

Taiheiyo Cement Corporation

Reference Materials of Financial Results for Fiscal 2016 (the Year Ended March 31, 2016)

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May 12, 2016

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 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	432,923	3.3	42,650	2.5	10,006	0.4
Fiscal 2013	452,914	4.6	44,577	4.5	9,632	—) 3.7
Fiscal 2014	(estimated value) 512,900	13.2	47,705	7.0	8,503	—) 11.7
Fiscal 2015	(estimated value) 513,000	0.0	45,551	—) 4.5	9,421	10.8
Fiscal 2016	(forecasted value) 500,100	—) 2.5	42,668	—) 6.3	10,583	12.3

[Sources]

Estimate of construction investments:

for Fiscal 2001 to Fiscal 2015, Ministry of Land, Infrastructure, Transport and Tourism

for Fiscal 2016 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 2014		Fiscal 2015		Fiscal 2016	
	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	2,153	8.9	2,033	-5.6	1,793	-11.8
Tohoku	4,709	15.8	4,615	-2.0	4,784	3.7
Kanto 1	10,724	3.7	10,221	-4.7	9,551	-6.6
Kanto 2	4,063	0.3	3,982	-2.0	3,684	-7.5
Hokuriku	2,210	0.2	1,967	-11.0	1,932	-1.8
Tokai	5,196	7.4	5,145	-1.0	4,872	-5.3
Kinki	6,480	9.9	6,388	-1.4	5,923	-7.3
Shikoku	1,823	5.5	1,701	-6.7	1,565	-8.0
Chugoku	2,968	7.5	2,717	-8.5	2,565	-5.6
Kyushu	5,788	12.6	5,302	-8.4	4,711	-11.1
Okinawa	839	12.3	978	16.6	968	-1.1
Domestic Total	46,953	7.3	45,048	-4.1	42,347	-6.0
Exports	8,503	-11.7	9,421	10.8	10,583	12.3
Total	55,456	3.9	54,469	-1.8	52,930	-2.8

Source: Japan Cement Association

Shipment of ready-mixed concrete by region

	Fiscal 2014		Fiscal 2015		Fiscal 2016	
	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	3,784	9.7	3,800	0.4	3,203	-15.7
Tohoku	10,032	15.6	9,786	-2.5	9,599	-1.9
Kanto 1	23,444	3.8	21,951	-6.4	20,470	-6.7
Kanto 2	6,851	-2.4	6,891	0.6	6,211	-9.9
Hokuriku	4,873	1.1	4,219	-13.4	3,967	-6.0
Tokai	11,450	5.5	11,060	-3.4	10,488	-5.2
Kinki	13,811	8.2	13,805	-0.0	12,878	-6.7
Chugoku	5,881	8.5	5,415	-7.9	5,057	-6.6
Shikoku	4,125	5.4	3,897	-5.5	3,573	-8.3
Kyushu	14,598	15.9	13,191	-9.6	11,615	-11.9
Total	98,850	7.3	94,014	-4.9	87,061	-7.4

Source: National Federation of Ready-Mixed Concrete Industrial Associations

Financial Results for Fiscal 2016

Sales volume of cement		(Thousand tons)	
	Fiscal 2015	Fiscal 2016	Change
Domestic	15,962	14,671	-1,291
Export	2,972	3,989	1,017

Consolidated Statements of Income

(Millions of yen)

		Item	Fiscal 2015	Fiscal 2016	Change	
Ordinary income and losses	Operating income/loss	Net sales	842,848	835,359	-7,488	
		Cost of sales	642,645	640,375	-2,269	
		Gross profit	200,203	194,983	-5,219	
		Selling, general and administrative expenses	134,796	134,550	-246	
		Operating income	65,406	60,433	-4,972	
	Non-operating income and expenses	Income	Interest income	554	604	49
			Dividends income	767	959	191
			Equity in earnings of unconsolidated subsidiaries and affiliates	5,293	5,292	-1
			Real estate rent	361	384	22
			Other	6,860	4,216	-2,643
			Total	13,837	11,456	-2,381
		Expenses	Interest expenses	6,847	6,492	-355
			Other	4,506	5,172	665
Total			11,354	11,664	310	
Ordinary income		67,890	60,225	-7,664		
Extraordinary income and losses	Income	Gain on disposal of non-current assets	2,488	1,666	-822	
		Gain on sales of investment securities	107	1,325	1,218	
		Gain on step acquisitions	916	-	-916	
		Gain on forgiveness of debts	4,569	-	-4,569	
		Other	801	290	-511	
		Total	8,884	3,282	-5,601	
	Losses	Loss on disposal of non-current assets	3,286	3,205	-81	
		Loss on sale of investment securities	101	81	-19	
		Loss on valuation of investment securities	1,231	374	-857	
		Impairment loss	1,069	5,757	4,688	
		Business structure reform expenses	1,180	-	-1,180	
		Other	2,518	1,497	-1,021	
		Total	9,387	10,915	1,528	
Income before income taxes and non-controlling interests		67,387	52,592	-14,794		
Income taxes-current		18,170	14,334	-3,836		
Income taxes-deferred		-1,884	678	2,563		
Income taxes total		16,285	15,012	-1,273		
Profit		51,101	37,579	-13,521		
Profit attributable to non-controlling interests		6,986	1,175	-5,811		
Profit attributable to owners of parent		44,114	36,404	-7,710		

Segment Information

(1) Net sales					(Millions of yen)	
		Fiscal 2015	Fiscal 2016	Change	Main factors of change	
Cement business	Domestic	412,171	392,700	-19,471	Domestic	Decrease in domestic cement and solidifying material sales -13.6 bil. yen Increase in domestic cement and solidifying material price +0.7 bil. Yen Increase in export cement volume +5.4 bil. yen Decreased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -11.9 bil. yen
	Overseas subsidiaries	158,509	182,023	23,514	Overseas subsidiaries	U. S. +\$113 million China -\$89 million; Asia -\$9 million Effect of foreign exchange +21.5 bil. yen
	Total	570,681	574,724	4,042		
	Mineral Resources business	95,957	93,533	-2,424	Decreased shipments of aggregates Decreased sales of surplus construction	
	Environmental business	74,787	73,460	-1,327	Decreased acceptance of waste	
	Construction Materials business	90,340	80,853	-9,486	Decreased in ground improved construction	
	Other	81,764	85,222	3,457	Increase in engineering business sales	
	Total	913,531	907,793	-5,738		
	Eliminations	-70,683	-72,433	-1,750		
	Consolidated total	842,848	835,359	-7,488		

(2) Operating income

		Fiscal 2015	Fiscal 2016	Change	Main factors of change	
Cement business	Domestic	33,080	28,510	-4,569	Domestic	Decrease in domestic cement and solidifying material sales -8.2 bil. yen Increase in domestic cement and solidifying material price +0.6 bil. yen Increase in export cement volume +2.1 bil. yen Increase in net export revenue +1.1 bil. yen Variable cost etc. rise -0.8 bil. yen Decreased fixed cost +0.8 bil. yen Decreased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -0.1 bil. yen
	Overseas subsidiaries	7,170	6,120	-1,049	Overseas subsidiaries	U. S. -\$12 million China -\$23 million Asia +\$15 million Effect of foreign exchange +0.9 bil. yen
	Total	40,251	34,631	-5,619		
	Mineral Resources business	6,708	8,113	1,404	Decreased cost of fuel	
	Environmental business	7,474	7,655	181	Decreased acceptance of waste Increased sales from the increase in the processing of coal ash.	
	Construction Materials business	5,491	6,130	639	Market improvement of Autoclaved Lightweight aerated Concrete	
	Other	5,634	4,014	-1,620	Transfer of ceramics business	
	Total	65,560	60,544	-5,015		
	Eliminations	-153	-111	42		
	Consolidated total	65,406	60,433	-4,972		

[Reference information]

Foreign exchange rate Fiscal 2015 average: ¥105.79 per dollar; Fiscal 2016 average: ¥121.10 per dollar; difference: ¥15.31
Exchange rate at end of Dec. 2014: ¥120.55 per dollar; at end of Dec. 2015: ¥120.61 per dollar; difference: ¥0.06

Consolidated Balance Sheets

(Millions of yen)

	As of 3/31/15	As of 3/31/16	Change
Cash and deposits	53,859	53,539	-319
Notes and accounts receivable-trade	178,350	161,392	-16,957
Merchandise and finished goods	28,587	31,187	2,600
Work in process	2,183	1,485	-697
Raw materials and supplies	43,252	42,624	-628
Deferred tax assets	10,705	6,886	-3,818
Short-term loans receivable	5,552	3,018	-2,533
Other	9,821	9,721	-100
Allowance for doubtful accounts	-2,329	-938	1,391
Total current assets	329,981	308,918	-21,063
Property, plant and equipment			
Buildings and structures, net	144,291	132,708	-11,583
Machinery, equipment, and vehicles, net	120,804	147,151	26,346
Land	164,647	140,726	-23,921
Construction in progress	13,819	20,950	7,130
Other, net	47,001	46,074	-927
Total property, plant and equipment	490,565	487,611	-2,954
Intangible assets			
Goodwill	9,297	6,432	-2,865
Other	32,538	37,487	4,948
Total intangible assets	41,836	43,919	2,083
Investments and other assets			
Investment securities	113,747	115,443	1,695
Long-term loans receivable	1,249	1,127	-121
Assets for retirement benefits	20,338	8,968	-11,369
Deferred tax assets	16,848	23,258	6,410
Other	31,997	31,483	-514
Allowance for doubtful accounts	-5,961	-6,655	-694
Total investments and other assets	178,219	173,626	-4,593
Total noncurrent assets	710,621	705,156	-5,464
Total assets	1,040,602	1,014,075	-26,527
Notes and accounts payable-trade	85,036	73,893	-11,142
Short-term loans payable	178,816	160,421	-18,394
Commercial Papers	5,000	-	-5,000
Current portion of bonds	20,380	450	-19,930
Income taxes payable	10,730	8,351	-2,379
Deferred tax liabilities	-	5	4
Provision for bonuses	5,642	5,723	80
Other provision	1,060	751	-308
Other	71,149	71,631	482
Total current liabilities	377,817	321,229	-56,587
Bonds payable	46,710	46,155	-555
Long-term loans payable	148,232	187,471	39,238
Deferred tax liabilities	4,314	3,527	-787
Deferred tax liabilities for land revaluation	4,770	-	-4,770
Liability for retirement benefits	26,889	22,814	-4,074
Provision for directors' retirement benefits	514	433	-80
Provision for loss on business of subsidiaries and affiliates	138	-	-138
Provision for special repairs	312	245	-67
Provision for asset removal	41	-	-41
Other provision	655	747	91
Lease obligations	22,616	15,662	-6,953
Asset retirement obligations	7,673	7,990	317
Other	52,426	50,725	-1,701

	As of 3/31/15	As of 3/31/16	Change
Total noncurrent liabilities	315,295	335,772	20,477
Total liabilities	693,112	657,002	-36,110
Capital stock	86,174	86,174	-
Capital surplus	50,757	50,925	167
Retained earnings	158,939	188,731	29,791
Treasury stock	-934	-979	-45
Total shareholders' equity	294,937	324,851	29,914
Valuation difference on available-for-sale securities	6,908	4,755	-2,153
Deferred gains or losses on hedges	2	16	14
Revaluation reserve for land	4,295	4,665	369
Foreign currency translation adjustments	649	-4,174	-4,823
Retirement benefits liability adjustments	-4,148	-11,829	-7,680
Total accumulated other comprehensive income	7,707	-6,566	-14,274
Non-controlling interests	44,845	38,787	-6,057
Total net assets	347,490	357,073	9,582
Total liabilities and total net assets	1,040,602	1,014,075	-26,527

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2015	Fiscal 2016	Change
Cash flows from operating activities	77,000	75,627	-1,373
Income before income taxes and minority interests	67,387	52,592	-14,795
Depreciation and amortization	42,401	43,957	1,556
Decrease (increase) in notes and accounts receivable-trade	2,429	7,259	4,830
Increase (decrease) in notes and accounts payable-trade	-872	-6,525	-5,653
Other	-34,345	-21,656	12,689
Cash flows from investing activities	-31,377	-71,099	-39,722
Purchase of property, plant, and equipment	-38,323	-35,922	2,401
Proceeds from sale of property, plant, and equipment	5,017	6,061	1,044
Purchase of investment securities	-1,444	-342	1,102
Proceeds from sales of investment securities	370	995	625
Payments for transfer of business	-	-50,863	-50,863
Other	3,003	8,972	5,969
Cash flows from financing activities	-52,713	-4,027	48,686
Decrease (increase) in interest-bearing liabilities	-41,092	10,616	51,708
Dividends of surplus fund	-6,142	-7,370	-1,228
Other	-5,479	-7,273	-1,794
Effect of exchange rate changes on cash and cash equivalents	1,712	-510	-2,222
Net increase (decrease) in cash and cash equivalents	-5,377	-10	5,367
Other	63	-563	-626
Cash and cash equivalents at beginning of term	55,604	50,645	-4,959
Cash and cash equivalents at end of term	50,645	50,072	-573

(Millions of yen)

Increase (decrease) in interest-bearing liabilities	As of 3/31/15	As of 3/31/16	Difference
Bonds payable	46,710	46,155	-555
Current portion of bonds	20,380	450	-19,930
Long-term loans payable	148,232	187,471	39,238
Short-term loans payable	178,816	160,421	-18,394
Commercial papers	5,000	-	-5,000
Total interest-bearing liabilities	399,138	394,497	-4,640

	As of 3/31/15	As of 3/31/16	Difference
Equity ratio (%)	29.1	31.4	2.3
Equity ratio based on market value (%)	43.3	31.4	-11.9
Equity per share (yen)	246.3	259.1	12.8
Current ratio (%)	87.3	96.2	8.9
Earnings per share (yen)	35.9	29.6	-6.3
ROA (%)	6.6	5.9	-0.7
Cash flows / interest-bearing liabilities ratio (years)	5.2	5.2	0.0
Interest coverage ratio (times)	11.1	11.5	0.4
Net DE ratio (times)	1.1	1.1	0.0

Forecast of Fiscal 2016

[Preconditions]

- Domestic demand: Fiscal 2017 43 million tons
- Exchange rate at end of Dec. 2016: ¥110.0 per dollar; at end of Dec 2015: ¥121.1, difference: ¥11.1

(100 million yen)

		Fiscal 2016 (actual)	Fiscal 2017 (forecast)	Differences
Net sales	Cement business (domestic)	3,927	3,780	-147
	Overseas subsidiaries	1,820	1,950	130
	Cement business (total)	5,747	5,730	-17
	Mineral Resources business	935	800	-135
	Environmental business	734	810	76
	Construction Materials business	808	780	-28
	Other	852	820	-32
	Total	9,077	8,940	-137
	Eliminations	-724	-700	24
	Consolidated	8,353	8,240	-113
Operating income	Cement business (domestic)	285	260	-25
	Overseas subsidiaries	61	129	68
	Cement business (total)	346	389	43
	Mineral Resources business	81	68	-13
	Environmental business	76	72	-4
	Construction Materials business	61	53	-8
	Other	40	38	-2
	Total	605	620	15
	Eliminations	-1	0	1
	Consolidated	604	620	16
Ordinary income		602	620	18
Extraordinary income or loss		-76	-40	36
Income before income taxes and non-controlling interests		525	580	54
Profit attributable to owners of parent		364	380	16

Sales volume of cement (Thousand tons)

	Fiscal 2016 (actual)	Fiscal 2017 (forecast)	Change
Domestic	14,671	14,800	129
Export	3,989	4,500	511

Main factors of changes in Net sales

[Cement]

Domestic:

Increase in sales of domestic cement and solidifying material +2.5bil. yen

Increase in export volume +2.7 bil. yen

Price difference in export cement -2.9 bil. yen

Decreased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -17.0 bil. yen

Overseas subsidiaries:

U. S. +\$220 million

China -\$2 million

Asia +\$39 million

Effect of foreign exchange -17.5 bil. yen

Main factors of changes in Operating income

[Cement]

Domestic:

Increase in sales of domestic cement and solidifying material +1.2 bil. yen

Increase in export volume +1.3 bil. yen

Decrease in net export revenue -2.3 bil. yen

Variable cost etc. reduction +1.0 bil. yen

Increased fixed cost -3.6 bil. yen

Overseas subsidiaries:

U. S. +\$39 million

China +\$11 million

Asia +\$12 million

Effect of foreign exchange -0.6 bil. yen

[Reference Information]

1. Status of the Consolidated Group

(No. of companies)

	As of 3/31/12	As of 3/31/13	As of 3/31/14	As of 3/31/15	As of 3/31/16
Consolidated subsidiaries	145	141	132	131	121
Equity method subsidiaries	14	14	13	11	9
Equity method affiliates	38	38	38	37	40
Total of companies within the scope of consolidation	197	193	183	179	170
Subsidiaries outside the scope of consolidation	95	94	89	86	68
Affiliates outside the scope of consolidation	72	64	65	63	62
Total of companies outside the scope of consolidation	167	158	154	149	130
Total	364	351	337	328	300

2. Change in Interest-bearing Debt

(100 million yen)

	As of 3/31/12	As of 3/31/13	As of 3/31/14	As of 3/31/15	As of 3/31/16	As of 3/31/17 (forecast)
The Company	2,890	2,552	2,349	2,292	2,533	2,450
Consolidated subsidiaries	2,211	2,187	2,002	1,699	1,411	1,350
Whole group	5,101	4,739	4,351	3,991	3,944	3,800

3. Change in Number of Personnel

(No. of persons)

	As of 3/31/12	As of 3/31/13	As of 3/31/14	As of 3/31/15	As of 3/31/16
The Company	2,289	2,276	2,279	2,296	2,289
Consolidated subsidiaries	12,178	11,556	10,808	10,763	10,285
Whole group	14,467	13,832	13,087	13,059	12,574

4. Change in Capital Investment

(100 million yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017 (forecast)
The Company	166	191	196	198	224	212
Consolidated subsidiaries	191	134	194	223	216	339
Whole group	357	325	390	421	440	551

5. Change in Depreciation Expenses

(100 million yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017 (forecast)
The Company	182	177	175	180	176	171
Consolidated subsidiaries	234	217	230	244	263	258
Whole group	416	394	405	424	439	429

6. Change in Experiment and Research Expenses

(100 million yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017 (forecast)
The Company	29	30	33	37	36	40
Consolidated subsidiaries	7	8	7	7	6	6
Whole group	36	38	40	44	42	46

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

(10 thousand tons)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017 (forecast)
U.S.A.	276	275	308	343	411	555
Asia	1,091	1,106	1,138	1,091	1,017	1,091
Other regions	15	14	18	20	16	18

8. Financial Results of Ssangyong Cement

	Fiscal 2012 actual	Fiscal 2013 actual	Fiscal 2014 actual	Fiscal 2015 actual	Fiscal 2016 actual
Sales of cement clinker	1,519	1,478	1,503	1,436	10 thousand tons 1,517
Net sales	11,657	13,337	14,013	13,870	100 million won 14,161
Operating income	194	819	841	1,179	1,629
Ordinary income (loss)	-388	131	156	721	1,314
Net income (loss)	-388	131	156	799	498
Outstanding balance of loans	As of 12/31/11 8,777	As of 12/31/12 9,760	As of 12/31/13 10,510	As of 12/31/14 9,433	As of 12/31/15 7,635

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

(\$ thousands)

	Fiscal 2012 actual	Fiscal 2013 actual	Fiscal 2014 actual	Fiscal 2015 actual	Fiscal 2016 actual	Fiscal 2017 (forecast)
Net sales	555,188	563,016	686,019	803,910	917,753	1,138,000
Operating income (loss)	-114,893	-77,575	-35,575	34,525	22,555	61,000
Net income (loss)	-79,843	-59,751	-43,965	9,236	2,328	27,000

10. Financial Forecasts for the First Half of Fiscal 2017

(100 million yen)

		First Half of Fiscal 2016 (actual)	First Half of Fiscal 2017 (forecast)	Differences
Net sales	Cement business (domestic)	2,053	1,840	-213
	Overseas subsidiaries	867	930	63
	Cement business (total)	2,920	2,770	-150
	Mineral Resources business	454	390	-64
	Environmental business	357	370	13
	Construction Materials business	391	340	-51
	Other	365	330	-35
	Total	4,489	4,200	-289
	Eliminations	-338	-330	8
Consolidated		4,151	3,870	-281
Operating income	Cement business (domestic)	122	71	-51
	Overseas subsidiaries	27	35	8
	Cement business (total)	150	106	-44
	Mineral Resources business	31	28	-3
	Environmental business	35	32	-3
	Construction Materials business	19	17	-2
	Other	15	2	-13
	Total	252	185	-67
	Eliminations	-0	0	0
Consolidated		252	185	-67
Ordinary income		263	185	-78
Extraordinary income or loss		-3	-5	-1
Income before income taxes and non-controlling interests		260	180	-80
Profit attributable to owners of parent		158	110	-48