

Taiheiyo Cement Corporation

Reference Materials of Financial Results for the First Half of Fiscal 2016 (From April 1, 2015 through September 30, 2015)

Contents

Trend in Construction Investments and Domestic Demand of Cement	Page 1
Volume of Sales and Shipment Results by Region	Page 2
Financial Results for the First Half of Fiscal 2016	Pages 3-4
Consolidated Balance Sheets	Pages 5-6
Consolidated Statements of Cash Flows	Page 7
[Reference Information]	
1. Status of the Consolidated Group	Page 9
2. Change in Interest-bearing Debt	Page 9
3. Change in Number of Personnel	Page 9
4. Change in Capital Investment	Page 9
5. Change in Depreciation Expenses	Page 9
6. Change in Experiment and Research Expenses	Page 10
7. Cement Sales in Overseas Subsidiaries	Page 10
8. Financial Results of Ssangyong Cement	Page 10
9. Overview of Businesses in the U.S.	Page 10
10. Forecast of Fiscal 2016	Page 11-12

November 10, 2015

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) 496,700	-3.2	44,500	-2.3	10,000	6.1
(For reference)						
First Half of Fiscal 2014			22,905	7.3		
First Half of Fiscal 2015			22,611	-1.3		
First Half of Fiscal 2016			21,154	-6.4		

[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)

Domestic demand of cement:

for Fiscal 2001 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 2014		Fiscal 2015		First Half of 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	1,042	-10.5
Tohoku	4,709	15.8	4,615	-2.0	2,382	3.7
Kanto 1	10,724	3.7	10,221	-4.7	4,832	-6.0
Kanto 2	4,063	0.3	3,982	-2.0	1,814	-7.4
Hokuriku	2,210	0.2	1,967	-11.0	1,019	0.9
Tokai	5,196	7.4	5,145	-1.0	2,365	-4.3
Kinki	6,480	9.9	6,388	-1.4	2,874	-9.1
Shikoku	1,823	5.5	1,701	-6.7	739	-10.5
Chugoku	2,968	7.5	2,717	-8.5	1,228	-7.6
Kyushu	5,788	12.6	5,302	-8.4	2,206	-13.0
Okinawa	839	12.3	978	16.6	481	6.3
Domestic Total	46,953	7.3	45,048	-4.1	20,983	-6.1
Exports	8,503	-11.7	9,421	10.8	5,167	9.8
Total	55,456	3.9	54,469	-1.8	26,150	-3.3

Source: Japan Cement Association

Shipment of ready-mixed concrete by region

	Fiscal 2014		Fiscal 2015		First Half of 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	1,802	-14.3
Tohoku	10,032	15.6	9,786	-2.5	4,926	-0.2
Kanto 1	23,444	3.8	21,951	-6.4	10,457	-6.5
Kanto 2	6,851	-2.4	6,891	0.6	3,049	-12.3
Hokuriku	4,873	1.1	4,219	-13.4	2,034	-4.4
Tokai	11,450	5.5	11,060	-3.4	5,160	-3.8
Kinki	13,811	8.2	13,805	-0.0	6,303	-8.6
Chugoku	5,881	8.5	5,415	-7.9	2,415	-9.3
Shikoku	4,125	5.4	3,897	-5.5	1,702	-8.7
Kyushu	14,598	15.9	13,191	-9.6	5,527	-12.8
Total	98,850	7.3	94,014	-4.9	43,375	-7.6

Source: National Federation of Ready-Mixed Concrete Industrial Associations

Financial Results for the First Half of Fiscal 2016

Consolidated Statements of Income

(Millions of yen)

Item		First Half of Fiscal 2015	First Half of Fiscal 2016	Change		
Ordinary income and loss	Operating income/loss	Net sales	404,297	415,152	10,855	
		Cost of sales	310,863	322,927	12,063	
		Gross profit	93,433	92,225	-1,208	
		Selling, general and administrative expenses	65,662	66,970	1,307	
		Operating income	27,770	25,255	-2,515	
	Non-operating income and expenses	Income	Interest income	245	281	36
			Dividends income	396	480	83
			Equity in earnings of unconsolidated subsidiaries and affiliates	3,933	3,680	-253
			Other	1,991	2,596	604
			Total	6,567	7,038	471
		Expenses	Interest expenses	3,533	3,020	-513
			Other	2,363	2,877	513
			Total	5,897	5,897	0
			Ordinary income	28,440	26,396	-2,044
Extraordinary income and losses			Income	Gain on disposal of non-current assets	720	370
	Gain on sales of investment securities	68		640	572	
	Gain on step acquisitions	916		-	-916	
	Gain on forgiveness of debts	4,425		-	-4,425	
	Other	509		76	-433	
	Total	6,641	1,087	-5,554		
	Losses	Loss on disposal of non-current assets	1,199	1,031	-167	
		Business structure reform expenses	1,360	-	-1,360	
		Other	456	403	-52	
		Total	3,015	1,434	-1,580	
		Income before income tax and non-controlling interests	32,066	26,048	-6,017	
Income taxes-current	8,972	9,449	477			
Profit	23,094	16,598	-6,495			
Profit attributable to non-controlling interests	4,938	796	-4,141			
Profit attributable to owners of parent	18,155	15,802	-2,353			

Sales volume of cement (Thousand tons)

	First Half of Fiscal 2015	First Half of Fiscal 2016	Change
Domestic	7,968	7,380	-588
Export	1,526	1,923	397

Segment Information

(1) Net sales

(Millions of yen)

	First Half of Fiscal 2015	First Half of Fiscal 2016	Change	Main factors of change		
Cement business	Domestic	197,725	203,375	7,649	Domestic	Decrease in domestic cement and solidifying material sales -6.0 bil. yen Increase in domestic cement and solidifying material price +0.6 bil. Yen Increase in export cement volume +2.0 bil. yen Price difference in export cement +1.1 bil. yen Increased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +10.2 bil. yen
	Overseas subsidiaries	75,164	86,715	11,551	Overseas subsidiaries	U. S. +\$40 million China -\$40 million; Asia -\$8 million Effect of foreign exchange +12.8 bil. yen
Total	272,889	292,091	19,201			
Mineral Resources business	47,391	45,442	-1,949	Decreased shipments of aggregates Decreased sales of surplus construction		
Environmental business	37,095	35,721	-1,374	Decreased acceptance of waste		
Construction Materials business	40,229	39,173	-1,055	Decreased in ground improved construction		
Other	40,067	36,555	-3,512	Transfer of ceramics business		
Total	437,674	448,984	11,310			
Eliminations or corporate assets	-33,377	-33,831	-454			
Consolidated total	404,297	415,152	10,855			

(2) Operating income

	First Half of Fiscal 2015	First Half of Fiscal 2016	Change	Main factors of change		
Cement business	Domestic	14,430	12,275	-2,154	Domestic	Decrease in domestic cement and solidifying material sales -3.7 bil. yen Increase in domestic cement and solidifying material price +0.5 bil. Yen Increase in export cement volume +0.7 bil. yen Increase in net export revenue +1.1 bil. yen Variable cost etc. rise -1.9 bil. yen Decreased fixed cost +1.0 bil. yen Decreased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -0.2 bil. yen
	Overseas subsidiaries	3,278	2,728	-550	Overseas subsidiaries	U. S. -\$1 million China -\$12 million Asia +\$4 million Effect of foreign exchange +0.5 bil. yen
Total	17,709	15,004	-2,705			
Mineral Resources business	2,612	3,129	517	Decreased cost of fuel		
Environmental business	3,500	3,558	57	Decreased acceptance of waste Increased sales from the increase in the processing of coal ash.		
Construction Materials business	1,205	1,983	778	Market improvement of Autoclaved Lightweight aerated Concrete		
Other	2,757	1,569	-1,187	Transfer of ceramics business		
Total	27,786	25,246	-2,540			
Eliminations or corporate assets	-15	8	24			
Consolidated total	27,770	25,255	-2,515			

[Reference information]

Foreign exchange rate First Half of Fiscal 2015 average: ¥102.46 per dollar; First Half of Fiscal 2016 average: ¥120.30 per dollar; difference: ¥17.84
Exchange rate at end of Dec. 2014: ¥120.55 per dollar; at end of Jun. 2015: ¥122.45 per dollar; difference: ¥1.90

Consolidated Balance Sheets

(Unit: Millions of yen)

	As of 3/31/15	As of 9/30/15	Change	Main factors of change
Cash and deposits	53,859	105,720	51,861	
Notes and accounts receivable-trade	178,350	164,201	-14,148	
Merchandise and finished goods	28,587	29,969	1,382	
Work in process	2,183	2,717	533	
Raw materials and supplies	43,252	42,768	-484	
Other	26,079	24,418	-1,661	
Allowance for doubtful accounts	-2,329	-2,303	25	
Total current assets	329,981	367,490	37,508	
Property, plant and equipment				
Buildings and structures	144,291	141,313	-2,978	
Machinery, equipment and vehicles	120,804	115,860	-4,943	
Land	164,647	163,224	-1,423	
Other	60,821	65,966	5,145	
Property, plant and equipment	490,565	486,365	-4,199	
Intangible assets				
Goodwill	9,297	7,955	-1,342	
Other	32,538	31,541	-997	
Intangible assets	41,836	39,496	-2,339	
Investments and other assets				
Investment securities	113,747	116,935	3,187	
Asset for retirement benefits	20,338	21,016	678	
Other	50,095	51,961	1,866	
Allowance for doubtful accounts	-5,961	-6,566	-604	
Investments and other assets	178,219	183,345	5,126	
Total noncurrent assets	710,621	709,208	-1,412	
Total assets	1,040,602	1,076,698	36,096	
Notes and accounts payable-trade	85,036	77,174	-7,862	
Short-term loans payable	178,816	218,852	40,036	
Commercial papers	5,000	17,000	12,000	
Current portion of bonds	20,380	570	-19,810	
Income taxes payable	10,730	9,698	-1,032	
Provision for bonuses	5,642	5,758	115	
Other provision	1,060	432	-628	
Other	71,149	68,298	-2,851	
Total current liabilities	377,817	397,784	19,967	
Bonds payable	46,710	46,300	-410	
Long-term loans payable	148,232	152,145	3,913	
Provision for retirement benefits	26,889	26,041	-848	
Provision for directors' retirement benefits	514	423	-90	
Provision for loss on business of subsidiaries and affiliates	138	138	-	
Provision for special repairs	312	331	18	
Provision for asset removal	41	-	-41	
Asset retirement obligations (non-current)	7,673	7,771	98	
Other	84,783	84,674	-109	
Total non-current liabilities	315,295	317,826	2,530	
Total liabilities	693,112	715,610	22,498	

	As of 3/31/15	As of 9/30/15	Change	Main factors of change
Capital stock	86,174	86,174	-	
Capital surplus	50,757	50,807	50	
Retained earnings	158,939	171,535	12,595	
Treasury stock	-934	-962	-27	
Total shareholders' equity	294,937	307,555	12,618	
Valuation difference on available-for-sale securities	6,908	6,896	-12	
Deferred gains or losses on hedges	2	-1	-3	
Revaluation reserve for land	4,295	4,295	-	
Foreign currency translation adjustments	649	1,314	664	
Retirement benefits liability adjustments	-4,148	-3,785	363	
Total accumulated other comprehensive income	7,707	8,719	1,011	
Non-controlling interests	44,845	44,813	-31	
Total net assets	347,490	361,088	13,598	
Total liabilities and net assets	1,040,602	1,076,698	36,096	

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	First Half of Fiscal 2015	First Half of Fiscal 2016	Change	Main factors of change
Cash flows from operating activities	23,421	31,773	8,352	
Income before income taxes and non-controlling interests	32,066	26,048	-6,018	
Depreciation and amortization	19,986	21,440	1,454	
Decrease (increase) in notes and accounts receivable-trade	2,299	11,160	8,861	
Increase (decrease) in notes and accounts payable-trade	-5,280	-7,183	-1,903	
Other	-25,650	-19,692	5,958	
Cash flows from investing activities	-18,230	-7,220	11,010	
Purchase of property, plant, and equipment	-21,230	-19,004	2,226	
Proceeds from sale of property, plant, and equipment	2,100	2,501	401	
Purchase of investment securities	-765	-25	740	
Proceeds from sales of investment securities	119	171	52	
Other	1,546	9,137	7,591	
Cash flows from financing activities	-6,414	27,547	33,961	
Decrease (increase) in interest-bearing liabilities	-49	34,647	34,696	
Cash dividend paid	-3,685	-3,685	0	
Other	-2,680	-3,415	-735	
Effect of exchange rate changes on cash and cash equivalents	-866	-28	838	
Net increase (decrease) in cash and cash equivalents	-2,089	52,072	54,161	
Other	428	126	-302	
Cash and cash equivalents at beginning of term	55,604	50,645	-4,959	
Cash and cash equivalents at end of term	53,942	102,844	48,902	

Increase (decrease) in interest-bearing liabilities	As of 3/31/15	As of 9/30/15	Difference
Bonds payable	46,710	46,300	-410
Current portion of bonds	20,380	570	-19,810
Long-term loans payable	148,232	152,145	3,913
Short-term loans payable	178,816	218,852	40,036
Commercial papers	5,000	17,000	12,000
Total interest-bearing liabilities	399,138	434,868	35,730

Year-on-year change	As of 3/31/15	As of 9/30/15	Difference
Equity ratio (%)	29.1	29.4	0.3
Equity ratio based on market value (%)	43.3	40.9	-2.4
Equity per share (yen)	246.3	257.4	11.1
Current ratio (%)	87.3	92.4	5.1
Net D/E ratio	1.1	1.0	-0.1

Year-on-year change	First Half of Fiscal 2015	First Half of Fiscal 2016	Difference
Net income per share (yen)	14.78	12.86	-1.92

[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 9/30/15
Consolidated subsidiaries	145	141	132	131	129
Equity method subsidiaries	14	14	13	11	10
Equity method affiliates	38	38	38	37	38
Total of companies within the scope of consolidation	197	193	183	179	177
Subsidiaries outside the scope of consolidation	95	94	89	86	84
Affiliates outside the scope of consolidation	72	64	65	63	62
Total of companies outside the scope of consolidation	167	158	154	149	146
Total	364	351	337	328	323

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 9/30/15	As of 3/31/16 (forecast)
The Company	2,890	2,552	2,349	2,292	2,675	2,600
Consolidated subsidiaries	2,211	2,187	2,002	1,699	1,673	1,600
Whole group	5,101	4,739	4,351	3,991	4,348	4,200

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 9/30/15
The Company	2,289	2,276	2,279	2,296	2,338
Consolidated subsidiaries	12,178	11,556	10,808	10,763	10,741
Whole group	14,467	13,832	13,087	13,059	13,079

4. Change in Capital Investment

(100 million yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	First Half of Fiscal 2016	Fiscal 2016 (forecast)
The Company	166	191	196	198	105	224
Consolidated subsidiaries	191	134	194	223	104	289
Whole group	357	325	390	421	209	513

5. Change in Depreciation Expenses

(100 million yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	First Half of Fiscal 2016	Fiscal 2016 (forecast)
The Company	182	177	175	180	84	174
Consolidated subsidiaries	234	217	230	244	130	246
Whole group	416	394	405	424	214	420

6. Change in Experiment and Research Expenses

(100 million yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	First Half of Fiscal 2016	Fiscal 2016 (forecast)
The Company	29	30	33	37	17	40
Consolidated subsidiaries	7	8	7	7	2	6
Whole group	36	38	40	44	19	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	First Half of Fiscal 2016	Fiscal 2016 (forecast)
U.S.A.	276	275	308	343	188	416
Asia	1,091	1,106	1,138	1,091	473	1,046
Other regions	15	14	18	20	8	18

8. Financial Results of Ssangyong Cement

	Fiscal 2012 actual	Fiscal 2013 actual	Fiscal 2014 actual	Fiscal 2015 Actual	First Half of Fiscal 2016
Sales of cement clinker	1,519	1,478	1,503	1,436	10 thousand tons 748
Net sales	11,657	13,337	14,013	13,870	100 million won 6,856
Operating income	194	819	841	1,179	665
Ordinary income (loss)	-388	131	156	721	600
Net income (loss)	-388	131	156	799	600
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 6/30/15 8,625

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

(\$ thousands)

	Fiscal 2012 actual	Fiscal 2013 actual	Fiscal 2014 actual	Fiscal 2015 actual	First Half of Fiscal 2016	Fiscal 2016 (forecast)
Net sales	555,188	563,016	686,019	803,910	435,099	932,000
Operating income (loss)	-114,893	-77,575	-35,575	34,525	14,466	33,000
Net income (loss)	-79,843	-59,751	-43,965	9,236	2,176	7,000

10. Forecast of Fiscal 2016

[Preconditions]

- Domestic production: Fiscal 2016 44.50 million tons
- Foreign exchange rate: 121.0 yen/ US dollar (15.2 yen lower than Fiscal 2015)

(Unit: 100 million yen)

		Fiscal 2015 (actual)	Fiscal 2016 (forecast)	Differences
Net sales	Cement business (domestic)	4,121	4,080	-41
	Overseas subsidiaries	1,585	1,910	325
	Cement business (total)	5,706	5,990	284
	Mineral Resources business	959	940	-19
	Environmental business	747	760	13
	Construction Materials business	903	830	-73
	Other	817	880	63
	Total	9,135	9,400	265
	Eliminations or corporate assets	-706	-740	-34
Consolidated		8,428	8,660	232
Operating income	Cement business (domestic)	330	324	-6
	Overseas subsidiaries	71	81	10
	Cement business (total)	402	405	3
	Mineral Resources business	67	72	5
	Environmental business	74	76	2
	Construction Materials business	54	58	4
	Other	56	49	-7
	Total	655	660	5
	Eliminations or corporate assets	-1	0	1
Consolidated		654	660	6
Ordinary income		678	650	-28
Profit attributable to owners of parent		441	370	-71

Sales volume of cement (Thousand tons)

	Fiscal 2015 (actual)	Fiscal 2016 (forecast)	Change
Domestic	15,962	15,509	-453
Export	2,972	3,891	918

Main factors of changes in Net sales

[Cement]

Domestic:

Decrease in domestic cement and solidifying material sales -4.5 bil. yen
 Increase in domestic cement and solidifying material price +1.0 bil. Yen
 Increase in export cement volume +4.9 bil. yen
 Price difference in export cement +0.9 bil. yen
 Decreased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -7.3 bil. Yen

Overseas subsidiaries:

U. S. +\$128 million
 China -\$57 million
 Asia +\$22 million
 Effect of foreign exchange +23.5 bil. yen

Main factors of changes in Operating income

[Cement]

Domestic:

Decrease in domestic cement and solidifying material sales -2.8 bil. yen
 Increase in domestic cement and solidifying material price +0.9 bil. Yen
 Increase in export cement volume +1.9 bil. yen
 Increase in net export revenue +1.2 bil. yen
 Variable cost etc. rise -1.6 bil. yen
 Decreased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -0.6 bil. Yen

Overseas subsidiaries:

U. S. -\$1 million
 China -\$18 million
 Asia +\$17 million
 Effect of foreign exchange +1.2 bil. yen