

Taiheiyo Cement Corporation

Reference Materials of Financial Results for Fiscal 2018 (the Year Ended March 31, 2018)

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May 10, 2018

1. Trend in Construction Investments and Domestic Demand of Cement

	Estimate of construction investments (in normal 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	511,410	—) 0.3	45,551	—) 4.5	9,421	10.8
Fiscal 2016	(Estimated) 508,200	—) 0.6	42,668	—) 6.3	10,583	12.3
Fiscal 2017	(Estimated) 524,700	3.2	41,777	—) 2.1	11,529	8.9
Fiscal 2018	(Forecasted) 538,300	2.6	41,876	0.2	11,808	2.4

[Sources]

Estimate of construction investments:

for Fiscal 2001 to Fiscal 2017, Ministry of Land, Infrastructure, Transport and Tourism
for Fiscal 2018 onwards, Research Institute of Construction and Economy (RICE)

Domestic demand of cement:

for Fiscal 2001 to Fiscal 2018, Japan Cement Association

Export:

for Fiscal 2001 to Fiscal 2018, Japan Cement Association

2. Volume of Sales and Shipment Results by Region

Volume of sales of cement by region (excluding imports)

	Fiscal 2016		Fiscal 2017		Fiscal 2018	
	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	1,793	-11.8	1,939	8.1	2,014	3.9
Tohoku	4,784	3.7	4,418	-7.7	4,163	-5.8
Kanto 1	9,551	-6.6	9,327	-2.3	9,702	4.0
Kanto 2	3,684	-7.5	3,724	1.1	3,877	4.1
Hokuriku	1,932	-1.8	1,830	-5.3	1,843	0.7
Tokai	4,872	-5.3	4,629	-5.0	4,586	-0.9
Kinki	5,923	-7.3	5,772	-2.6	5,422	-6.1
Shikoku	1,565	-8.0	1,561	-0.2	1,535	-1.7
Chugoku	2,565	-5.6	2,501	-2.5	2,514	0.5
Kyushu	4,711	-11.1	4,874	3.5	4,996	2.5
Okinawa	968	-1.1	923	-4.6	1,049	13.6
Domestic Total	42,347	-6.0	41,497	-2.0	41,701	0.5
Exports	10,583	12.3	11,529	8.9	11,808	2.4
Total	52,930	-2.8	53,027	0.2	53,508	0.9

Source: Japan Cement Association

Volume of shipment of ready-mixed concrete by region

	Fiscal 2016		Fiscal 2017		Fiscal 2018	
	Volume of shipment (Thousand cubic meters)	Year-on year change (%)	Volume of shipment (Thousand cubic meters)	Year-on year change (%)	Volume of shipment (Thousand cubic meters)	Year-on year change (%)
Hokkaido	3,203	-15.7	3,462	8.1	3,569	3.1
Tohoku	9,599	-1.9	8,669	-9.7	8,225	-5.1
Kanto 1	20,470	-6.7	19,961	-2.5	20,407	2.2
Kanto 2	6,211	-9.9	6,066	-2.3	6,210	2.4
Hokuriku	3,967	-6.0	3,828	-3.5	3,879	1.3
Tokai	10,488	-5.2	9,760	-6.9	9,428	-3.4
Kinki	12,878	-6.7	12,363	-4.0	11,375	-8.0
Shikoku	5,057	-6.6	4,826	-4.6	4,862	0.8
Chugoku	3,573	-8.3	3,479	-2.6	3,414	-1.9
Kyushu	11,615	-11.9	11,497	-1.0	12,332	7.3
Total	87,061	-7.4	83,912	-3.6	83,701	-0.3

Source: National Federation of Ready-Mixed Concrete Industrial Associations

Financial Results for Fiscal 2018

Sales volume of Cement (Thousand tons)

	Fiscal 2017	Fiscal 2018	Change
Domestic	14,372	14,729	357
Export	4,356	4,238	-118

Consolidated Statements of Income

(Millions of yen)

		Item	Fiscal 2017	Fiscal 2018	Change	
Ordinary income and losses	Operating income/loss	Net sales	798,588	871,113	72,524	
		Cost of sales	599,924	664,996	65,071	
		Gross profit	198,664	206,117	7,452	
		Selling, general and administrative expenses	135,429	140,987	5,557	
		Operating income	63,235	65,129	1,894	
	Non-operating income and loss	Income	Interest income	690	810	119
			Dividends income	959	1,159	199
			Equity in earnings of unconsolidated subsidiaries and affiliates	2,009	3,196	1,186
			Real estate rent	311	301	-) 10
			Other	1,916	2,910	994
			Total	5,888	8,378	2,490
		Expenses	Interest expenses	4,998	4,639	-) 358
			Provision of allowance for doubtful accounts	120	1,030	909
			Other	4,201	3,471	-) 729
			Total	9,320	9,141	-) 178
		Ordinary income	59,802	64,366	4,563	
Extraordinary income and losses	Income	Gain on disposal of non-current assets	648	1,417	769	
		Gain on sales of investment securities	4,012	92	-) 3,920	
		Gain on bargain purchase	16,874	-	-) 16,874	
		Other	126	106	-) 19	
			Total	21,661	1,616	-) 20,044
	Losses	Loss on disposal of non-current assets	3,965	4,725	759	
		Loss on sale of investment securities	24	23	-) 1	
		Loss on valuation of investment securities	68	1,356	1,288	
		Impairment loss	20,693	577	-) 20,116	
		Loss on step acquisitions	3,034	-	-) 3,034	
		Other	936	658	-) 278	
		Total	28,723	7,341	-) 21,382	
		Income before income taxes and non-controlling interests	52,741	58,642	5,901	
		Income taxes-current	8,830	10,200	1,369	
		Income taxes-deferred	-) 3,646	7,356	11,003	
		Income taxes total	5,184	17,557	12,372	
		Profit	47,556	41,085	-) 6,471	
		Profit attributable to non-controlling interests	-) 40	2,559	2,599	
		Profit attributable to owners of parent	47,597	38,525	-) 9,071	

Segment Information

(1) Net sales

(Millions of yen)

		Fiscal 2017	Fiscal 2018	Change	Main factors of change	
Cement business	Domestic	385,060	408,513	23,452	Domestic	Increase in domestic cement and solidifying material sales +5.3 bil. yen Price difference in domestic cements and solidifying materials -0.4 bil. yen Decrease in export cement volume -0.5 bil. yen Price difference in export cement +0.4 bil. yen Increase sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc +18.6 bil. yen
	Overseas subsidiaries	173,854	203,405	29,550	Overseas subsidiaries	U.S. +\$176 million China +\$62 million Asia -\$8 million Effect of foreign exchange +4.8 bil. yen
	Total	558,915	611,918	53,003		
Mineral Resources business	80,177	81,483	1,306	Increase sales of mineral products		
Environmental business	77,901	90,206	12,305	Increase waste processing		
Construction Materials business	74,027	77,033	3,006	Increase civil engineering work		
Other	75,331	79,020	3,689			
Total	866,351	939,663	73,311			
Elimination	-67,762	-68,550	-787			
Consolidated total	798,588	871,113	72,524			

(2) Operating income

		Fiscal 2017	Fiscal 2018	Change	Main factors of change	
Cement business	Domestic	29,526	25,505	-4,020	Domestic	Increase in domestic cement and solidifying material sales +2.8 bil. yen Price difference in domestic cements and solidifying materials -0.4 bil. yen Decrease in net export volume -0.2 bil. yen Decrease in net export revenue -0.6 bil. yen Increased Variable cost etc -4.5 bil. yen Increased fixed cost -1.6 bil. yen Increased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc +0.5 bil. yen
	Overseas subsidiaries	9,371	15,146	5,774	Overseas subsidiaries	U.S. +\$42 million China +\$41 million Asia -\$34 million Effect of foreign exchange +0.4 bil. yen
	Total	38,898	40,652	1,753		
Mineral Resources business	7,759	8,061	302	Increase sales of mineral products		
Environmental business	7,666	7,463	-203	Increase fixed cost (Depreciation expenses etc)		
Construction Materials business	6,061	4,740	-1,321	Drop of a profit rate of earthwork development		
Other	3,267	3,926	658			
Total	63,654	64,843	1,189			
Elimination	-418	286	705			
Consolidated total	63,235	65,129	1,894			

[Reference Information]

Foreign exchange rate Fiscal 2017 average: ¥108.78 per dollar; Fiscal 2018 average: ¥112.16 per dollar; difference: ¥3.38 per dollar
 Exchange rate at the end of Dec.2016: ¥116.49 per dollar; at the end of Dec.2017; ¥113.00 per dollar; difference: -¥3.49 per dollar

Consolidated Balance Sheets

(Millions of yen)

	As of 3/31/17	As of 3/31/18	Change
Cash and deposits	60,516	53,766	-6,749
Notes and accounts receivable-trade	166,625	182,272	15,646
Electronically recorded monetary claims-operating	5,320	10,989	5,669
Merchandise and finished goods	31,835	29,193	-2,642
Work in process	1,708	2,383	674
Raw materials and supplies	42,422	41,761	-660
Deferred tax assets	9,098	7,320	-1,778
Short-term loans receivables	3,896	3,464	-432
Other	12,595	10,560	-2,035
Allowance for doubtful accounts	-1,125	-1,116	8
Total current assets	332,895	340,595	7,700
Property, plant and equipment			
Buildings and structures, net	136,454	134,456	-1,997
Machinery, equipment, and vehicles, net	135,380	136,603	1,222
Land	160,571	158,057	-2,514
Leased assets	22,319	20,998	-1,321
Construction in progress	19,083	32,647	13,563
Other, net	23,341	22,674	-666
Total property, plant, and equipment	497,151	505,438	8,286
Intangible assets			
Goodwill	3,409	777	-2,632
Other	34,250	32,261	-1,989
Total intangible assets	37,660	33,038	-4,622
Investments and other assets			
Investment securities	84,781	86,834	2,053
Long-term loans receivable	3,238	2,941	-296
Assets for retirement benefits	17,352	21,298	3,946
Deferred tax assets	19,056	12,194	-6,861
Other	31,613	28,341	-3,272
Allowance for doubtful accounts	-8,333	-8,539	-206
Total investments and other assets	147,708	143,070	-4,638
Total noncurrent assets	682,520	681,546	-973
Total assets	1,015,415	1,022,142	6,726
Notes and accounts payable-trade	78,441	91,113	12,671
Electronically recorded obligations-operating	1,234	4,670	3,436
Short-term loans payable	134,428	153,181	18,752
Current portion of bonds	11,120	15,035	3,915
Income taxes payable	5,914	6,416	501
Deferred tax liabilities	4	3	-1
Provision for bonuses	5,742	6,021	278
Other provision	410	121	-289
Other	71,613	83,986	12,372
Total current liabilities	308,910	360,550	51,639
Bonds payable	35,035	20,000	-15,035
Long-term loans payable	160,346	100,390	-59,956
Deferred tax liabilities	8,378	10,051	1,672
Liability for retirement benefits	24,217	24,559	341
Provision for directors' retirement benefits	568	520	-48
Provision for special repairs	121	128	7
Other provision	981	750	-231
Lease obligations	21,285	18,844	-2,440
Assets retirement obligation	7,520	7,553	32
Other	48,013	46,466	-1,546
Total noncurrent liabilities	306,469	229,265	-77,204
Total liabilities	615,380	589,815	-25,565

Capital stock	86,174	86,174	-
Capital surplus	59,548	60,339	790
Retained earnings	228,914	260,016	31,101
Treasury stock	-10,911	-10,947	-35
Total shareholders' equity	363,725	395,582	31,856
Valuation difference on available-for-sale securities	9,830	10,941	1,111
Deferred gains or losses on hedges	48	1	-47
Revaluation reserve for land	5,065	5,057	-8
Foreign currency translation adjustments	-12,862	-16,201	-3,338
Retirement benefits liability adjustments	-3,987	-111	3,875
Total accumulated other comprehensive income	-1,906	-313	1,592
Non-controlling interests	38,215	37,058	-1,157
Total net assets	400,034	432,326	32,291
Total liabilities and total net assets	1,015,415	1,022,142	6,726

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2017	Fiscal 2018	Change
Cash flows from operating activities	94,433	107,683	13,250
Income before income taxes and non-controlling interests	52,741	58,642	5,901
Depreciation and amortization	44,459	44,003	-456
Decrease (increase) in notes and accounts receivable-trade	-3,236	-21,864	-18,628
Increase (decrease) in notes and accounts payable-trade	1,200	16,405	15,205
Other	-731	10,497	11,228
Cash flows from investing activities	-10,394	-48,460	-38,066
Purchase of property, plant, and equipment	-48,638	-52,588	-3,950
Proceeds from sale of property, plant, and equipment	4,276	2,812	-1,464
Purchase of investment securities	-870	-121	749
Proceeds from sale of investment securities	41,062	1,157	-39,905
Other	-6,223	280	6,503
Cash flows from financing activities	-81,855	-65,818	16,037
Decrease (increase) in interest-bearing liabilities	-60,319	-50,587	9,732
Purchase of treasury stock	-10,045	-102	9,943
Dividends of surplus fund	-7,474	-7,423	51
Other	-4,017	-7,706	-3,689
Effect of exchange rate changes on cash and cash equivalents	-1,474	-459	1,015
Net increase (decrease) in cash and cash equivalents	710	-7,054	-7,764
Other	1,191	57	-1,134
Cash and cash equivalents at beginning of term	50,072	51,974	1,902
Cash and cash equivalents at end of term	51,974	44,976	-6,998

(Millions of yen)

Increase (decrease) in interest-bearing liabilities	As of 3/31/17	As of 3/31/18	Difference
Bonds payable	35,035	20,000	-15,035
Current portion of bonds	11,120	15,035	3,915
Long-term loans payable	160,346	100,390	-59,956
Short-term loans payable	134,428	153,181	18,752
Total interest-bearing liabilities	340,930	288,606	-52,323

(Millions of yen)

	As of 3/31/17	As of 3/31/18	Difference
Equity ratio (%)	35.6	38.7	3.1
Equity ratio based on market value (%)	45.2	46.8	1.6
Equity per share (yen)	2,930.2	3,193.7	263.5
Current ratio (%)	107.8	94.5	-13.3
Earnings per share (yen)	383.9	311.4	-72.5
ROA (%)	5.9	6.3	0.4
Cash flows / interest-bearing liabilities ratio (years)	3.6	2.7	-0.9
Interest coverage ratio (times)	18.9	23.3	4.4
Net DE ratio (times)	0.8	0.6	-0.2

The Company has implemented the share consolidation of common stocks in a rate of one share for every ten shares effective on October 1, 2017. Accordingly, Equity per share and Earnings per share are calculated on the assumption that the share consolidation was implemented at the beginning of the previous fiscal year.

Forecast of Fiscal 2019

[Preconditions]

- Domestic demand: Fiscal 2019 42 million tons
- Exchange rate at Fiscal 2018: ¥112.16 per dollar; at Fiscal 2019:¥110.00 , difference:–¥2.16

(100 million yen)

		Fiscal 2018 (actual)	Fiscal 2019 (forecast)	Differences
Net sales	Cement business (domestic)	4,085	4,160	75
	Overseas subsidiaries	2,034	2,030	–)
	Cement business (total)	6,119	6,190	71
	Mineral Resources business	814	850	36
	Environmental business	902	910	8
	Construction Materials business	770	800	30
	Other	790	860	70
	Total	9,396	9,610	214
	Eliminations	–685	–730	–)
	Consolidated	8,711	8,880	169
<hr/>				
Operating income	Cement business (domestic)	255	220	–)
	Overseas subsidiaries	151	200	49
	Cement business (total)	406	420	14
	Mineral Resources business	80	84	4
	Environmental business	74	69	–)
	Construction Materials business	47	54	7
	Other	39	50	11
	Total	648	677	29
	Eliminations	2	3	1
	Consolidated	651	680	29
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Ordinary income		643	660	17
<hr/>				
Extraordinary income or loss		–57	–50	7
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Income before income taxes and non-controlling interests		586	610	24
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Profit attributable to owners of parent		385	420	35

Sales volume of cement (Thousand tons)

	Fiscal 2018 (actual)	Fiscal 2019 (forecast)	Change
Domestic	14,729	14,810	81
Export	4,238	4,330	92

Main factors of changes in Net sales

[Cement]

Domestic:

Increase in sales of domestic cement and solidifying material + 1 bil. yen
 Price difference in domestic cements and solidifying materials +5.1 bil. yen
 Increase in export volume +0.4 bil. yen
 Price difference in export cement +1 bil. yen

Overseas subsidiaries

U. S. + \$40 million
 China - \$30 million
 Asia + \$24 million
 Effect of foreign exchange - 4 bil.yen

Main factors of changes in Operating income

[Cement]

Domestic

Increase in sales of domestic cement and solidifying material +0.6 bil. yen
 Price difference in domestic cements and solidifying materials +4.2 bil. yen
 Decrease in export volume +0.1 bil. yen
 Decrease in net export revenue +0.5 bil. yen
 Variable cost etc. rise -5.6 bil. yen
 Increased fixed cost -1.7 bil. yen
 Decreased income from companies producing ready-mixed concrete and
 merchandising firms of ready-mixed concrete etc. -1.6 bil. yen

Overseas subsidiaries

U. S. + \$32 million
 Amortization of goodwill + 21 bil. yen
 China + \$1 million
 Asia - \$3 million
 Effect of foreign exchange - 0.4 bil.yen

[Reference information]

1. Status of the Consolidated Group

(No. of companies)

	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
Consolidated subsidiaries	132	131	121	125	123
Equity method subsidiaries	13	11	9	8	7
Equity method affiliates	38	37	40	38	38
Total of companies within the scope of consolidation	183	179	170	171	168
Subsidiaries outside the scope of consolidation	89	86	68	78	72
Affiliates outside the scope of consolidation	65	63	62	66	67
Total of companies outside the scope of consolidation	154	149	130	144	139
Total	337	328	300	315	307

2. Change in Interest-bearing Debt

(100 million yen)

	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	AS of 3/31/19 (forecast)
The Company	2,349	2,292	2,533	2,111	1,754	1,780
Consolidated subsidiaries	2,002	1,699	1,411	1,298	1,132	1,070
Whole group	4,351	3,991	3,944	3,409	2,886	2,850

3. Change in Number of Personnel

(No. of persons)

	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
The Company	2,279	2,296	2,289	2,242	2,308
Consolidated subsidiaries	10,808	10,763	10,285	10,766	10,747
Whole group	13,087	13,059	12,574	13,008	13,055

4. Change in Capital Investment

(100 million yen)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019 (forecast)
The Company	196	198	224	199	208	271
Consolidated subsidiaries	194	223	216	344	372	425
Whole group	390	421	440	543	580	696

5. Change in Depreciation Expenses

(100 million yen)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019 (forecast)
The Company	175	180	176	180	178	178
Consolidated subsidiaries	230	244	263	264	262	281
Whole group	405	424	439	444	440	459

6. Change in Experiment and Research Expenses

(100 million yen)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019 (forecast)
The Company	33	37	36	37	36	39
Consolidated subsidiaries	7	7	6	8	8	9
Whole group	40	44	42	45	44	48

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

(10 thousand ton)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019 (forecast)
U.S.A.	308	343	411	496	565	574
Asia	1,138	1,091	1,017	1,023	1,061	1,066
Other regions	18	20	16	15	12	16

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

(\$ thousands)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019 (forecast)
Net Sales	686,019	803,910	917,753	1,048,453	1,224,641	1,265,000
Operating income	-35,575	34,525	22,555	56,074	97,672	130,000
Net income	-43,965	9,236	2,328	24,799	37,524	85,000

9. Forecast of the First Half of Fiscal 2019

		First Half of Fiscal 2018 (actual)	First Half of Fiscal 2019 (forecast)	Differences	
Net Sales	Cement business (domestic)	2,036	2,070		34
	Overseas subsidiaries	962	980		18
	Cement business (total)	2,998	3,050		52
	Mineral Resources business	400	410		10
	Environmental business	424	420	-)	4
	Construction Materials business	363	370		7
	Other	353	380		27
	Total	4,540	4,630		90
	Eliminations	-321	-340	-)	19
	Consolidated	4,219	4,290		71
Operating income	Cement business (domestic)	104	83	-)	21
	Overseas subsidiaries	67	88		21
	Cement business (total)	171	171		0
	Mineral Resources business	36	38		2
	Environmental business	36	32	-)	4
	Construction Materials business	18	18		0
	Other	10	9	-)	1
	Total	273	268	-)	5
	Eliminations	0	2		2
Consolidated	274	270	-)	4	
Ordinary income		280	260	-)	20
Extraordinary income or loss		-5	-20	-)	15
Income before income taxes and non-controlling interests		275	240	-)	35
Profit attributable to owners of parent		169	160	-)	9