

Taiheiyo Cement Corporation

Reference Materials of Financial Results for Fiscal 2017 (the Year Ended March 31, 2017)

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May 11, 2017

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	512,984	13.3	47,705	7.0	8,503	—) 11.7
Fiscal 2015	(estimated value) 512,400	—) 0.1	45,551	—) 4.5	9,421	10.8
Fiscal 2016	(estimated value) 509,500	—) 0.6	42,668	—) 6.3	10,583	12.3
Fiscal 2017	(forecasted value) 521,900	2.4	41,777	—) 2.1	11,529	8.9

[Sources]

Estimate of construction investments:

for Fiscal 2001 to Fiscal 2016, Ministry of Land, Infrastructure, Transport and Tourism

for Fiscal 2017 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 2015		Fiscal 2016		Fiscal 2017	
	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	2,033	-5.6	1,793	-11.8	1,939	8.1
Tohoku	4,615	-2.0	4,784	3.7	4,418	-7.7
Kanto 1	10,221	-4.7	9,551	-6.6	9,327	-2.3
Kanto 2	3,982	-2.0	3,684	-7.5	3,724	1.1
Hokuriku	1,967	-11.0	1,932	-1.8	1,830	-5.3
Tokai	5,145	-1.0	4,872	-5.3	4,629	-5.0
Kinki	6,388	-1.4	5,923	-7.3	5,772	-2.6
Shikoku	1,701	-6.7	1,565	-8.0	1,561	-0.2
Chugoku	2,717	-8.5	2,565	-5.6	2,501	-2.5
Kyushu	5,302	-8.4	4,711	-11.1	4,874	3.5
Okinawa	978	16.6	968	-1.1	923	-4.6
Domestic Total	45,048	-4.1	42,347	-6.0	41,497	-2.0
Exports	9,421	10.8	10,583	12.3	11,529	8.9
Total	54,469	-1.8	52,930	-2.8	53,027	0.2

Source: Japan Cement Association

Shipment of ready-mixed concrete by region

	Fiscal 2015		Fiscal 2016		Fiscal 2017	
	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	3,800	0.4	3,203	-15.7	3,462	8.1
Tohoku	9,786	-2.5	9,599	-1.9	8,669	-9.7
Kanto 1	21,951	-6.4	20,470	-6.7	19,961	-2.5
Kanto 2	6,891	0.6	6,211	-9.9	6,066	-2.3
Hokuriku	4,219	-13.4	3,967	-6.0	3,828	-3.5
Tokai	11,060	-3.4	10,488	-5.2	9,760	-6.9
Kinki	13,805	-0.0	12,878	-6.7	12,363	-4.0
Chugoku	5,415	-7.9	5,057	-6.6	4,826	-4.6
Shikoku	3,897	-5.5	3,573	-8.3	3,479	-2.6
Kyushu	13,191	-9.6	11,615	-11.9	11,497	-1.0
Total	94,014	-4.9	87,061	-7.4	83,912	-3.6

Source: National Federation of Ready-Mixed Concrete Industrial Associations

Financial Results for Fiscal 2017

Sales volume of cement		(Thousand tons)	
	Fiscal 2016	Fiscal 2017	Change
Domestic	14,671	14,372	-299
Export	3,989	4,356	366

Consolidated Statements of Income

(Millions of yen)

		Item	Fiscal 2016	Fiscal 2017	Change	
Ordinary income and losses	Operating income/loss	Net sales	835,359	798,588	-36,770	
		Cost of sales	640,375	599,924	-40,451	
		Gross profit	194,983	198,664	3,680	
		Selling, general and administrative expenses	134,550	135,429	879	
		Operating income	60,433	63,235	2,801	
	Non-operating income and expenses	Income	Interest income	604	690	86
			Dividends income	959	959	0
			Equity in earnings of unconsolidated subsidiaries and affiliates	5,292	2,009	-3,282
			Real estate rent	384	311	-72
			Other	4,216	1,916	-2,299
			Total	11,456	5,888	-5,568
		Expenses	Interest expenses	6,492	4,998	-1,493
			Other	5,172	4,321	-850
Total			11,664	9,320	-2,343	
Ordinary income			60,225	59,802	-422	
Extraordinary income and losses	Income	Gain on disposal of non-current assets	1,666	648	-1,017	
		Gain on sales of investment securities	1,325	4,012	2,687	
		Gain on bargain purchase	-	16,874	16,874	
		Other	290	126	-164	
	Total	3,282	21,661	18,379		
	Losses	Loss on disposal of non-current assets	3,205	3,965	760	
		Loss on sale of investment securities	81	24	-57	
		Loss on valuation of investment securities	374	68	-305	
		Impairment loss	5,757	20,693	14,935	
		Loss on step acquisitions	-	3,034	3,034	
		Other	1,497	936	-560	
	Total	10,915	28,723	17,807		
	Income before income taxes and non-controlling interests		52,592	52,741	148	
Income taxes-current		14,334	8,830	-5,503		
Income taxes-deferred		678	-3,646	-4,325		
Income taxes total		15,012	5,184	-9,828		
Profit		37,579	47,556	9,977		
Profit attributable to non-controlling interests		1,175	-40	-1,215		
Profit attributable to owners of parent		36,404	47,597	11,192		

Segment Information

(1) Net sales		(Millions of yen)			
	Fiscal 2016	Fiscal 2017	Change	Main factors of change	
Cement business	Domestic	392,700	385,060	-7,639	Domestic Decrease in domestic cement and solidifying material sales -1.2 bil. yen Price difference in domestic cement and solidifying material -1.0 bil. yen Increase in export cement volume +2.0 bil. yen Price difference in export cement -3.8 bil. yen Decreased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -3.6 bil. yen
	Overseas subsidiaries	182,023	173,854	-8,168	Overseas subsidiaries U. S. +\$131 million China -\$28 million; Asia +\$10 million Effect of foreign exchange -22.3 bil. yen
Total		574,724	558,915	-15,808	
Mineral Resources business		93,533	80,177	-13,356	Exclusion of subsidiaries from consolidation
Environmental business		73,460	77,901	4,440	Increase in gypsum sales Increased acceptance of waste
Construction Materials business		80,853	74,027	-6,826	Decreased in construction materials
Other		85,222	75,331	-9,890	Exclusion of subsidiaries from consolidation Decrease in engineering business sales
Total		907,793	866,351	-41,441	
Eliminations		-72,433	-67,762	4,670	
Consolidated total		835,359	798,588	-36,770	

(2) Operating income

	Fiscal 2016	Fiscal 2017	Change	Main factors of change	
Cement business	Domestic	28,510	29,526	1,015	Domestic Decrease in domestic cement and solidifying material sales -0.8 bil. yen Price difference in domestic cement and solidifying material -0.9 bil. Yen Increase in export cement volume +0.9 bil. yen Decrease in net export revenue -2.0 bil. yen Variable cost etc. reduction +2.6 bil. yen Increased fixed cost -1.7 bil. yen Increased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +2.9 bil. yen
	Overseas subsidiaries	6,120	9,371	3,251	Overseas subsidiaries U. S. +\$34 million China -\$1 million Asia +\$7 million Effect of foreign exchange -1.3 bil. yen
Total		34,631	38,898	4,266	
Mineral Resources business		8,113	7,759	-353	Exclusion of subsidiaries from consolidation
Environmental business		7,655	7,666	11	Increase in gypsum sales Increased acceptance of waste
Construction Materials business		6,130	6,061	-68	Decreased in construction materials
Other		4,014	3,267	-746	Decrease in engineering business sales
Total		60,544	63,654	3,109	
Eliminations		-111	-418	-307	
Consolidated total		60,433	63,235	2,801	

[Reference information]

Foreign exchange rate Fiscal 2016 average: ¥121.10 per dollar; Fiscal 2017 average: ¥108.78 per dollar; difference: -¥12.32
Exchange rate at end of Dec. 2015: ¥120.61 per dollar; at end of Dec. 2016: ¥116.49 per dollar; difference: -¥4.12

Consolidated Balance Sheets

(Millions of yen)

	As of 3/31/16	As of 3/31/17	Change
Cash and deposits	53,539	60,516	6,976
Notes and accounts receivable-trade	161,392	171,946	10,553
Merchandise and finished goods	31,187	31,835	647
Work in process	1,485	1,708	223
Raw materials and supplies	42,624	42,422	-202
Deferred tax assets	6,886	9,098	2,212
Short-term loans receivable	3,018	3,896	877
Other	9,721	12,595	2,874
Allowance for doubtful accounts	-938	-1,125	-186
Total current assets	308,918	332,895	23,976
Property, plant and equipment			
Buildings and structures, net	132,708	136,454	3,746
Machinery, equipment, and vehicles, net	147,151	135,380	-11,770
Land	140,726	160,571	19,844
Construction in progress	20,950	19,083	-1,866
Other, net	46,074	45,660	-413
Total property, plant and equipment	487,611	497,151	9,540
Intangible assets			
Goodwill	6,432	3,409	-3,022
Other	37,487	34,250	-3,236
Total intangible assets	43,919	37,660	-6,259
Investments and other assets			
Investment securities	115,443	84,781	-30,662
Long-term loans receivable	1,127	3,238	2,110
Assets for retirement benefits	8,968	17,352	8,383
Deferred tax assets	23,258	19,056	-4,202
Other	31,483	31,613	130
Allowance for doubtful accounts	-6,655	-8,333	-1,677
Total investments and other assets	173,626	147,708	-25,917
Total noncurrent assets	705,156	682,520	-22,636
Total assets	1,014,075	1,015,415	1,340
Notes and accounts payable-trade	73,893	79,676	5,782
Short-term loans payable	160,421	134,428	-25,993
Current portion of bonds	450	11,120	10,670
Income taxes payable	8,351	5,914	-2,436
Deferred tax liabilities	5	4	-0
Provision for bonuses	5,723	5,742	18
Other provision	751	410	-341
Other	71,631	71,613	-18
Total current liabilities	321,229	308,910	-12,318
Bonds payable	46,155	35,035	-11,120
Long-term loans payable	187,471	160,346	-27,124
Deferred tax liabilities	3,527	8,378	4,850
Liability for retirement benefits	22,814	24,217	1,403
Provision for directors' retirement benefits	433	568	135
Provision for special repairs	245	121	-123
Other provision	747	981	234
Lease obligations	15,662	21,285	5,622
Asset retirement obligations	7,990	7,520	-469
Other	50,725	48,013	-2,711
Total noncurrent liabilities	335,772	306,469	-29,302
Total liabilities	657,002	615,380	-41,621

	As of 3/31/16	As of 3/31/17	Change
Capital stock	86,174	86,174	-
Capital surplus	50,925	59,548	8,623
Retained earnings	188,731	228,914	40,182
Treasury stock	-979	-10,911	-9,932
Total shareholders' equity	324,851	363,725	38,873
Valuation difference on available-for-sale securities	4,755	9,830	5,074
Deferred gains or losses on hedges	16	48	31
Revaluation reserve for land	4,665	5,065	400
Foreign currency translation adjustments	-4,174	-12,862	-8,688
Retirement benefits liability adjustments	-11,829	-3,987	7,842
Total accumulated other comprehensive income	-6,566	-1,906	4,660
Non-controlling interests	38,787	38,215	-571
Total net assets	357,073	400,034	42,961
Total liabilities and total net assets	1,014,075	1,015,415	1,340

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2016	Fiscal 2017	Change
Cash flows from operating activities	75,627	85,985	10,358
Income before income taxes and minority interests	52,592	52,741	149
Depreciation and amortization	43,957	44,459	502
Decrease (increase) in notes and accounts receivable-trade	7,259	-3,236	-10,495
Increase (decrease) in notes and accounts payable-trade	-6,525	1,200	7,725
Other	-21,656	-9,179	12,477
Cash flows from investing activities	-71,099	-1,945	69,154
Purchase of property, plant, and equipment	-35,922	-40,190	-4,268
Proceeds from sale of property, plant, and equipment	6,061	4,276	-1,785
Purchase of investment securities	-342	-870	-528
Proceeds from sales of investment securities	995	41,062	40,067
Payments for transfer of business	-50,863	-	50,863
Other	8,972	-6,223	-15,195
Cash flows from financing activities	-4,027	-81,855	-77,828
Decrease (increase) in interest-bearing liabilities	10,616	-60,319	-70,935
Purchase of treasury stock	-43	-10,045	-10,002
Dividends of surplus fund	-7,370	-7,474	-104
Other	-7,230	-4,017	3,213
Effect of exchange rate changes on cash and cash equivalents	-510	-1,474	-964
Net increase (decrease) in cash and cash equivalents	-10	710	720
Other	-563	1,191	1,754
Cash and cash equivalents at beginning of term	50,645	50,072	-573
Cash and cash equivalents at end of term	50,072	51,974	1,902

(Millions of yen)

Increase (decrease) in interest-bearing liabilities	As of 3/31/16	As of 3/31/17	Difference
Bonds payable	46,155	35,035	-11,120
Current portion of bonds	450	11,120	10,670
Long-term loans payable	187,471	160,346	-27,124
Short-term loans payable	160,421	134,428	-25,993
Total interest-bearing liabilities	394,497	340,930	-53,567

	As of 3/31/16	As of 3/31/17	Difference
Equity ratio (%)	31.4	35.6	4.2
Equity ratio based on market value (%)	31.4	45.2	13.8
Equity per share (yen)	259.1	293.0	33.9
Current ratio (%)	96.2	107.8	11.6
Earnings per share (yen)	29.6	38.4	8.8
ROA (%)	5.9	5.9	0.0
Cash flows / interest-bearing liabilities ratio (years)	5.2	4.0	-1.2
Interest coverage ratio (times)	11.5	17.2	5.7
Net DE ratio (times)	1.1	0.8	-0.3

Forecast of Fiscal 2018

[Preconditions]

•Domestic demand: Fiscal 2018 43 million tons

•Exchange rate at Fiscal 2017: ¥108.8 per dollar; at Fiscal 2018: ¥110.0, difference:+ ¥1.2

(100 million yen)

		Fiscal 2017 (actual)	Fiscal 2018 (forecast)	Differences
Net sales	Cement business (domestic)	3,850	4,000	150
	Overseas subsidiaries	1,738	1,900	162
	Cement business (total)	5,589	5,900	311
	Mineral Resources business	801	830	29
	Environmental business	779	870	91
	Construction Materials business	740	790	50
	Other	753	840	87
	Total	8,663	9,230	567
	Eliminations	-677	-700	-23
Consolidated		7,985	8,530	545
Operating income	Cement business (domestic)	295	220	-75
	Overseas subsidiaries	93	167	74
	Cement business (total)	388	387	-1
	Mineral Resources business	77	80	3
	Environmental business	76	77	1
	Construction Materials business	60	59	-1
	Other	32	48	16
	Total	636	651	15
	Eliminations	-4	-1	3
Consolidated		632	650	18
Ordinary income		598	610	12
Extraordinary income or loss		-70	-60	10
Income before income taxes and non-controlling interests		527	550	23
Profit attributable to owners of parent		475	350	-125

Sales volume of cement (Thousand tons)

	Fiscal 2017 (actual)	Fiscal 2018 (forecast)	Change
Domestic	14,372	14,930	558
Export	4,356	4,227	-129

Main factors of changes in Net sales

[Cement]

Domestic:

Increase in sales of domestic cement and solidifying material +6.4bil. yen
 Price difference in domestic cement and solidifying material -1.0 bil. yen
 Decrease in export volume -0.5 bil. yen
 Price difference in export cement +0.2 bil. yen
 Increased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +9.9 bil. yen

Overseas subsidiaries:

U. S. +\$70 million
 China +\$28 million
 Asia +\$51 million
 Effect of foreign exchange +0.7 bil. yen

Main factors of changes in Operating income

[Cement]

Domestic:

Increase in sales of domestic cement and solidifying material +3.8 bil. yen
 Price difference in domestic cement and solidifying material -0.9 bil. yen
 Decrease in export volume -0.3 bil. yen
 Decrease in net export revenue -1.1 bil. yen
 Variable cost etc. rise -5.5 bil. yen
 Increased fixed cost -2.6 bil. yen
 Decreased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -0.9 bil. yen

Overseas subsidiaries:

U. S. +\$33 million
 China +\$31 million
 Asia +\$4 million

[Reference Information]

1. Status of the Consolidated Group

(No. of companies)

	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
Consolidated subsidiaries	141	132	131	121	125
Equity method subsidiaries	14	13	11	9	8
Equity method affiliates	38	38	37	40	38
Total of companies within the scope of consolidation	193	183	179	170	171
Subsidiaries outside the scope of consolidation	94	89	86	68	78
Affiliates outside the scope of consolidation	64	65	63	62	66
Total of companies outside the scope of consolidation	158	154	149	130	144
Total	351	337	328	300	315

2. Change in Interest-bearing Debt

(100 million yen)

	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	As of 3/31/18 (forecast)
The Company	2,552	2,349	2,292	2,533	2,111	1,950
Consolidated subsidiaries	2,187	2,002	1,699	1,411	1,298	1,250
Whole group	4,739	4,351	3,991	3,944	3,409	3,200

3. Change in Number of Personnel

(No. of persons)

	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
The Company	2,276	2,279	2,296	2,289	2,242
Consolidated subsidiaries	11,556	10,808	10,763	10,285	10,766
Whole group	13,832	13,087	13,059	12,574	13,008

4. Change in Capital Investment

(100 million yen)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018 (forecast)
The Company	191	196	198	224	199	208
Consolidated subsidiaries	134	194	223	216	344	371
Whole group	325	390	421	440	543	579

5. Change in Depreciation Expenses

(100 million yen)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018 (forecast)
The Company	177	175	180	176	180	177
Consolidated subsidiaries	217	230	244	263	264	288
Whole group	394	405	424	439	444	465

6. Change in Experiment and Research Expenses

(100 million yen)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018 (forecast)
The Company	30	33	37	36	37	39
Consolidated subsidiaries	8	7	7	6	8	9
Whole group	38	40	44	42	45	48

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

(10 thousand tons)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018 (forecast)
U.S.A.	275	308	343	411	496	515
Asia	1,106	1,138	1,091	1,017	1,023	1,093
Other regions	14	18	20	16	15	18

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

(\$ thousands)

	Fiscal 2013 actual	Fiscal 2014 actual	Fiscal 2015 actual	Fiscal 2016 actual	Fiscal 2017 actual	Fiscal 2018 (forecast)
Net sales	563,016	686,019	803,910	917,753	1,048,453	1,118,000
Operating income (loss)	-77,575	-35,575	34,525	22,555	56,074	89,000
Net income (loss)	-59,751	-43,965	9,236	2,328	24,799	47,000

10. Financial Forecasts for the First Half of Fiscal 2018

(100 million yen)

		First Half of Fiscal 2017 (actual)	First Half of Fiscal 2018 (forecast)	Differences
Net sales	Cement business (domestic)	1,818	1,980	162
	Overseas subsidiaries	851	910	59
	Cement business (total)	2,670	2,890	220
	Mineral Resources business	384	400	16
	Environmental business	352	400	48
	Construction Materials business	320	350	30
	Other	334	350	16
	Total	4,063	4,390	327
	Eliminations	-293	-330	-37
Consolidated		3,769	4,060	291
Operating income	Cement business (domestic)	88	75	-13
	Overseas subsidiaries	35	58	23
	Cement business (total)	123	133	10
	Mineral Resources business	33	35	2
	Environmental business	34	35	1
	Construction Materials business	13	20	7
	Other	10	8	-2
	Total	216	231	15
	Eliminations	-1	-1	0
Consolidated		214	230	16
Ordinary income		208	220	12
Extraordinary income or loss		171	-10	-181
Income before income taxes and non-controlling interests		379	210	-169
Profit attributable to owners of parent		420	130	-290