Cement Association

for Fiscal 2014, forecast by the company

2. Volume of Sales and Shipment Results by Region

Volume of sales of cement by region (excluding imports)

	Fiscal 2012		Fiscal 2013		First Half of Fiscal 2014	
	Volume of sales (Thousand tons)	Year-on-year change (%)	Volume of sales (Thousand tons)	Year-on-year change (%)	Volume of sales (Thousand tons)	Year-on-year change (%)
Hokkaido	1,999	-1.5	1,978	-1.1	1,163	9.3
Tohoku	3,008	5.2	4,066	35.2	2,365	25.6
Kanto 1	10,139	7.2	10,344	2.0	5,278	6.1
Kanto 2	3,959	2.9	4,053	2.4	1,913	-4.3
Hokuriku	2,232	-4.7	2,205	-1.2	1,125	-2.7
Tokai	4,810	-1.3	4,839	0.6	2,361	4.3
Kinki	5,707	2.6	5,894	3.3	3,047	6.0
Shikoku	1,638	0.3	1,727	5.4	817	-1.4
Chugoku	2,746	1.7	2,760	0.5	1,381	5.9
Kyushu	4,928	-0.8	5,142	4.3	2,662	16.1
Okinawa	746	-2.3	747	0.1	387	15.5
Domestic Total	41,912	2.1	43,754	4.4	22,499	7.3
Exports	10,006	0.4	9,632	-3.7	4,238	-15.5
Total	51,918	1.8	53,387	2.8	26,737	2.9

Source: Japan Cement Association

Shipment of ready-mixed concrete by region

	Fiscal 2012		Fiscal 2013		First Half of Fiscal 2014	
	Shipment (Thousand cubic meters)	Year-on-year change (%)	Shipment (Thousand cubic meters)	Year-on-year change (%)	Shipment (Thousand cubic meters)	Year-on-year change (%)
Hokkaido	3,563	10.4	3,448	-3.2	1,969	8.8
Tohoku	6,182	6.9	8,679	40.4	5,085	23.2
Kanto 1	22,207	6.0	22,594	1.7	11,711	6.9
Kanto 2	6,730	2.9	7,018	4.3	3,209	-7.1
Hokuriku	4,937	-6.5	4,818	-2.4	2,486	-0.7
Tokai	10,905	2.2	10,850	-0.5	5,351	5.3
Kinki	11,900	5.5	12,765	7.3	6,733	6.6
Chugoku	5,549	0.7	5,422	-2.3	2,677	6.3
Shikoku	3,606	-2.4	3,913	8.5	1,828	1.9
Kyushu	12,385	0.2	12,592	1.7	6,723	21.8
Total	87,964	3.1	92,099	4.7	47,772	8.4

Source: National Federation of Ready-Mixed Concrete Industrial Associations

Financial Results for the First Half of Fiscal 2014

Consolidated Statements of Income

(Millions of yen)

Item		First Half of Fiscal 2013	First Half of Fiscal 2014	Change		
Ordinary income and loss	Operating income/loss	Net sales	353,519	398,411	44,892	
		Cost of sales	284,755	308,645	23,889	
		Gross profit	68,764	89,766	21,002	
		Selling, general and administrative expenses	58,138	62,327	4,188	
		Operating income	10,625	27,438	16,813	
	Non-operating income and expenses	Income	Interest income	212	211	-0
			Dividends income	395	344	-51
			Equity in earnings of unconsolidated subsidiaries and affiliates	-	231	231
			Other	2,275	3,527	1,252
			Total	2,883	4,315	1,431
Expenses		Interest expenses	4,646	4,303	-343	
		Equity in losses of unconsolidated subsidiaries and affiliates	2,333	-	-2,333	
		Other	1,961	1,819	-142	
		Total	8,941	6,122	-2,819	
		Ordinary income	4,567	25,631	21,064	
Extraordinary income and losses	Income	Gain on disposal of non-current assets	2,502	1,253	-1,249	
		Other	498	89	-408	
		Total	3,001	1,343	-1,658	
	Losses	Loss on disposal of non-current assets	1,682	1,036	-645	
		Other	1,222	583	-639	
		Total	2,905	1,619	-1,285	
		Income before income tax and minority interests	4,663	25,355	20,691	
Income taxes total	4,189	14,537	10,348			
Net income before minority interests	474	10,817	10,343			
Minority interests	-64	640	705			
Net income	539	10,176	9,637			

Sales volume of cement (Thousand tons)

	First Half of Fiscal 2013	First Half of Fiscal 2014	Change
Domestic	7,366	8,042	677
Export	1,692	1,546	-146

Segment Information

(1) Net sales

(Millions of yen)

		First Half of Fiscal 2013	First Half of Fiscal 2014	Change	Main factors of change	
Cement business	Domestic	187,083	194,214	7,130	Domestic	Domestic cement sales increased +5.8 bil. yen Solidifying material sales increased +1.5 bil. yen Export cement sales volume decrease -0.5 bil. yen Price difference in export volume +1.5 bil. yen Increased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +3.0 bil. yen
	Overseas subsidiaries	47,086	63,360	16,273	Overseas subsidiaries	U. S. +\$56 million China -\$14 million; Asia +\$36 million Effect of foreign exchange +10.8 bil. yen
Total		234,170	257,574	23,403		
Mineral Resources business		40,913	45,548	4,634	Shipment increase of aggregate, limestone, etc. related to construction investment expansion in urban areas and disaster recovery.	
Environmental business		35,197	48,871	13,673	Increase acceptance of waste, shipment increase of calcium carbonate for power plant and increase acceptance of coal ash	
Construction Materials business		35,003	39,342	4,338	Shipment increase of construction materials by construction investment expansion and an increase of ground improvement work	
Ceramics & Electronics business		6,915	5,494	-1,420	Decreased sales of electronics business, Increased sales of ceramics business	
Other		31,686	32,514	828		
Total		383,887	429,345	45,458		
Eliminations or corporate assets		-30,367	-30,933	-566		
Consolidated total		353,519	398,411	44,892		

(2) Operating income

		First Half of Fiscal 2013	First Half of Fiscal 2014	Change	Main factors of change	
Cement business	Domestic	8,141	20,048	11,907	Domestic	Domestic cement sales increased +3.7 bil. yen Solidifying material sales increased +0.5 bil. yen Increase in net export revenue +1.0 bil. yen Variable cost etc. reduction +2.1 bil. yen Decreased fixed cost +2.3 bil. yen Increased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +1.2 bil. yen
	Overseas subsidiaries	-1,933	-1,533	401	Overseas subsidiaries	U. S. +\$14 million China -\$10 million Asia +\$4 million Effect of foreign exchange -0.2 bil. yen
Total		6,207	18,516	12,308		
Mineral Resources business		1,613	3,445	1,832	Shipment increase of aggregate, limestone, etc. by construction investment expansion in urban areas and disaster recovery related	
Environmental business		3,147	3,862	714	Increase acceptance of waste, increase acceptance of coal ash	
Construction Materials business		-783	611	1,395	Shipment increase of construction materials by construction investment expansion and an increase of ground improvement work	
Ceramics & Electronics business		-736	-108	-628	Improve profitability of ceramics business	
Other		1,283	1,353	69		
Total		10,731	27,680	16,949		
Eliminations or corporate assets		-106	-241	-135		
Consolidated total		10,625	27,438	16,813		

[Reference information]

Foreign exchange rate First Half of Fiscal 2013 average: ¥79.77 per dollar; First Half of Fiscal 2014 average: ¥95.73 per dollar; difference: ¥15.96
Exchange rate at end of Dec. 2012: ¥86.58 per dollar; at end of Jun. 2013: ¥98.59 per dollar; difference: ¥12.01

Consolidated Balance Sheets

(Unit: Millions of yen)

	As of 3/31/13	As of 9/30/13	Change	Main factors of change
Cash and deposits	59,379	67,352	7,972	
Notes and accounts receivable-trade	174,336	166,469	-7,866	
Merchandise and finished goods	25,920	28,030	2,110	
Work in process	4,778	6,462	1,673	
Raw materials and supplies	36,455	38,487	2,032	
Other	31,413	30,723	-690	
Allowance for doubtful accounts	-1,587	-1,723	-135	
Total current assets	330,706	335,803	5,096	
Property, plant and equipment				
Buildings and structures	146,664	145,055	-1,608	
Machinery, equipment and vehicles	108,314	110,331	2,017	
Land	152,625	154,742	2,116	
Other	49,884	61,182	11,297	
Property, plant and equipment	457,489	471,311	13,822	
Intangible assets				
Goodwill	11,303	11,538	235	
Other	30,275	30,923	647	
Intangible assets	41,578	42,461	882	
Investments and other assets				
Investment securities	85,128	91,886	6,758	
Other	74,282	78,506	4,223	
Allowance for doubtful accounts	-6,713	-6,609	103	
Investments and other assets	152,698	163,783	11,085	
Total noncurrent assets	651,766	677,557	25,790	
Total assets	982,473	1,013,360	30,887	
Notes and accounts payable-trade	85,010	81,155	-3,855	
Short-term loans payable	274,760	267,773	-6,986	
Current portion of bonds	11,478	11,665	187	
Income taxes payable	11,000	16,368	5,368	
Provision for bonuses	4,711	4,922	210	
Provision for directors' bonuses	7	7	-	
Provision for loss on assignment of business	2,971	2,519	-451	
Other provision	1,922	1,632	-289	
Other	70,730	69,672	-1,057	
Total current liabilities	462,591	455,717	-6,874	
Bonds payable	32,385	47,310	14,925	
Long-term loans payable	155,336	143,828	-11,507	
Provision for retirement benefits	25,448	26,812	1,364	
Provision for directors' retirement benefits	505	474	-31	
Provision for loss on business of subsidiaries and affiliates	138	138	-	
Provision for special repairs	343	342	-1	
Provision for asset removal	1,866	1,863	-2	
Asset retirement obligations (non-current)	8,032	7,590	-442	
Other	75,998	85,010	9,011	
Total non-current liabilities	300,054	313,370	13,315	
Total liabilities	762,646	769,088	6,441	

	As of 3/31/12	As of 9/30/12	Change	Main factors of change
Capital surplus	50,636	50,690	53	
Retained earnings	91,174	98,898	7,723	
Treasury stock	-934	-901	32	
Total shareholders' equity	227,051	234,862	7,810	
Valuation difference on available-for-sale securities	3,168	5,409	2,241	
Deferred gains or losses on hedges	78	30	-48	
Revaluation reserve for land	4,563	4,409	-154	
Foreign currency translation adjustments	-39,640	-27,179	12,461	
Adjustment for employee retirement benefit of overseas subsidiaries	-3,793	-4,129	-336	
Total accumulated other comprehensive income	-35,624	-21,460	14,163	
Minority interests	28,399	30,870	2,471	
Total net assets	219,826	244,272	24,445	
Total liabilities and net assets	982,473	1,013,360	30,887	

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	First Half of Fiscal 2013	First Half of Fiscal 2014	Change	Main factors of change
Cash flows from operating activities	24,307	37,811	13,504	
Income before income taxes and minority interests	4,663	25,355	20,692	
Depreciation and amortization	18,860	19,649	788	
Decrease (increase) in notes and accounts receivable-trade	6,198	10,824	4,626	
Increase (decrease) in notes and accounts payable-trade	-3,621	-5,008	-1,387	
Other	-1,793	-13,009	-11,216	
Cash flows from investing activities	-9,290	-13,371	-4,081	
Purchase of property, plant, and equipment	-13,893	-17,599	-3,706	
Proceeds from sale of property, plant, and equipment	4,116	1,750	-2,366	
Purchase of investment securities	-310	-148	162	
Proceeds from sales of investment securities	178	323	145	
Other	618	2,303	1,684	
Cash flows from financing activities	-20,472	-17,369	3,102	
Decrease (increase) in interest-bearing liabilities	-15,945	-12,031	3,913	
Cash dividend paid	-2,457	-2,457	0	
Other	-2,069	-2,880	-811	
Effect of exchange rate changes on cash and cash equivalents	125	1,925	1,799	
Net increase (decrease) in cash and cash equivalents	-5,330	8,995	14,326	
Other	-70	-263	-192	
Cash and cash equivalents at beginning of term	59,785	54,408	-5,377	
Cash and cash equivalents at end of term	54,384	63,140	8,786	

Increase (decrease) in interest-bearing liabilities	As of 3/31/13	As of 9/30/13	Difference
Bonds payable	32,385	47,310	14,925
Current portion of bonds	11,478	11,665	187
Long-term loans payable	155,336	143,828	-11,507
Short-term loans payable	274,760	267,773	-6,986
Total interest-bearing liabilities	473,959	470,577	-3,382

Year-on-year change	As of 3/31/13	As of 9/30/13	Difference
Equity ratio (%)	19.5	21.1	1.6
Equity ratio based on market value (%)	27.6	51.9	24.3
Equity per share (yen)	155.9	173.7	17.9
Current ratio (%)	71.5	73.6	2.2
Net D/E ratio	2.2	1.9	-0.3

Year-on-year change	First Half of Fiscal 2013	First Half of Fiscal 2014	Difference
Net income per share (yen)	0.44	8.29	7.85

Forecast of Fiscal 2014

[Preconditions]

- Domestic production: Fiscal 2014 47.00 million tons
- Foreign exchange rate: 98.0 yen/ US dollar (18.2 yen higher than Fiscal 2013)

(Unit: 100 million yen)

		Fiscal 2013 (actual)	Fiscal 2014 (forecast)	Differences
Net sales	Cement business (domestic)	3,804	3,900	95
	Overseas subsidiaries	1,015	1,360	344
	Cement business (total)	4,819	5,260	440
	Mineral Resources business	850	910	59
	Environmental business	790	1,020	229
	Construction Materials business	853	890	36
	Ceramics & Electronics business	122	110	-12
	Other	697	710	12
	Total	8,134	8,900	765
	Eliminations or corporate assets	-657	-660	-2
Consolidated	7,476	8,240	763	
Operating income	Cement business (domestic)	288	430	141
	Overseas subsidiaries	-24	10	34
	Cement business (total)	263	440	176
	Mineral Resources business	41	63	21
	Environmental business	72	82	9
	Construction Materials business	19	30	10
	Ceramics & Electronics business	-13	0	13
	Other	32	30	-2
	Total	415	645	229
	Eliminations or corporate assets	-9	-5	4
Consolidated	406	640	233	
Ordinary income	326	570	243	
Extraordinary income (losses)	-56	-150	-93	
Income before income tax and minority interests	269	420	150	
Net income	113	210	96	

Sales volume of cement (Thousand tons)

	Fiscal 2013 (actual)	Fiscal 2014 (forecast)	Change
Domestic	15,447	16,470	1,024
Export	3,236	3,131	-105

Main factors of changes in Net sales

[Cement]

Domestic:

Increase domestic cement sales volume +8.7 bil. yen
 Increase price in domestic cement +1.3 bil. yen
 Increase in export cement selling price +2.3 bil. yen
 Decrease sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -1.7 bil. yen

Overseas subsidiaries:

U. S. \$96 million
 China -\$19 million
 Asia +\$42 million
 Effect of foreign exchange +25.9 bil. yen

Main factors of changes in Operating income

[Cement]

Domestic:

Increase domestic cement sales volume +5.9 bil. yen
 Increase price in domestic cement +1.0 bil. yen
 Increase in export cement price FOB basis +1.5 bil. yen
 Decrease variable cost per unit +2.0 bil. yen
 Decrease amount of fixed cost +1.5 bil. yen
 Increase profit from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +0.7 bil. yen

Overseas subsidiaries:

U. S. +\$45 million
 China -\$14 million
 Asia +\$5 million
 Effect of foreign exchange +0.3 bil. yen

[Reference Information]

1. Status of the Consolidated Group

(No. of companies)

	As of 3/31/10	As of 3/31/11	As of 3/31/12	As of 3/31/13	As of 9/30/13
Consolidated subsidiaries	167	149	145	141	137
Equity method subsidiaries	16	12	14	14	14
Equity method affiliates	48	40	38	38	38
Total of companies within the scope of consolidation	231	201	197	193	189
Subsidiaries outside the scope of consolidation	117	100	95	94	92
Affiliates outside the scope of consolidation	87	73	72	64	66
Total of companies outside the scope of consolidation	204	173	167	158	158
Total	435	374	364	351	347

2. Change in Interest-bearing Debt

(100 million yen)

	As of 3/31/10	As of 3/31/11	As of 3/31/12	As of 3/31/13	As of 9/30/13	As of 3/31/14 (forecast)
The Company	4,064	3,261	2,890	2,552	2,520	2,500
Consolidated subsidiaries	2,726	2,400	2,211	2,187	2,185	2,100
Whole group	6,790	5,661	5,101	4,739	4,705	4,600

3. Change in Number of Personnel

(No. of persons)

	As of 3/31/10	As of 3/31/11	As of 3/31/12	As of 3/31/13	As of 9/30/13
The Company	3,238	2,340	2,289	2,276	2,304
Consolidated subsidiaries	13,671	13,532	12,178	11,556	11,404
Whole group	16,909	15,872	14,467	13,832	13,708

4. Change in Capital Investment

(100 million yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	First Half of Fiscal 2014	Fiscal 2014 (forecast)
The Company	127	150	166	191	118	203
Consolidated subsidiaries	263	174	191	134	58	156
Whole group	390	324	357	325	176	359

5. Change in Depreciation Expenses

(100 million yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	First Half of Fiscal 2014	Fiscal 2014 (forecast)
The Company	217	180	182	177	84	174
Consolidated subsidiaries	270	251	234	217	112	220
Whole group	487	431	416	394	196	394

6. Change in Experiment and Research Expenses

(100 million yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	First Half of Fiscal 2014	Fiscal 2014 (forecast)
The Company	37	31	29	30	15	38
Consolidated subsidiaries	9	9	7	8	3	8
Whole group	46	40	36	38	18	46

7. Cement Sales in Overseas Subsidiaries (Sum of the sales of the consolidated subsidiaries)

(10 thousand tons)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014 (forecast)
U.S.A.	277	255	276	275	300
Asia	943	1,003	1,091	1,106	1,152
Other regions	13	13	15	14	16

8. Financial Results of Ssangyong Cement

	Fiscal 2010 actual	Fiscal 2011 actual	Fiscal 2012 actual	Fiscal 2013 actual	First Half of Fiscal 2014
Sales of cement clinker	1,395	1,436	1,519	1,478	10 thousand tons 734
Net sales	10,836	10,368	11,657	13,337	100 million won 6,788
Operating income	707	438	194	819	189
Ordinary income (loss)	762	293	-388	131	-271
Net income (loss)	742	293	-388	131	-271
Outstanding balance of loans	As of 12/31/09 7,580	As of 12/31/10 6,101	As of 12/31/11 8,777	As of 12/31/12 9,760	As of 6/30/13 10,506

9. Overview of Businesses in the U.S. (Taiheiyō Cement U.S.A., Inc., on a consolidated basis)

(\$ thousands)

	Fiscal 2010 actual	Fiscal 2011 actual	Fiscal 2012 actual	Fiscal 2013 actual	First Half of Fiscal 2014	Fiscal 2014 (forecast)
Net sales	574,753	493,356	555,188	563,016	314,726	659,000
Operating income (loss)	-82,558	-98,455	-114,893	-77,575	-29,489	-32,000
Net income (loss)	-53,876	-31,759	-79,843	-59,751	-24,489	-32,000