

Taiheiyo Cement Corporation

Reference Materials of Financial Results for the First Half of Fiscal 2015 (From April 1, 2014 through September 30, 2014)

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November 11, 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	432,923	3.3	42,650	2.5	10,006	0.4
Fiscal 2013	(estimated value) 442,000	2.1	44,577	4.5	9,632	-3.7
Fiscal 2014	(estimated value) 487,200	10.2	47,705	7.0	8,503	-11.7
Fiscal 2015	(forecasted value) 474,700	-2.6	48,000	0.6	8,500	-0.0
(For reference)						
First Half of Fiscal 2013			21,432	5.9		
First Half of Fiscal 2014			22,905	7.3		
First Half of Fiscal 2015			22,611	-1.3		

[Sources]

Estimate of construction investments:

for Fiscal 2000 to Fiscal 2014, Ministry of Land, Infrastructure, Transport and Tourism

for Fiscal 2015 onwards, Research Institute of Construction and Economy (RICE)

Domestic demand of cement:

for Fiscal 2000 to Fiscal 2015, Japan Cement Association

2. Volume of Sales and Shipment Results by Region

Volume of sales of cement by region (excluding imports)

	Fiscal 2013		Fiscal 2014		First Half of Fiscal 2015	
	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	1,978	-1.1	2,153	8.9	1,165	0.2
Tohoku	4,066	35.2	4,709	15.8	2,296	-2.9
Kanto 1	10,344	2.0	10,724	3.7	5,139	-2.6
Kanto 2	4,053	2.4	4,063	0.3	1,959	2.4
Hokuriku	2,205	-1.2	2,210	0.2	1,010	-10.2
Tokai	4,839	0.6	5,169	7.4	2,471	4.7
Kinki	5,894	3.3	6,480	9.9	3,161	3.7
Shikoku	1,727	5.4	1,823	5.5	827	1.2
Chugoku	2,760	0.5	2,968	7.5	1,329	-3.7
Kyushu	5,142	4.3	5,788	12.6	2,535	-4.8
Okinawa	747	0.1	839	12.3	453	17.1
Domestic Total	43,754	4.4	46,953	7.3	22,344	-0.7
Exports	9,632	-3.7	8,503	-11.7	4,707	11.1
Total	53,387	2.8	55,456	3.9	27,051	1.2

Source: Japan Cement Association

Shipment of ready-mixed concrete by region

	Fiscal 2013		Fiscal 2014		First Half of Fiscal 2015	
	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	3,448	-3.2	3,784	9.7	2,102	6.8
Tohoku	8,679	40.4	10,032	15.6	4,934	-3.0
Kanto 1	22,594	1.7	23,444	3.8	11,179	-4.5
Kanto 2	7,018	4.3	6,851	-2.4	3,477	8.4
Hokuriku	4,818	-2.4	4,873	1.1	2,129	-14.4
Tokai	10,850	-0.5	11,450	5.5	5,362	0.2
Kinki	12,765	7.3	13,811	8.2	6,894	2.4
Chugoku	5,422	-2.3	5,881	8.5	2,661	-0.6
Shikoku	3,913	8.5	4,125	5.4	1,864	1.9
Kyushu	12,592	1.7	14,598	15.9	6,337	-5.7
Total	92,099	4.7	98,850	7.3	46,940	-1.7

Source: National Federation of Ready-Mixed Concrete Industrial Associations

Financial Results for the First Half of Fiscal 2015

Consolidated Statements of Income

(Millions of yen)

Item		First Half of Fiscal 2014	First Half of Fiscal 2015	Change		
Ordinary income and loss	Operating income/loss	Net sales	398,411	404,297	5,885	
		Cost of sales	308,645	310,863	2,218	
		Gross profit	89,766	93,433	3,667	
		Selling, general and administrative expenses	62,327	65,662	3,335	
		Operating income	27,438	27,770	331	
	Non-operating income and expenses	Income	Interest income	211	245	33
			Dividends income	344	396	52
			Equity in earnings of unconsolidated subsidiaries and affiliates	231	3,933	3,702
			Other	3,527	1,991	-1,536
			Total	4,315	6,567	2,251
		Expenses	Interest expenses	4,303	3,533	-769
			Other	1,819	2,363	544
			Total	6,122	5,897	-244
		Ordinary income	25,631	28,440	2,808	
Extraordinary income and losses	Income	Gain on disposal of non-current assets	1,253	720	-532	
		Gain on step acquisitions	-	916	916	
		Gain on forgiveness of debts	-	4,425	4,425	
		Other	89	578	488	
		Total	1,343	6,641	5,298	
	Losses	Loss on disposal of non-current assets	1,036	1,199	162	
		Business structure reform expenses	-	1,360	1,360	
		Other	583	456	-127	
		Total	1,619	3,015	1,395	
		Income before income tax and minority interests	25,355	32,066	6,710	
	Income taxes total	14,537	8,972	-5,565		
	Net income before minority interests	10,817	23,094	12,276		
	Minority interests	640	4,938	4,297		
	Net income	10,176	18,155	7,978		

Sales volume of cement (Thousand tons)

	First Half of Fiscal 2014	First Half of Fiscal 2015	Change
Domestic	8,042	7,968	-74
Export	1,546	1,526	-20

Segment Information

(1) Net sales

(Millions of yen)

		First Half of Fiscal 2014	First Half of Fiscal 2015	Change	Main factors of change	
Cement business	Domestic	194,214	197,725	3,511	Domestic	Decrease in domestic cement and solidifying material sales -8.0 bil. yen Increase in domestic cement and solidifying material price +11.0 bil. yen Price difference in export cement +7.0 bil. yen Increased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +24.0 bil. yen
	Overseas subsidiaries	63,360	75,164	11,803	Overseas subsidiaries	U. S. +\$81 million China -\$0 million; Asia +\$4 million Effect of foreign exchange +41.0 bil. yen
Total		257,574	272,889	15,314		
Mineral Resources business		45,548	47,391	1,843	Decreased shipments of aggregates Increase in resulting from merger of subsidiaries	
Environmental business		48,871	37,095	-11,775	Decreased acceptance of waste	
Construction Materials business		39,342	40,229	887	Market improvement of Autoclaved Lightweight aerated Concrete	
Other		37,970	40,067	2,096	Increase in ceramics business sales, warehouse business sales, plant business sales	
Total		429,307	437,674	8,366		
Eliminations or corporate assets		-30,895	-33,377	-2,481		
Consolidated total		398,411	404,297	5,885		

(2) Operating income

		First Half of Fiscal 2014	First Half of Fiscal 2015	Change	Main factors of change	
Cement business	Domestic	20,048	14,430	-5,617	Domestic	Decrease in domestic cement and solidifying material sales -6.0 bil. yen Increase in domestic cement and solidifying material price +10.0 bil. yen Increase in net export revenue +5.0 bil. yen Variable cost etc. rise -43.0 bil. yen Increased fixed cost -21.0 bil. yen Decreased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -2.0 bil. yen
	Overseas subsidiaries	-1,533	3,278	4,811	Overseas subsidiaries	U. S. +\$45 million China +\$6 million Asia -\$2 million Effect of foreign exchange +2.0 bil. yen
Total		18,516	17,709	-806		
Mineral Resources business		3,445	2,612	-833	Decreased shipments of aggregates	
Environmental business		3,862	3,500	-361	Decreased acceptance of waste	
Construction Materials business		611	1,205	594	Market improvement of Autoclaved Lightweight aerated Concrete	
Other		1,234	2,757	1,523	Increase in ceramics business sales, warehouse business sales, plant business sales	
Total		27,669	27,786	116		
Eliminations or corporate assets		-231	-15	215		
Consolidated total		27,438	27,770	331		

[Reference information]

Foreign exchange rate First Half of Fiscal 2014 average: ¥95.73 per dollar; First Half of Fiscal 2015 average: ¥102.46 per dollar; difference: ¥6.73
Exchange rate at end of Dec. 2013: ¥105.39 per dollar; at end of Jun. 2014: ¥101.36 per dollar; difference: ¥4.03

Consolidated Balance Sheets

(Unit: Millions of yen)

	As of 3/31/14	As of 9/30/14	Change	Main factors of change
Cash and deposits	59,369	57,427	-1,942	
Notes and accounts receivable-trade	176,245	173,861	-2,383	
Merchandise and finished goods	26,113	28,175	2,062	
Work in process	4,120	3,929	-191	
Raw materials and supplies	39,323	41,418	2,094	
Other	34,700	32,794	-1,095	
Allowance for doubtful accounts	-1,568	-1,857	-289	
Total current assets	338,304	335,748	-2,556	
Property, plant and equipment				
Buildings and structures	142,417	138,592	-3,825	
Machinery, equipment and vehicles	112,379	110,059	-2,320	
Land	155,301	160,600	5,299	
Other	60,217	62,285	2,068	
Property, plant and equipment	470,316	471,537	1,221	
Intangible assets				
Goodwill	10,890	9,177	-1,713	
Other	31,338	30,249	-1,089	
Intangible assets	42,228	39,426	-2,802	
Investments and other assets				
Investment securities	98,890	105,650	6,759	
Asset for retirement benefits	12,134	13,343	1,208	
Other	59,991	59,466	-525	
Allowance for doubtful accounts	-6,302	-6,555	-253	
Investments and other assets	164,714	171,904	7,189	
Total noncurrent assets	677,259	682,868	5,608	
Total assets	1,015,564	1,018,616	3,051	
Notes and accounts payable-trade	83,691	78,701	-4,990	
Short-term loans payable	228,127	213,067	-15,059	
Current portion of bonds	610	20,440	19,830	
Income taxes payable	18,040	8,572	-9,468	
Provision for bonuses	5,538	5,747	209	
Other provision	2,683	1,436	-1,247	
Other	70,156	74,627	4,471	
Total current liabilities	408,848	402,593	-6,254	
Bonds payable	47,090	46,870	-220	
Long-term loans payable	159,291	149,215	-10,075	
Provision for retirement benefits	25,359	24,602	-756	
Provision for directors' retirement benefits	509	483	-25	
Provision for loss on business of subsidiaries and affiliates	138	138	-	
Provision for special repairs	357	314	-42	
Provision for asset removal	574	572	-2	
Asset retirement obligations (non-current)	7,230	7,212	-18	
Other	92,853	93,746	893	
Total non-current liabilities	333,404	323,157	-10,247	
Total liabilities	742,252	725,751	-16,501	

	As of 3/31/14	As of 9/30/14	Change	Main factors of change
Capital stock	86,174	86,174	-	
Capital surplus	50,690	50,769	78	
Retained earnings	121,212	135,404	14,191	
Treasury stock	-936	-903	33	
Total shareholders' equity	257,141	271,444	14,303	
Valuation difference on available-for-sale securities	5,084	6,896	1,812	
Deferred gains or losses on hedges	50	8	-42	
Revaluation reserve for land	4,252	4,062	-190	
Foreign currency translation adjustments	-16,799	-19,693	-2,893	
Retirement benefits liability adjustments	-9,472	-8,742	730	
Total accumulated other comprehensive income	-16,884	-17,467	-583	
Minority interests	33,055	38,888	5,832	
Total net assets	273,312	292,865	19,553	
Total liabilities and net assets	1,015,564	1,018,616	3,051	

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	First Half of Fiscal 2014	First Half of Fiscal 2015	Change	Main factors of change
Cash flows from operating activities	37,811	23,421	-14,390	
Income before income taxes and minority interests	25,355	32,066	6,711	
Depreciation and amortization	19,649	19,986	337	
Decrease (increase) in notes and accounts receivable-trade	10,824	2,299	-8,525	
Increase (decrease) in notes and accounts payable-trade	-5,008	-5,280	-272	
Other	-13,009	-25,650	-12,641	
Cash flows from investing activities	-13,371	-18,230	-4,859	
Purchase of property, plant, and equipment	-17,599	-21,230	-3,631	
Proceeds from sale of property, plant, and equipment	1,750	2,100	350	
Purchase of investment securities	-148	-765	-617	
Proceeds from sales of investment securities	323	119	-204	
Other	2,303	1,546	-757	
Cash flows from financing activities	-17,369	-6,414	10,955	
Decrease (increase) in interest-bearing liabilities	-12,031	-49	11,982	
Cash dividend paid	-2,457	-3,685	-1,228	
Other	-2,880	-2,680	201	
Effect of exchange rate changes on cash and cash equivalents	1,925	-866	-2,791	
Net increase (decrease) in cash and cash equivalents	8,995	-2,089	-11,084	
Other	-263	428	691	
Cash and cash equivalents at beginning of term	54,408	55,604	1,196	
Cash and cash equivalents at end of term	63,140	53,942	-9,198	

Increase (decrease) in interest-bearing liabilities	As of 3/31/14	As of 9/30/14	Difference
Bonds payable	47,090	46,870	-220
Current portion of bonds	610	20,440	19,830
Long-term loans payable	159,291	149,215	-10,075
Short-term loans payable	228,127	213,067	15,059
Total interest-bearing liabilities	435,118	429,593	-5,524

Year-on-year change	As of 3/31/14	As of 9/30/14	Difference
Equity ratio (%)	23.7	24.9	1.3
Equity ratio based on market value (%)	45.0	49.9	4.9
Equity per share (yen)	195.6	206.7	11.2
Current ratio (%)	82.7	83.4	0.7
Net D/E ratio	1.6	1.5	-0.1

Year-on-year change	First Half of Fiscal 2014	First Half of Fiscal 2015	Difference
Net income per share (yen)	8.29	14.78	6.49

[Reference Information]

1. Status of the Consolidated Group

(No. of companies)

	As of 3/31/11	As of 3/31/12	As of 3/31/13	As of 3/31/14	As of 9/30/14
Consolidated subsidiaries	149	145	141	132	135
Equity method subsidiaries	12	14	14	13	12
Equity method affiliates	40	38	38	38	37
Total of companies within the scope of consolidation	201	197	193	183	184
Subsidiaries outside the scope of consolidation	100	95	94	89	88
Affiliates outside the scope of consolidation	73	72	64	65	63
Total of companies outside the scope of consolidation	173	167	158	154	151
Total	374	364	351	337	335

2. Change in Interest-bearing Debt

(100 million yen)

	As of 3/31/11	As of 3/31/12	As of 3/31/13	As of 3/31/14	As of 9/30/14	As of 3/31/15 (forecast)
The Company	3,261	2,890	2,552	2,349	2,410	2,300
Consolidated subsidiaries	2,400	2,211	2,187	2,002	1,885	1,800
Whole group	5,661	5,101	4,739	4,351	4,295	4,100

3. Change in Number of Personnel

(No. of persons)

	As of 3/31/11	As of 3/31/12	As of 3/31/13	As of 3/31/14	As of 9/30/14
The Company	2,340	2,289	2,276	2,279	2,322
Consolidated subsidiaries	13,532	12,178	11,556	10,808	10,950
Whole group	15,872	14,467	13,832	13,087	13,272

4. Change in Capital Investment

(100 million yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	First Half of Fiscal 2015	Fiscal 2015 (forecast)
The Company	150	166	191	196	121	200
Consolidated subsidiaries	174	191	134	194	97	234
Whole group	324	357	325	390	218	434

5. Change in Depreciation Expenses

(100 million yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	First Half of Fiscal 2015	Fiscal 2015 (forecast)
The Company	180	182	177	175	85	175
Consolidated subsidiaries	251	234	217	230	114	240
Whole group	431	416	394	405	199	415

6. Change in Experiment and Research Expenses

(100 million yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	First Half of Fiscal 2015	Fiscal 2015 (forecast)
The Company	31	29	30	33	17	39
Consolidated subsidiaries	9	7	8	7	3	7
Whole group	40	36	38	40	20	46

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

(10 thousand tons)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	First Half of Fiscal 2015	Fiscal 2015 (forecast)
U.S.A.	255	276	275	308	166	348
Asia	1,003	1,091	1,106	1,138	534	1,119
Other regions	13	15	14	18	10	21

8. Financial Results of Ssangyong Cement

	Fiscal 2011 actual	Fiscal 2012 actual	Fiscal 2013 actual	Fiscal 2014 actual	First Half of Fiscal 2015
Sales of cement clinker	1,436	1,519	1,478	1,503	10 thousand tons 709
Net sales	10,368	11,657	13,337	14,013	100 million won 6,660
Operating income	438	194	819	841	476
Ordinary income (loss)	293	-388	131	156	313
Net income (loss)	293	-388	131	156	313
Outstanding balance of loans	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	As of 6/30/14 10,087

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

(\$ thousands)

	Fiscal 2011 actual	Fiscal 2012 actual	Fiscal 2013 actual	Fiscal 2014 actual	First Half of Fiscal 2015	Fiscal 2015 (forecast)
Net sales	493,356	555,188	563,016	686,019	395,321	801,000
Operating income (loss)	-98,455	-114,893	-77,575	-35,575	15,698	40,000
Net income (loss)	-31,759	-79,843	-59,751	-43,965	3,488	14,000

Forecast of Fiscal 2015

[Preconditions]

- Domestic production: Fiscal 2015 48.00 million tons
- Foreign exchange rate: 105.0 yen/ US dollar (7.3 yen higher than Fiscal 2014)

(Unit: 100 million yen)

		Fiscal 2014 (actual)	Fiscal 2015 (forecast)	Differences
Net sales	Cement business (domestic)	3,970	4,120	149
	Overseas subsidiaries	1,379	1,580	200
	Cement business (total)	5,350	5,700	349
	Mineral Resources business	938	970	31
	Environmental business	1,034	760	-274
	Construction Materials business	926	890	-36
	Other	838	850	11
	Total	9,088	9,170	81
	Eliminations or corporate assets	-685	-690	-4
Consolidated		8,402	8,480	77
Operating income	Cement business (domestic)	461	368	-93
	Overseas subsidiaries	2	84	81
	Cement business (total)	463	452	-11
	Mineral Resources business	68	75	6
	Environmental business	84	78	-6
	Construction Materials business	54	50	-4
	Other	37	48	10
	Total	708	703	-5
	Eliminations or corporate assets	-3	-3	0
Consolidated		704	700	-4
Ordinary income		695	670	-25
Net income		352	350	-2

Sales volume of cement (Thousand tons)

	Fiscal 2014 (actual)	Fiscal 2015 (forecast)	Change
Domestic	16,674	16,633	-41
Export	2,981	2,942	-39

Main factors of changes in Net sales

[Cement]

Domestic:

Decrease in domestic cement and solidifying material sales -4.0 bil. yen
 Increase in domestic cement and solidifying material price +32.0 bil. yen
 Price difference in export cement +9.0 bil. yen
 Increased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +108.0 bil. Yen

Overseas subsidiaries:

U. S. \$116 million
 China -\$19 million
 Asia +\$13 million
 Effect of foreign exchange +98.0 bil. yen

Main factors of changes in Operating income

[Cement]

Domestic:

Decrease in domestic cement and solidifying material sales -2.0 bil. yen
 Increase in domestic cement and solidifying material price +26.0 bil. yen
 Increase in net export revenue +4.0 bil. yen
 Variable cost etc. rise -91.0 bil. yen
 Increased fixed cost -30.0 bil. yen

Overseas subsidiaries:

U. S. +\$76 million
 China -\$3 million
 Asia +\$7 million
 Effect of foreign exchange +4 bil. yen