

Taiheiyo Cement Corporation

Reference Materials of Financial Results for Fiscal 2014 (the Year Ended March 31, 2014)

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May 13, 2014

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 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) 439,400	4.9	44,577	4.5	9,632	-3.7
Fiscal 2014	(forecasted value) 495,400	12.7	47,705	7.0	8,503	-11.7

[Sources]

Estimate of construction investments:

for Fiscal 1997 to Fiscal 2012, Ministry of Land, Infrastructure, Transport and Tourism
for Fiscal 2013 onwards, Research Institute of Construction and Economy (RICE)

2. Volume of Sales and Shipment Results by Region

Volume of sales of cement by region (excluding imports)

	Fiscal 2012		Fiscal 2013		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	2,153	8.9
Tohoku	3,008	5.2	4,066	35.2	4,709	15.8
Kanto 1	10,139	7.2	10,344	2.0	10,724	3.7
Kanto 2	3,959	2.9	4,053	2.4	4,063	0.3
Hokuriku	2,232	-4.7	2,205	-1.2	2,210	0.2
Tokai	4,810	-1.3	4,839	0.6	5,196	7.4
Kinki	5,707	2.6	5,894	3.3	6,480	9.9
Shikoku	1,638	0.3	1,727	5.4	1,823	5.5
Chugoku	2,746	1.7	2,760	0.5	2,968	7.5
Kyushu	4,928	-0.8	5,142	4.3	5,788	12.6
Okinawa	746	-2.3	747	0.1	839	12.3
Domestic Total	41,912	2.1	43,754	4.4	46,953	7.3
Exports	10,006	0.4	9,632	-3.7	8,503	-11.7
Total	51,918	1.8	53,387	2.8	55,456	3.9

Source: Japan Cement Association

Shipment of ready-mixed concrete by region

	Fiscal 2012		Fiscal 2013		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	3,784	9.7
Tohoku	6,182	6.9	8,679	40.4	10,032	15.6
Kanto 1	22,207	6.0	22,594	1.7	23,444	3.8
Kanto 2	6,730	2.9	7,018	4.3	6,851	-2.4
Hokuriku	4,937	-6.5	4,818	-2.4	4,873	1.1
Tokai	10,905	2.2	10,850	-0.5	11,450	5.5
Kinki	11,900	5.5	12,765	7.3	13,811	8.2
Chugoku	5,549	0.7	5,422	-2.3	5,881	8.5
Shikoku	3,606	-2.4	3,913	8.5	4,125	5.4
Kyushu	12,385	0.2	12,592	1.7	14,598	15.9
Total	87,964	3.1	92,099	4.7	98,850	7.3

Source: National Federation of Ready-Mixed Concrete Industrial Associations

Financial Results for Fiscal 2014

Consolidated Statements of Income

(Millions of yen)

		Item	Fiscal 2013	Fiscal 2014	Change	
Ordinary income and losses	Operating income/loss	Net sales	747,616	840,288	92,671	
		Cost of sales	587,498	641,469	53,971	
		Gross profit	160,118	198,819	38,700	
		Selling, general and administrative expenses	119,459	128,384	8,925	
		Operating income	40,659	70,434	29,775	
	Non-operating income and expenses	Income	Interest income	439	470	31
			Dividends income	683	699	15
			Equity in earnings of unconsolidated subsidiaries and affiliates	-	2,575	2,575
			Real estate rent	625	343	-282
			Other	5,606	8,670	3,064
		Total	7,355	12,760	5,404	
		Expenses	Interest expenses	9,052	8,362	-689
			Equity in losses of unconsolidated subsidiaries and affiliates	1,097	-	-1,097
			Other	5,197	5,242	45
			Total	15,347	13,604	-1,742
Ordinary income	32,667		69,590	36,922		
Extraordinary income and losses	Income	Gain on disposal of non-current assets	3,575	1,687	-1,888	
		Gain on sales of investment securities	82	598	515	
		Other	1,260	485	-774	
	Total	4,918	2,770	-2,147		
	Losses	Loss on disposal of non-current assets	4,613	5,156	543	
		Loss on sale of investment securities	90	37	-52	
		Loss on valuation of investment securities	878	203	-674	
		Impairment loss	3,003	6,450	3,446	
		Other	2,005	1,369	-635	
	Total	10,590	13,217	2,626		
Income before income taxes and minority interests		26,995	59,143	32,148		
Income taxes-current		13,018	23,597	10,579		
Income taxes-deferred		1,653	-1,000	-2,653		
Income taxes total		14,671	22,596	7,925		
Income before minority interests		12,323	36,546	24,222		
Minority interests in income		994	1,322	328		
Net income		11,329	35,223	23,893		

Sales volume of cement (Thousand tons)

	Fiscal 2013	Fiscal 2014	Change
Domestic	15,447	16,674	1,227
Export	3,236	2,981	-255

Segment Information

(1) Net sales

(Millions of yen)

		Fiscal 2013	Fiscal 2014	Change	Main factors of change	
Cement business	Domestic	380,403	397,044	16,641	Domestic	Increase in domestic cement sales +10.5 bil. yen Increase in solidifying material sales +2.9 bil. yen Decrease in export volume -1.0 bil. yen Price difference in export cement +2.7 bil. yen Increased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +4.1 bil. yen
	Overseas subsidiaries	101,560	137,962	36,401	Overseas subsidiaries	U. S. +\$123 million China -\$17 million Asia and other regions +\$42 million Effect of foreign exchange +25.4 bil. yen
Total		481,963	535,006	53,042		
Mineral Resources business		85,093	93,881	8,787	Increased shipments of aggregates, limestone and other materials related to disaster recovery and growth of investment in construction in urban areas	
Environmental business		79,035	103,434	24,398	Increased acceptance of waste, increased shipments of calcium carbonate to power stations and increased intake of coal ash	
Construction Materials business		85,362	92,642	7,279	Increased shipments of construction materials and a rise in ground improvement work, resulting from growth of investment in construction	
Ceramics & Electronics business		12,247	11,570	-677	Decrease in electronic business and an increase in Ceramics business	
Other		69,702	72,308	2,605		
Total		813,405	908,843	95,437		
Eliminations		-65,788	-68,554	-2,765		
Consolidated total		747,616	840,288	92,671		

(2) Operating income

		Fiscal 2013	Fiscal 2014	Change	Main factors of change	
Cement business	Domestic	28,821	46,112	17,291	Domestic	Increase in domestic cement sales +7.1 bil. yen Increase in solidifying material sales +1.0 bil. yen Increase in net export revenue +1.8 bil. yen Variable cost etc. reduction +3.1 bil. yen Decrease in fixed cost +3.3 bil. yen Increased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +1.1 bil. yen
	Overseas subsidiaries	-2,444	234	2,679	Overseas subsidiaries	U. S. +\$42 million China -\$15 million Asia and other regions +\$6 million
Total		26,377	46,347	19,970		
Mineral Resources business		4,109	6,895	2,786	Increased shipments of aggregates, limestone and other materials related to disaster recovery and growth of investment in construction in urban areas	
Environmental business		7,228	8,432	1,203	Increased acceptance of waste and coal ash	
Construction Materials business		1,951	5,433	3,481	Increased shipments of construction materials and ground improvement work, resulting from growth of investment in construction	
Ceramics & Electronics business		-1,356	152	1,509	Profit improvement in Ceramics business	
Other		3,260	3,561	300		
Total		41,571	70,823	29,252		
Eliminations		-911	-388	522		
Consolidated total		40,659	70,434	29,775		

[Reference information]

Foreign exchange rate Fiscal 2012 average: ¥79.81 per dollar; Fiscal 2013 average: ¥97.73 per dollar; difference: -¥17.92
Exchange rate at end of Dec. 2012: ¥86.58 per dollar; at end of Dec. 2013: ¥105.39 per dollar; difference: -¥18.81

Consolidated Balance Sheets

(Millions of yen)

	As of 3/31/13	As of 3/31/14	Change
Cash and deposits	59,379	59,369	-10
Notes and accounts receivable-trade	174,336	176,245	1,908
Merchandise and finished goods	25,920	26,113	192
Work in process	4,788	4,120	-667
Raw materials and supplies	36,455	39,323	2,868
Investments and other assets	31,413	34,700	3,287
Allowance for doubtful accounts	-1,587	-1,568	19
Total current assets	330,706	338,304	7,598
Property, plant and equipment			
Buildings and structures	146,664	142,417	-4,246
Machinery, equipment and vehicles	108,314	112,379	4,065
Land	152,625	155,301	2,675
Other	49,884	60,217	10,332
Total property, plant and equipment	457,489	470,316	12,826
Intangible assets			
Goodwill	11,303	10,890	-412
Other	30,275	31,338	1,062
Total intangible assets	41,578	42,228	650
Investments and other assets			
Investment securities	85,128	98,890	13,761
Other	74,282	72,126	-2,156
Allowance for doubtful accounts	-6,713	-6,302	410
Total investments and other assets	152,698	164,714	12,016
Total noncurrent assets	651,766	677,259	25,492
Total assets	982,473	1,015,564	33,091
Notes and accounts payable-trade	85,010	83,691	-1,318
Short-term loans payable	274,760	228,127	-46,633
Current portion of bonds	11,478	610	-10,868
Income taxes payable	11,000	18,040	7,040
Provision for bonuses	4,711	5,538	826
Provision for directors' bonuses	7	-	-7
Other provision	4,893	2,683	-2,210
Other	70,730	70,156	-573
Total current liabilities	462,591	408,848	-53,743
Bonds payable	32,385	47,090	14,705
Long-term loans payable	155,336	159,291	3,955
Provision for retirement benefits	25,448	-	-25,448
Net defined benefit retirement liability	-	23,359	23,359
Provision for directors' retirement benefits	505	509	3
Provision for loss on business of subsidiaries and affiliates	138	138	-
Provision for special repairs	343	357	13
Provision for asset removal	1,866	574	-1,291
Asset retirement obligations (noncurrent)	8,032	7,230	-801
Other	75,998	92,853	16,855
Total noncurrent liabilities	300,054	333,404	33,349
Total liabilities	762,646	742,252	-20,394
Capital stock	86,174	86,174	-
Capital surplus	50,636	50,690	54
Retained earnings	91,174	121,212	30,037
Treasury stock	-934	-936	-2
Total shareholders' equity	227,051	257,141	30,089
Valuation difference on available-for-sale securities	3,168	5,084	1,916
Deferred gains or losses on hedges	78	50	-27
Revaluation reserve for land	4,563	4,252	-310
Foreign currency translation adjustments	-39,640	-16,799	22,840
Adjustment liability of retirement benefits for overseas subsidiaries	-3,793	-	3,793
Remeasurements of defined benefit retirement plans	-	-9,472	-9,472

	As of 3/31/13	As of 3/31/14	Change
Total accumulated other comprehensive income	-35,624	-16,844	18,739
Minority interests	28,399	33,055	4,656
Total net assets	219,826	273,312	53,485
Total liabilities and total net assets	982,473	1,015,564	33,091

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2013	Fiscal 2014	Change
Cash flows from operating activities	61,505	88,558	27,053
Income before income taxes and minority interests	26,995	59,143	32,148
Depreciation and amortization	39,422	40,553	1,131
Decrease (increase) in notes and accounts receivable-trade	-4,992	1,883	6,875
Increase (decrease) in notes and accounts payable-trade	-471	-2,863	-2,392
Other	551	-10,158	-10,709
Cash flows from investing activities	-16,441	-27,926	-11,485
Purchase of property, plant, and equipment	-24,937	-35,432	-10,495
Proceeds from sale of property, plant, and equipment	7,652	2,670	-4,982
Purchase of investment securities	-878	-370	508
Proceeds from sales of investment securities	941	2,999	2,058
Other	781	2,207	1,426
Cash flows from financing activities	-51,792	-62,269	-10,477
Decrease (increase) in interest-bearing liabilities	-43,038	-51,933	-8,895
Dividends of surplus fund	-4,914	-4,914	0
Other	-3,840	-5,422	-1,582
Effect of exchange rate changes on cash and cash equivalents	1,597	3,127	1,530
Net increase (decrease) in cash and cash equivalents	-5,129	1,488	6,617
Other	-247	-292	-45
Cash and cash equivalents at beginning of term	59,785	54,408	-5,377
Cash and cash equivalents at end of term	54,408	55,604	1,196

(Millions of yen)

Increase (decrease) in interest-bearing liabilities	As of 3/31/13	As of 3/31/14	Difference
Bonds payable	32,385	47,090	14,705
Current portion of bonds	11,478	610	-10,868
Long-term loans payable	155,336	159,291	3,955
Short-term loans payable	274,760	228,127	-46,633
Total interest-bearing liabilities	473,959	435,118	-38,841

	As of 3/31/13	As of 3/31/14	Difference
Equity ratio (%)	19.5	23.7	4.2
Equity ratio based on market value (%)	27.6	45.0	17.4
Equity per share (yen)	155.9	195.6	39.7
Current ratio (%)	71.5	82.7	11.3
Earnings per share (yen)	9.2	28.7	19.5
ROA (%)	3.3	7.0	3.6
Cash flows / interest-bearing liabilities ratio (years)	7.7	4.9	-2.8
Interest coverage ratio (times)	6.8	10.1	3.3
Net DE ratio (times)	2.2	1.6	-0.6

Forecast of Fiscal 2015

[Preconditions]

• Domestic demand: Fiscal 2015 48 million tons

• Exchange rate at end of Dec. 2014: ¥105.0 per dollar; at end of Dec 2013: ¥97.7, difference: -¥7.3

(100 million yen)

		Fiscal 2014 (actual)	Fiscal 2015 (forecast)	Differences
Net sales	Cement business (domestic)	3,970	4,080	110
	Overseas subsidiaries	1,379	1,630	251
	Cement business (total)	5,350	5,710	360
	Mineral Resources business	938	1,000	62
	Environmental business	1,034	800	-234
	Construction Materials business	926	940	14
	Other	838	810	-28
	Total	9,088	9,260	172
	Eliminations	-685	-680	5
Consolidated	8,402	8,580	178	
Operating income	Cement business (domestic)	461	370	-91
	Overseas subsidiaries	2	81	79
	Cement business (total)	463	451	-12
	Mineral Resources business	68	75	7
	Environmental business	84	80	-4
	Construction Materials business	54	53	-1
	Other	37	44	7
	Total	708	703	-5
	Eliminations	-3	-3	0
Consolidated	704	700	-4	
Ordinary income	695	650	-45	
Extraordinary losses	-104	-110	-6	
Income before income taxes and minority Interests	591	540	-51	
Net income	352	350	-2	

Sales volume of cement (Thousand tons)

	Fiscal 2014 (actual)	Fiscal 2015 (forecast)	Change
Domestic	16,674	16,820	146
Export	2,981	2,900	-81

Main factors of changes in Net sales

[Cement]

Domestic:

Increase in sales of domestic cement and solidifying material +1.8 bil. yen
 Price difference in domestic cement and solidifying material +5.2 bil. yen
 Price difference in export cement +0.9 bil. yen
 Increased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +1.6 bil. yen

Overseas subsidiaries:

U. S. +\$102 million
 China +\$15 million
 Asia and other regions +\$30 million
 Effect of foreign exchange +10.5 bil. yen

Main factors of changes in Operating income

[Cement]

Domestic:

Increase in sales of domestic cement and solidifying material +1.1 bil. yen
 Price difference in domestic cement and solidifying material +4.4 bil. yen
 Increase in variable cost -10.6 bil. yen
 Increased fixed cost -3.2 bil. yen
 Decreased profit from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -0.8 bil. yen

Overseas subsidiaries:

U. S. +\$61 million
 China +\$4 million
 Asia and other regions +\$9 million
 Effect of foreign exchange +0.7 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 3/31/14
Consolidated subsidiaries	167	149	145	141	132
Equity method subsidiaries	16	12	14	14	13
Equity method affiliates	48	40	38	38	38
Total of companies within the scope of consolidation	231	201	197	193	183
Subsidiaries outside the scope of consolidation	117	100	95	94	89
Affiliates outside the scope of consolidation	87	73	72	64	65
Total of companies outside the scope of consolidation	204	173	167	158	154
Total	435	374	364	351	337

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 3/31/14	As of 3/31/15 (forecast)
The Company	4,064	3,261	2,890	2,552	2,349	2,300
Consolidated subsidiaries	2,726	2,400	2,211	2,187	2,002	1,800
Whole group	6,790	5,661	5,101	4,739	4,351	4,100

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 3/31/14
The Company	3,238	2,340	2,289	2,276	2,279
Consolidated subsidiaries	13,671	13,532	12,178	11,556	10,808
Whole group	16,909	15,872	14,467	13,832	13,087

4. Change in Capital Investment

(100 million yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015 (forecast)
The Company	127	150	166	191	196	200
Consolidated subsidiaries	263	174	191	134	194	217
Whole group	390	324	357	325	390	417

5. Change in Depreciation Expenses

(100 million yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015 (forecast)
The Company	217	180	182	177	175	175
Consolidated subsidiaries	270	251	234	217	230	239
Whole group	487	431	416	394	405	414

6. Change in Experiment and Research Expenses

(100 million yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015 (forecast)
The Company	37	31	29	30	33	39
Consolidated subsidiaries	9	9	7	8	7	8
Whole group	46	40	36	38	40	47

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
U.S.A.	277	255	276	275	308
Asia	943	1,003	1,091	1,106	1,138
Other regions	13	13	15	14	18

8. Financial Results of Ssangyong Cement

	Fiscal 2010 actual	Fiscal 2011 actual	Fiscal 2012 actual	Fiscal 2013 actual	Fiscal 2014 actual
Sales of cement clinker	1,395	1,436	1,519	1,478	10 thousand tons 1,503
Net sales	10,836	10,368	11,657	13,337	100 million won 14,013
Operating income	707	438	194	819	841
Ordinary income (loss)	762	293	-388	131	156
Net income (loss)	742	293	-388	131	156
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 12/31/13 10,510

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	Fiscal 2014 actual	Fiscal 2015 (forecast)
Net sales	574,753	493,356	555,188	563,016	686,019	788,000
Operating income (loss)	-82,558	-98,455	-114,893	-77,575	-35,575	25,000
Net income (loss)	-53,876	-31,759	-79,843	-59,751	-43,965	3,600

10. Financial Forecasts for the First Half of Fiscal 2015

(100 million yen)

		First Half of Fiscal 2014 (actual)	First Half of Fiscal 2015 (forecast)	Differences
Net sales	Cement business (domestic)	1,942	2,010	68
	Overseas subsidiaries	633	760	127
	Cement business (total)	2,575	2,770	195
	Mineral Resources business	455	490	35
	Environmental business	488	370	-118
	Construction Materials business	393	420	27
	Other	380	380	0
	Total	4,293	4,430	137
	Eliminations	-309	-320	-11
Consolidated		3,984	4,110	126
Operating income	Cement business (domestic)	200	153	-47
	Overseas subsidiaries	-15	20	35
	Cement business (total)	185	173	-12
	Mineral Resources business	34	26	-8
	Environmental business	38	34	-4
	Construction Materials business	6	14	8
	Other	12	19	7
	Total	276	266	-10
	Eliminations	-2	-2	0
Consolidated		274	264	-10
Ordinary income		256	250	-6
Extraordinary loss		-2	-20	-18
Income before income tax and minority interests		253	230	-23
Net income		101	153	52