

Taiheiyo Cement Corporation

Reference Materials of Financial Results for Fiscal 2019 (the Year Ended March 31, 2019)

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May 14, 2019

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 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	509,828	—) 0.3	42,668	—) 6.3	10,583	12.3
Fiscal 2017	(Estimated) 535,700	5.1	41,777	—) 2.1	11,529	8.9
Fiscal 2018	(Estimated) 560,200	4.6	41,876	0.2	11,808	2.4
Fiscal 2019	(Forecasted) 567,400	1.3	42,589	1.7	10,371	—) 12.2

[Sources]

Estimate of construction investments:

for Fiscal 2002 to Fiscal 2018, Ministry of Land, Infrastructure, Transport and Tourism
for Fiscal 2019 onwards, Research Institute of Construction and Economy (RICE)

Domestic demand of cement:

for Fiscal 2002 to Fiscal 2019, Japan Cement Association

Export:

for Fiscal 2002 to Fiscal 2019, Japan Cement Association

2. Volume of Sales and Shipment Results by Region

Volume of sales of cement by region (excluding imports)

	Fiscal 2017		Fiscal 2018		Fiscal 2019	
	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	1,939	8.1	2,014	3.9	1,917	-4.8
Tohoku	4,418	-7.7	4,163	-5.8	4,129	-0.8
Kanto 1	9,327	-2.3	9,702	4.0	10,091	4.0
Kanto 2	3,724	1.1	3,877	4.1	3,659	-5.6
Hokuriku	1,830	-5.3	1,843	0.7	2,261	22.7
Tokai	4,629	-5.0	4,586	-0.9	4,896	6.8
Kinki	5,772	-2.6	5,422	-6.1	5,507	1.6
Shikoku	1,561	-0.2	1,535	-1.7	1,506	-1.9
Chugoku	2,501	-2.5	2,514	0.5	2,443	-2.8
Kyushu	4,874	3.5	4,996	2.5	5,094	2.0
Okinawa	923	-4.6	1,049	13.6	996	-5.1
Domestic Total	41,497	-2.0	41,701	0.5	42,499	1.9
Exports	11,529	8.9	11,808	2.4	10,371	-12.2
Total	53,027	0.2	53,508	0.9	52,870	-1.2

Source: Japan Cement Association

Volume of shipment of ready-mixed concrete by region

	Fiscal 2017		Fiscal 2018		Fiscal 2019	
	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	3,462	8.1	3,569	3.1	3,441	-3.6
Tohoku	8,669	-9.7	8,225	-5.1	7,856	-4.5
Kanto 1	19,961	-2.5	20,407	2.2	21,898	7.3
Kanto 2	6,066	-2.3	6,210	2.4	5,968	-3.9
Hokuriku	3,828	-3.5	3,879	1.3	4,783	23.3
Tokai	9,760	-6.9	9,428	-3.4	10,046	6.6
Kinki	12,363	-4.0	11,375	-8.0	11,190	-1.6
Chugoku	4,826	-4.6	4,862	0.8	4,600	-5.4
Shikoku	3,479	-2.6	3,414	-1.9	3,249	-4.8
Kyushu	11,497	-1.0	12,332	7.3	12,450	1.0
Total	83,912	-3.6	83,701	-0.3	85,481	2.1

Source: National Federation of Ready-Mixed Concrete Industrial Associations

Financial Results for Fiscal 2019

Sales volume of Cement (Thousand tons)

	Fiscal 2018	Fiscal 2019	Change
Domestic	14,729	15,248	519
Export	4,238	3,485	-753

Consolidated Statements of Income

(Millions of yen)

		Item	Fiscal 2018	Fiscal 2019	Change	
Ordinary income and losses	Operating income/loss	Net sales	871,113	916,071	44,958	
		Cost of sales	664,996	712,660	47,664	
		Gross profit	206,117	203,411	-) 2,705	
		Selling, general and administrative expenses	140,987	137,398	-) 3,589	
		Operating income	65,129	66,012	883	
	Non-operating income and loss	Income	Interest income	810	632	-) 177
			Dividends income	1,159	1,227	68
			Equity in earnings of unconsolidated subsidiaries and affiliates	3,196	2,288	-) 907
			Real estate rent	301	247	-) 53
			Other	2,910	3,294	383
			Total	8,378	7,691	-) 687
		Expenses	Interest expenses	4,639	4,068	-) 571
			Loss on disposal of inventories	258	1,126	868
			Provision of allowance for doubtful	1,030	-	-) 1,030
			Other	3,213	4,202	988
Total	9,141	9,397	255			
		Ordinary income	64,366	64,306	-) 59	
Extraordinary income and losses	Income	Gain on disposal of non-current assets	1,417	1,149	-) 268	
		Gain on sales of investment securities	92	532	440	
		Other	106	234	128	
		Total	1,616	1,917	300	
	Losses	Loss on disposal of non-current assets	4,725	4,828	102	
		Loss on sale of investment securities	23	133	110	
		Loss on valuation of investment securities	1,356	326	-) 1,030	
		Impairment loss	577	1,101	523	
		Other	658	660	2	
		Total	7,341	7,049	-) 291	
		Income before income taxes and non-controlling interests	58,642	59,174	532	
		Income taxes-current	10,200	11,760	1,559	
		Income taxes-deferred	7,356	1,796	-) 5,559	
		Income taxes total	17,557	13,557	-) 3,999	
		Profit	41,085	45,616	4,531	
		Profit attributable to non-controlling interests	2,559	2,164	-) 395	
		Profit attributable to owners of parent	38,525	43,452	4,927	

Segment Information

(1) Net sales

(Millions of yen)

		Fiscal 2018	Fiscal 2019	Change	Main factors of change	
Cement business	Domestic	408,513	434,875	26,362	Domestic	Increase in domestic cement and solidifying material sales +5.6 bil. yen Decrease in export cement volume -3.1 bil. yen Price difference in domestic cement and solidifying materials +1.2 bil. yen Price difference in export cement +0.8 bil. yen Increase sales from companies producing or selling cement or ready-mixed concrete etc +21.8 bil. yen
	Overseas subsidiaries	203,405	211,601	8,195	Overseas subsidiaries	U.S.A. +\$103 million China -\$17 million Asia and other +\$29 million Effect of foreign exchange -4.7 bil. yen
	Total	611,918	646,477	34,558		
Mineral Resources business		81,483	84,262	2,778	Increase in redevelopment work in the metropolitan area and Tokyo Olympic and Paralympic related demand	
Environmental business		90,206	92,693	2,486	Increase in fuel sales and waste processing	
Construction Materials business		77,033	82,185	5,151	Recovery of ground improvement work, increase in civil engineering work related material sales	
Other		79,020	86,028	7,008		
Total		939,663	991,647	51,983		
Elimination		-68,550	-75,575	-7,024		
Consolidated total		871,113	916,071	44,958		

(2) Operating income

		Fiscal 2018	Fiscal 2019	Change	Main factors of change	
Cement business	Domestic	25,505	21,410	-4,094	Domestic	Increase in domestic cement and solidifying material sales +3.3 bil. yen Decrease in export cement volume -1.2 bil. yen Price difference in domestic cement and solidifying materials +1.0 bil. yen Decrease in export cement revenue -0.1 bil. yen Increased variable cost -5.2 bil. yen Increased fixed cost -1.5 bil. yen Increase sales from companies producing or selling cement or ready-mixed concrete etc -0.4 bil. yen
	Overseas subsidiaries	15,146	20,332	5,185	Overseas subsidiaries	U.S.A. +\$30 million Goodwill amortization +2.0 bil. yen China +\$12 million Asia and other -\$10 million Effect of foreign exchange -0.4 bil. yen
	Total	40,652	41,743	1,091		
Mineral Resources business		8,061	8,242	180	Aggregate business, mineral products business, soil solution business remained strong	
Environmental business		7,463	6,614	-848	Increase in logistic cost and fixed cost	
Construction Materials business		4,740	4,999	259	Recovery of ground improvement work	
Other		3,926	4,658	731		
Total		64,843	66,257	1,414		
Elimination		286	-244	-530		
Consolidated total		65,129	66,012	883		

[Reference Information]

Foreign exchange rate Fiscal 2018 average: ¥112.16 per dollar; Fiscal 2019 average: ¥110.44 per dollar; difference: ¥1.72 per dollar
Exchange rate at the end of Dec.2017: ¥113.00 per dollar; at the end of Dec.2018: ¥111.00 per dollar; difference: ¥2.00 per dollar

Consolidated Balance Sheets

(Millions of yen)

	As of 3/31/18	As of 3/31/19	Change
Cash and deposits	53,766	56,561	2,795
Notes and accounts receivable-trade	182,272	180,535	-1,736
Electronically recorded monetary claims-operating	10,989	12,998	2,009
Merchandise and finished goods	29,193	31,138	1,944
Work in process	2,383	2,268	-114
Raw materials and supplies	41,761	43,314	1,553
Short-term loans receivables	3,464	3,421	-43
Other	10,560	11,714	1,154
Allowance for doubtful accounts	-1,116	-646	470
Total current assets	333,275	341,307	8,032
Property, plant and equipment			
Buildings and structures, net	134,456	135,653	1,196
Machinery, equipment, and vehicles, net	136,603	134,649	-1,953
Land	158,057	157,638	-419
Leased assets	20,998	22,120	1,122
Construction in progress	32,647	48,678	16,030
Other, net	22,674	22,199	-475
Total property, plant, and equipment	505,438	520,939	15,501
Intangible assets			
Goodwill	777	321	-455
Other	32,261	30,553	-1,707
Total intangible assets	33,038	30,875	-2,162
Investments and other assets			
Investment securities	86,834	83,692	-3,141
Long-term loans receivable	2,941	1,754	-1,187
Assets for retirement benefits	21,298	17,807	-3,491
Deferred tax assets	17,484	17,109	-375
Other	28,341	28,374	33
Allowance for doubtful accounts	-8,539	-7,432	1,107
Total investments and other assets	148,360	141,306	-7,054
Total noncurrent assets	686,836	693,120	6,284
Total assets	1,020,111	1,034,428	14,316
Notes and accounts payable-trade	91,113	96,275	5,162
Electronically recorded obligations-operating	4,670	8,716	4,045
Short-term loans payable	153,181	135,381	-17,799
Commercial papers	-	4,000	4,000
Current portion of bonds	15,035	10,000	-5,035
Income taxes payable	6,416	8,376	1,960
Provision for bonuses	6,021	6,046	24
Other provision	121	220	98
Other	83,986	80,373	-3,612
Total current liabilities	360,546	349,390	-11,155
Bonds payable	20,000	30,000	10,000
Long-term loans payable	100,390	100,233	-156
Deferred tax liabilities	8,024	7,630	-393
Liability for retirement benefits	24,559	24,206	-353
Provision for directors' retirement benefits	520	535	15
Provision for special repairs	128	75	-53
Other provision	750	757	7
Lease obligations	18,844	17,616	-1,228
Asset retirement obligations	7,553	7,619	65
Other	46,466	45,718	-748
Total noncurrent liabilities	227,238	234,392	7,153
Total liabilities	587,785	583,783	-4,001

Capital stock	86,174	86,174	-
Capital surplus	60,339	60,408	69
Retained earnings	260,016	294,265	34,249
Treasury stock	-10,947	-16,081	-5,134
Total shareholders' equity	395,582	424,767	29,185
Valuation difference on available-for-sale securities	10,941	8,688	-2,252
Deferred gains or losses on hedges	1	-3	-4
Revaluation reserve for land	5,057	5,019	-37
Foreign currency translation adjustments	-16,201	-20,128	-3,927
Retirement benefits liability adjustments	-111	-3,632	-3,521
Total accumulated other comprehensive income	-313	-10,057	-9,744
Non-controlling interests	37,058	35,935	-1,122
Total net assets	432,326	450,645	18,318
Total liabilities and total net assets	1,020,111	1,034,428	14,316

Due to application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting", etc., the consolidated balance sheets as of 3/31/18 have been reclassified.

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2018	Fiscal 2019	Change
Cash flows from operating activities	107,683	97,283	-10,400
Income before income taxes and non-controlling interests	58,642	59,174	532
Depreciation and amortization	44,003	44,008	5
Decrease (increase) in notes and accounts receivable-trade	-21,864	-2,728	19,136
Increase (decrease) in notes and accounts payable-trade	16,405	9,577	-6,828
Other	10,497	-12,748	-23,245
Cash flows from investing activities	-48,460	-58,025	-9,565
Purchase of property, plant, and equipment	-52,588	-64,520	-11,932
Proceeds from sale of property, plant, and equipment	2,812	2,208	-604
Purchase of investment securities	-121	-43	78
Proceeds from sale of investment securities	1,157	1,132	-25
Other	280	3,198	2,918
Cash flows from financing activities	-65,818	-33,753	32,065
Increase (decrease) in interest-bearing liabilities	-50,587	-8,119	42,468
Purchase of treasury stock	-102	-5,026	-4,924
Cash dividends paid	-7,423	-9,909	-2,486
Other	-7,706	-10,699	-2,993
Effect of exchange rate changes on cash and cash equivalents	-459	-543	-84
Net increase (decrease) in cash and cash equivalents	-7,054	4,960	12,014
Other	57	147	90
Cash and cash equivalents at beginning of term	51,974	44,976	-6,998
Cash and cash equivalents at end of term	44,976	50,084	5,108

(Millions of yen)

Increase (decrease) in interest-bearing liabilities	As of 3/31/18	As of 3/31/19	Change
Bonds payable	20,000	30,000	10,000
Current portion of bonds	15,035	10,000	-5,035
Long-term loans payable	100,390	100,233	-156
Short-term loans payable	153,181	135,381	-17,799
Commercial papers	-	4,000	4,000
Total interest-bearing liabilities	288,606	279,615	-8,991

	As of 3/31/18	As of 3/31/19	Change
Equity ratio (%)	38.7	40.1	1.4
Equity ratio based on market value (%)	46.9	43.7	-3.2
Equity per share (yen)	3,193.7	3,388.4	194.7
Current ratio (%)	92.4	97.7	5.3
Earnings per share (yen)	311.4	351.7	40.3
ROA (%)	6.3	6.3	0.0
Cash flows / interest-bearing liabilities ratio (years)	2.7	2.9	0.2
Interest coverage ratio (times)	23.3	24.2	0.9
Net DE ratio (times)	0.6	0.5	-0.1

The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" from the beginning of Fiscal 2019. As for the management indicator related to the prior year consolidated financial statements, the Company indicates corresponding accounting standard retroactively applied.

Forecast of Fiscal 2020

[Preconditions]

- Domestic demand: Fiscal 2020 43 million tons
- Foreign exchange rate at Fiscal 2020: ¥110.00 per dollar (0.4 yen stronger than Fiscal 2019)

(100 million yen)

		Fiscal 2019 (actual)	Fiscal 2020 (forecast)	Change
Net sales	Cement business (domestic)	4,348	4,450	102
	Overseas subsidiaries	2,116	2,160	44
	Cement business (total)	6,464	6,610	146
	Mineral Resources business	842	870	28
	Environmental business	926	910	−)
	Construction Materials business	821	850	29
	Other	860	880	20
	Total	9,916	10,120	204
	Elimination	−755	−760	−)
Consolidated total		9,160	9,360	200
Operating income	Cement business (domestic)	214	204	−)
	Overseas subsidiaries	203	241	38
	Cement business (total)	417	445	28
	Mineral Resources business	82	84	2
	Environmental business	66	68	2
	Construction Materials business	49	56	7
	Other	46	54	8
	Total	662	707	45
	Elimination	−2	3	5
Consolidated total		660	710	50
Ordinary income		643	695	52
Extraordinary income or loss		−51	−50	1
Income before income taxes and non-controlling interests		591	645	54
Profit attributable to owners of parent		434	450	16

Sales volume of cement (Thousand tons)

	Fiscal 2019 (actual)	Fiscal 2020 (forecast)	Change
Domestic	15,248	15,420	172
Export	3,485	3,600	115

Main factors of changes in Net sales

[Cement]

Domestic:

Increase in sales of domestic cement and solidifying materials + 5.4 bil. yen
 Increase in export cement volume +0.5 bil. yen
 Price difference in domestic cement and solidifying materials +3.8 bil. yen
 Price difference in export cement +0.5 bil. yen

Overseas subsidiaries

U. S. A. + \$32 million
 China - \$ 1 million
 Asia and other + \$24 million
 Effect of foreign exchange - 1.6 bil.yen

Main factors of changes in Operating income

[Cement]

Domestic

Increase in sales of domestic cement and solidifying materials +2.5 bil. yen
 Increase in export cement volume +0.2 bil. yen
 Price difference in domestic cement and solidifying materials +3.2 bil. yen
 Increase in net export revenue +0.2 bil. yen
 Increase variable cost -3.3 bil. yen
 Increase fixed cost -3.5 bil. yen
 Decrease income from companies producing or selling cement or ready-mixed concrete etc. -0.3 bil. yen

Overseas subsidiaries

U. S. A. + \$22 million
 Goodwill amortization + 0.4 bil. yen
 China - \$1 million
 Asia and other + \$11 million
 Effect of foreign exchange - 0.1 bil.yen

[Reference information]

1. Status of the Consolidated Group

(No. of companies)

	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
Consolidated subsidiaries	131	121	125	123	119
Equity method subsidiaries	11	9	8	7	6
Equity method affiliates	37	40	38	38	37
Total of companies within the scope of consolidation	179	170	171	168	162
Subsidiaries outside the scope of consolidation	86	68	78	72	67
Affiliates outside the scope of consolidation	63	62	66	67	66
Total of companies outside the scope of consolidation	149	130	144	139	133
Total	328	300	315	307	295

2. Change in Interest-bearing Debt

(100 million yen)

	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	AS of 3/31/20 (forecast)
The Company	2,292	2,533	2,111	1,754	1,783	1,910
Consolidated subsidiaries	1,699	1,411	1,298	1,132	1,013	870
Whole group	3,991	3,944	3,409	2,886	2,796	2,780

3. Change in Number of Personnel

(No. of persons)

	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
The Company	2,296	2,289	2,242	2,308	2,328
Consolidated subsidiaries	10,763	10,285	10,766	10,747	10,755
Whole group	13,059	12,574	13,008	13,055	13,083

4. Change in Capital Investment

(100 million yen)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020 (forecast)
The Company	198	224	199	208	263	278
Consolidated subsidiaries	223	216	344	372	414	444
Whole group	421	440	543	580	677	722

5. Change in Depreciation Expenses

(100 million yen)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020 (forecast)
The Company	180	176	180	178	177	182
Consolidated subsidiaries	244	263	264	262	263	305
Whole group	424	439	444	440	440	487

6. Change in Experiment and Research Expenses

(100 million yen)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020 (forecast)
The Company	37	36	37	36	35	37
Consolidated subsidiaries	7	6	8	8	8	9
Whole group	44	42	45	44	43	46

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

(10 thousand ton)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020 (forecast)
U.S.A.	343	411	496	565	603	609
Asia	1,091	1,017	1,023	1,061	1,092	1,114
Other regions	20	16	15	12	11	14

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

(\$ thousands)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020 (forecast)
Net Sales	803,910	917,753	1,048,453	1,224,641	1,328,117	1,360,000
Operating income	34,525	22,555	56,074	97,672	127,196	149,000
Net income	9,236	2,328	24,799	37,524	88,858	101,000

9. Forecast of the First Half of Fiscal 2020

(100 million yen)

		First Half of Fiscal 2019 (actual)	First Half of Fiscal 2020 (forecast)	Change
Net Sales	Cement business (domestic)	2,111	2,170	59
	Overseas subsidiaries	1,006	1,040	34
	Cement business (total)	3,118	3,210	92
	Mineral Resources business	405	430	25
	Environmental business	460	430	-) 30
	Construction Materials business	360	410	50
	Other	386	390	4
	Total	4,732	4,870	138
	Elimination	-345	-360	-) 15
	Consolidated total	4,387	4,510	123
Operating income	Cement business (domestic)	98	69	-) 29
	Overseas subsidiaries	81	101	20
	Cement business (total)	180	170	-) 10
	Mineral Resources business	36	38	2
	Environmental business	34	32	-) 2
	Construction Materials business	9	22	13
	Other	13	16	3
	Total	273	278	5
	Elimination	0	2	2
Consolidated total	273	280	7	
Ordinary income	271	280	9	
Extraordinary income or loss	-12	-10	2	
Income before income taxes and non-controlling interests	258	270	12	
Profit attributable to owners of parent	173	190	17	