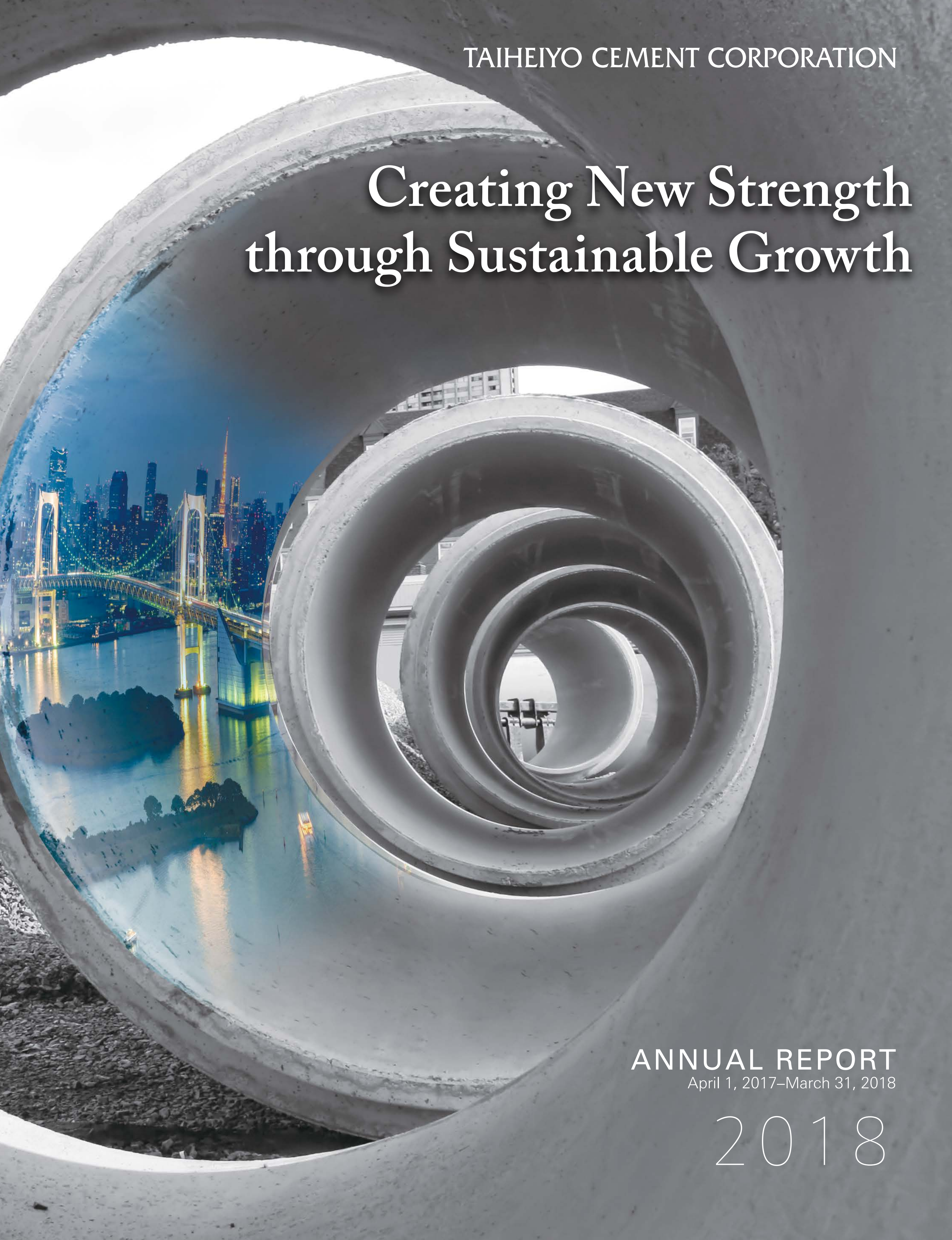
TAIHEIYO CEMENT CORPORATION

Creating New Strength through Sustainable Growth



ANNUAL REPORT
April 1, 2017–March 31, 2018

2018

Creating New Strength through Sustainable Growth

Corporate Profile

The Taiheiyo Cement Group "aspires to play a leading role in pioneering a sustainable future by ensuring that its business activities reflect not only economic development priorities, but also environmental and social responsibility considerations." We put this philosophy into practice by strengthening our overall profitability and financial standing, and maximizing the sum total of our corporate value while striving to utilize management resources in an integrated and efficient manner that minimizes costs and risks.

At the same time we are dedicated to protecting the Earth's environment and realizing a recycling-based society by taking advantage of both the unique ability of cement plants to process and recycle large volumes of waste products and byproducts, and the recycling technologies we have developed over time to enable this approach.

In addition, in keeping with our Vision and Direction for the mid-2020s, we will strive to demonstrate the Group's overall capabilities to contribute to the safety and security of communities in the Pacific Rim.

Contents

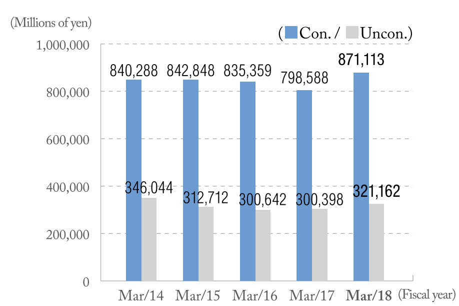
Financial Highlights

	(Millions of yen)		(Thousands of U.S. dollars)
CONSOLIDATED	**2018**	2017	**2018**
For the year:			
Net Sales	**¥ 871,113**	¥ 798,588	**$ 8,199,484**
Operating Income	**65,129**	63,235	**613,041**
Income before Income Taxes	**58,642**	52,741	**551,978**
Profit Attributable to Owners of Parent	**38,525**	47,597	**362,627**
At year-end:			
Net Assets	**432,326**	400,034	**4,069,342**
Total Assets	**1,022,142**	1,015,415	**9,621,071**
	Yen		U.S. dollars
Earnings per Share (EPS)*1	**311.40**	383.91	**2.93**

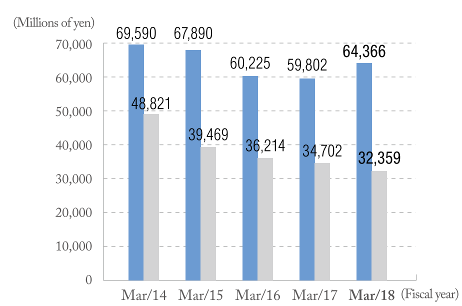
*1 The Company, with an effective date of October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. EPS (Con.) and Net income per share (Uncon.) are calculated assuming that the said share consolidation had been conducted at the beginning of the fiscal year ended March 2017.

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106.24=US$1, the approximate exchange rate prevailing on the Foreign Exchange Market on March 31, 2018.

Net Sales

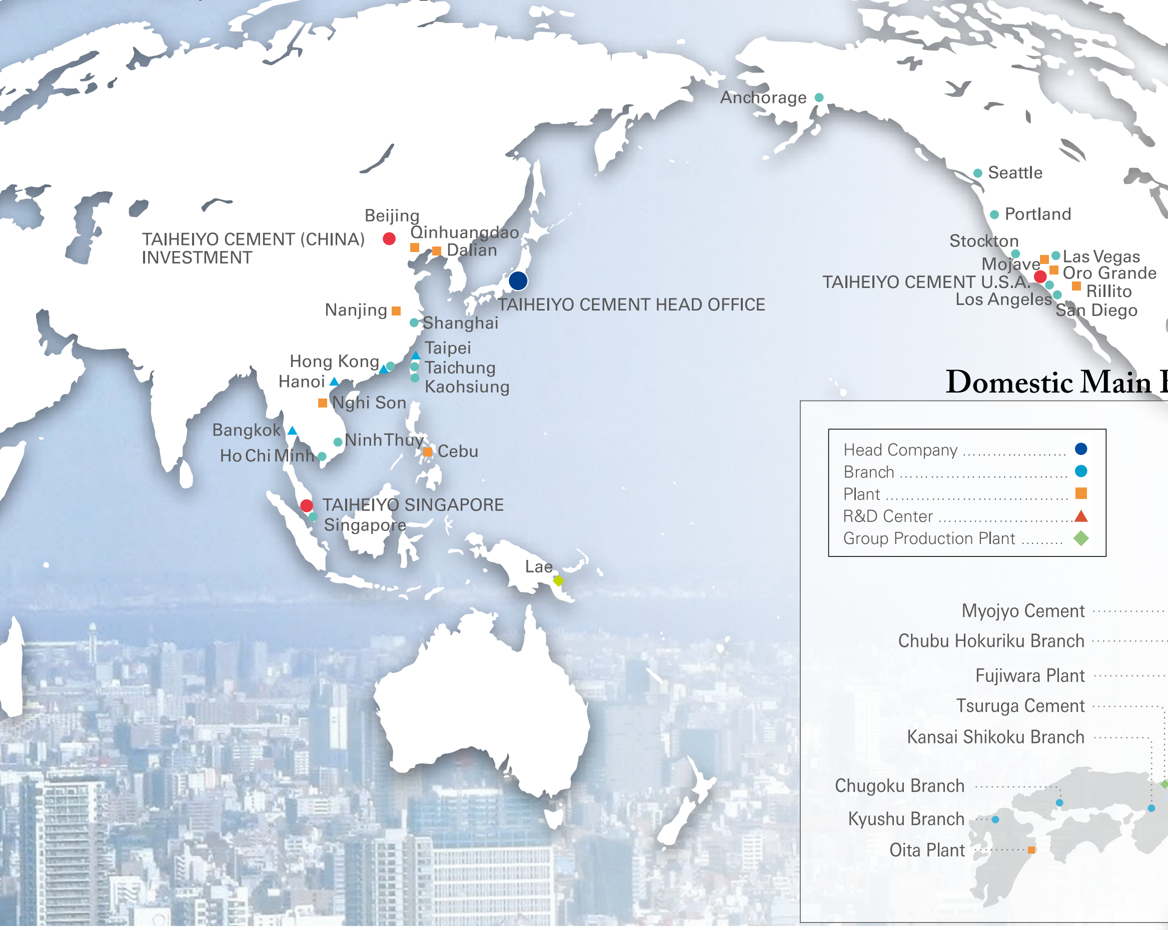


Ordinary Income

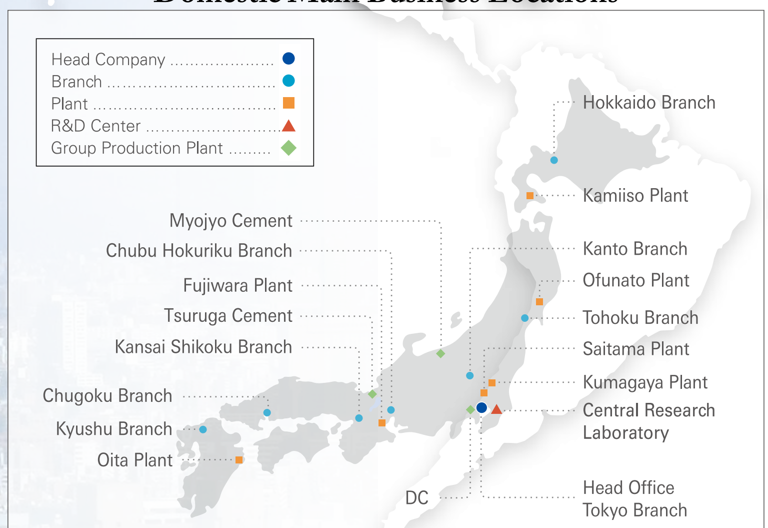


GLOBAL NETWORK

Taiheiyo Cement Group Main Business Locations



Domestic Main Business Locations

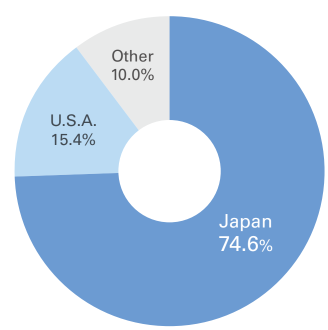


UNCONSOLIDATED	(Millions of yen) 2018	2017	(Thousands of U.S. dollars) 2018
For the year:			
Net Sales	¥ 321,162	¥ 300,398	$ 3,022,988
Operating Income	27,863	30,611	262,270
Income before Income Taxes	29,562	33,187	278,260
Net Income	23,254	36,970	218,883
At year-end:			
Net Assets	274,554	258,428	2,584,288
Total Assets	575,884	571,613	5,420,597
	Yen		U.S. dollars
Net Income per Share*1	187.41	296.39	1.76
Dividends per Share*2	–	6.00	–

*2 Dividends per share figures reflect the actual dividend paid before the reverse stock split. Converted to reflect the reverse stock split, dividends per share were 60.00 yen for both the fiscal year ended March 2017 and the fiscal year ended March 2018.

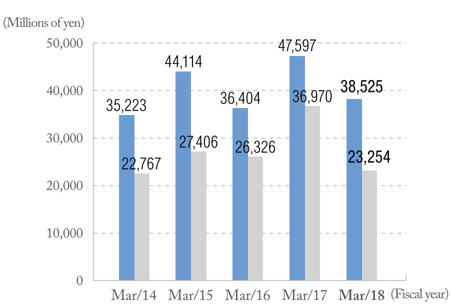
Sales Composition By Geographic Segment

(As of March 31, 2018/Consolidated)

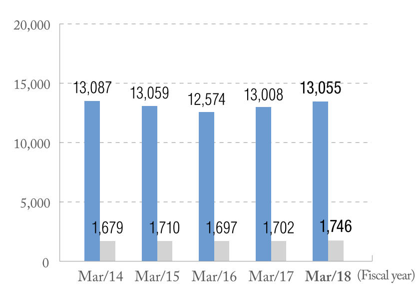


Note: Net sales ratio are based on our customer business locations, composition by the country or geographic segments.

Profit Attributable to Owners of Parent (Con.)
Net Income (Uncon.)



Employees



Creating New Strength through Sustainable Growth

Establishing a solid business foundation for future sustainable growth

During FY2018 Japan's economy continued to undergo a moderate recovery due to factors such as continued improvements in employment and earnings, as well as continued pick-up in capital investment and personal consumption on the back of strong corporate earnings. Meanwhile, attention paid to downside risk is mounting due to a serious shortage of labor and uncertainty in the global economy.

The U.S. economy continued to undergo moderate growth due in part to reduced levels of the unemployment rate and robust consumer spending. China's economy saw signs of recovery from economic deceleration, supported by various government policies. In Vietnam and the Philippines, the economy has been on an expansionary trend due to the increase in exports and strong personal consumption.

Under these circumstances, in FY2018, the Group's consolidated net sales increased ¥72,524 million from the previous year to ¥871,113 million. Consolidated operating income was ¥65,129 million, up ¥1,894 million, while consolidated ordinary income was ¥64,366 million, up ¥4,563 million and profit attributable to owners of parent decreased ¥9,071 million to ¥38,525 million.

Looking ahead, the Japanese economy is expected to continue recovering moderately on the back of factors such as robust corporate earnings and the employment environment. Although the global economy also continues to undergo an expansionary trend, uncertainty is growing due to concerns over trade friction following U.S. international trade policies and geopolitical risks.

Turning our attention to the Group's business environment, in our core domestic cement business demand is expected to recover due to construction related to the Tokyo Olympics and Paralympics in 2020, redevelopment investment in urban areas, and disaster prevention and mitigation measures. Meanwhile, the impact of serious labor shortages and increases in raw material prices are concerns.

Additionally, in the U.S. economy, on the back of factors such as robust corporate earnings and the employment environment, personal consumption and capital investment

will maintain a recovery trend and economic growth is forecast to continue. However, great uncertainty surrounds policy management and trends must be monitored closely.

Under these circumstances the Group has set its future Vision and Direction targeted at the mid-2020s. As the second step, the Group has formulated the 20 Medium-Term Management Plan which covers the three-year period until FY2021, and will establish a solid business foundation for future sustainable growth.

In addition, the Group will seek to recognize and assess its risks and opportunities in terms of ESG (environment, society and governance) to minimize any potential medium- to long-term business uncertainties. We will concurrently maximize the use of both tangible and intangible assets of the Group, including merchandise, technology and know-how, to contribute to solving social issues. Such activity will allow us to put into practice our efforts to create shared value while fulfilling both the creation of social value and expansion of business opportunities. We intend to achieve the Group's sustainable growth and enhance medium- and long-term enterprise value through these activities while contributing to SDGs as a universal set of development goals.

For the fiscal year ending March 2019 we expect consolidated net sales of ¥888,000 million, consolidated operating income of ¥68,000 million, consolidated ordinary income of ¥66,000 million, and profit attributable to owners of parent of ¥42,000 million.

I look forward to your continued understanding and support as we pursue these goals.

Masafumi Fushihara
President and Representative Director

Masafumi Fushihara

SPECIAL FEATURE

20 Medium-Term Management Plan (FY2019 to FY2021)

Taiheiyo Cement Corporation has formulated its 20 Medium-Term Management Plan, covering the three years from FY2019 to FY2021, to take the next (second) step toward realizing our future Vision and Direction targeting the mid-2020s.

Future Vision and Direction

Mission of the Taiheiyo Cement Group

Our mission is to contribute to social infrastructure development by providing solutions that are environmentally efficient, enhance our competitive position and bring value to our stakeholders.

Future Vision and Direction (toward the mid-2020s)

To become an enterprise group that provides a sense of safety and security to societies in the Pacific Rim by demonstrating the Group's overall capabilities.

Review of the 17 Medium–First Step Toward Realizing Our Future Vision and Direction

Plan	Results
1) Earnings capacity	
• **Enhance existing businesses.** Thorough cost reductions, etc. • **Formulate and implement growth strategies.** Growth investments for generating and improving earnings capacity (100 billion yen).	• **Significant decline in domestic cement demand, below expectations.** Management targets underperformed. ▶Continue to strengthen our earnings capacity. • **Executed growth investments as planned.** Acquisition of the Oro Grande plant (U.S.) and construction of its new mill Commencement of Biomass Power Generation Business DC Co., Ltd. became a wholly-owned subsidiary
2) Financial structure	
• **Reduce interest-bearing debt.** • **Improve the equity capital ratio.** • **Promote selection and concentration.**	• **Significantly reduced interest-bearing debt.** (110.5 billion yen from end of FY2015) • **Achieved net DER and other financial indicators one year earlier than planned.** • **Improved equity capital ratio.** (end/FY2015: 29.1% → end/FY2018: 38.7%)
3) Shareholders' Return	
• **FY2016: dividend of 6 yen/share** Increased by 1 yen/share from FY2015. • **FY2017-2018** Determined dividends with consideration of fund needs from growth investments, etc.	• **FY2016–2018: maintained dividends of 6 yen/share.*** • **FY2017: repurchased 10 billion yen of Taiheiyo Cement Corporation's shares.** *The Company has consolidated shares of common stocks at a rate of one share for every ten shares, effective October 1, 2017. As a result, the year-end dividend per share for FY2018 will be 30 yen. The dividends per share for the period and for the full year, without reflecting the impact of share consolidation, are 3 yen and 6 yen, respectively.

	FY2018 Plan	FY2018 Actual	Difference
Management Targets			
Operating income on sales	8.4% or more	**7.5%**	-0.9%
Return on assets (ROA) (ordinary income)	7% or more	**6.3%**	-0.7%
Guidelines (Billions of yen, unless otherwise stated)			
Net sales	950.0 or more	**871.1**	-78.9
Operating income	80.0 or more	**65.1**	-14.9
EBITDA*	125.0 or more	**111.6**	-13.4
Net debt/equity ratio (DER) (times)	Less than 1.0	**0.6**	-0.4
Net interest-bearing debt/EBITDA (times)	2.6 or less	**2.1**	-0.5

*EBITDA= Operating income + Depreciation (including goodwill amortization)

Business Environment and Our View of the Future

Recognizing the Group's business environment, risks and opportunities in terms of ESG

		E: Environment	S: Society	G: Governance
Business environment and risks	Japan	Climate change Severe natural disasters Resource constraints Waste treatment Reinforcement of environmental regulations	Declining birth rates, an aging population and a labor shortage Deterioration of infrastructure The Tokyo Olympics and Paralympics Large infrastructure projects Restoration and reconstruction in disaster-stricken areas Technological innovations (ICT, IoT, AI, etc.)	Unfair trade Corruption and bribery Falsification of data
	Overseas	Climate change Resource constraints Waste treatment Reinforcement of environmental regulations	Expansion of production and consumption Rapid urbanization Growing infrastructure improvement Technological innovations (ICT, IoT, AI, etc.)	
Opportunities		Creation and development of a recycling-oriented society Provision of environmentally friendly products Technical assistance for emerging economies	Stable provision of high-quality products Disaster prevention and management projects and restoration of deteriorating infrastructure Provision of solutions Provision of labor-saving products Restoration and reconstruction in disaster-stricken areas Retention and development of capable human resources	Compliance Risk management

Key Directions the Group Should Pursue

Key Directions	Principal Businesses	ESG
Stable provision of products and services	All businesses	S
Efforts to mitigate and respond to climate change	Cement (Japan and overseas)	E
Creation and development of a recycling-oriented society	Cement (Japan and overseas), mineral resources, environmental	E
Expansion of a strategic business domain	Cement (overseas), mineral resources, environmental, construction materials, others	E, S
Construction of a new business model	Environmental, others	E, S
Retention and development of capable human resources Strengthening of Group governance Enhancement of corporate governance	All businesses	S, G

Reduce risks and expand business opportunities by addressing ESG issues

Achieve sustainable growth for the Group and enhance medium- and long-term enterprise value by creating shared value while contributing to SDGs.

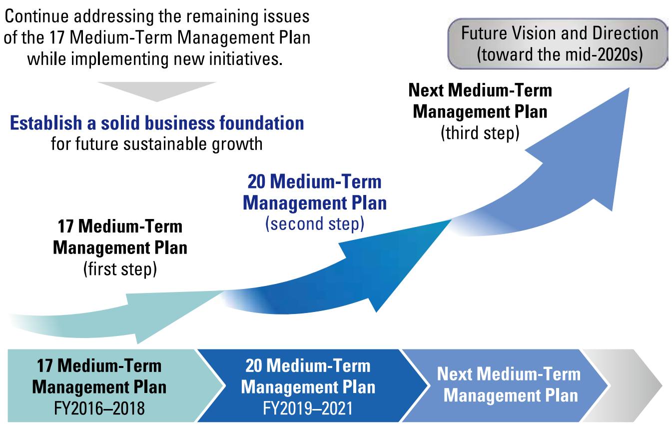
*1 Creating Shared Value
*2 Sustainable Development Goals: Adopted in September 2015 at a UN summit as a commitment by the global society, including advanced nations, to be met by 2030. The 17 goals and 169 targets address poverty, hunger, economic growth, climate change, etc.

Reference: Relationship between SDGs and Our Business Operations

Outline of the 20 Medium-Term Management Plan

1. Positioning

Second Step Toward Realizing Our Future Vision and Direction



2. Fundamental Policies

Fundamental Policies

To become an enterprise group that anticipates future changes in the business environment and seeks innovations on all fronts, thereby advancing along a pathway of growth.

To contribute to the establishment of a sense of safety and security in society through the stable provision of high-quality products, solutions and advanced technology development, in order to build national resilience as a member of the social infrastructure industry.

To push ahead with the strengthening of our earnings foundation for businesses and further improve our financial structure through thorough cost reductions as well as by actively executing investments in promising fields that will contribute to the Group's sustainable growth.

Strategy for Research and Development	Business Strategies	Strengthen Management Foundations

Establish a solid business foundation.

3. Management Targets

Target for FY2021	Operating Income on Sales	ROA (Ordinary Income)
	9% or more	8% or more

4. Guidelines

We have adopted the following indicators as guidelines for achieving the management targets.

(Billions of yen, unless otherwise stated)

	FY2018 Actual	FY2021 Plan	Difference
Net sales	871.1	950.0 or more	78.9 or more
Operating income	65.1	85.0 or more	19.9 or more
EBITDA*	111.6	140.0 or more	28.4 or more
Net debt/equity ratio (DER) (times)	0.6	0.5 or less	Improved more than 0.1 times
Net interest-bearing debt/ EBITDA* (times)	2.1	1.5 or less	Improved more than 0.6 times

*EBITDA = Operating income + Depreciation (including goodwill amortization)

5. Financial Strategy and Shareholders' Returns

Generate an operating cash flow of 300 billion yen

over the three-year period of the 20 Medium-Term Management Plan

In principle, we will execute the following within the operating cash flow

Capital expenditure and investment and financing	Returns to shareholders	Further improvement of our financial structure

1) Capital expenditure and investment and financing

Total of the three-year period of the 20 Medium-Term Management Plan

Capital expenditure and investment and financing: 230 billion yen
Including growth investments: 120 billion yen

- Focus on growth investments to achieve the Group's sustainable growth.

2) Returns to shareholders

Over the period of the 20 Medium-Term Management Plan

Consider flexibly repurchasing shares toward achieving a total return ratio of around 30%.

- Maintain steady and continuing dividend payments as our basic policy.
- Take into account the balance between shareholders' return and the appropriate internal reserves needed to improve equity capital ratio in view of future growth investments and to strengthen our financial structure.

3) Further improvement of our financial structure

End of FY2021

Net DER (debt/equity ratio) of 0.5 times or less (as a guideline)

- We will further strengthen our financial structure by reducing interest-bearing debt, improving equity capital ratio, and promoting selection and concentration, along with other measures.

Our View of ROE

While striving to establish a solid earnings foundation and further strengthen our financial structure . . .

we intend to maintain and increase our earnings rate at a level that steadily exceeds equity costs.

Over the period of the 20 Medium-Term Management Plan

ROE: 10% or more

Reference: Net Sales and Operating Income by Segment

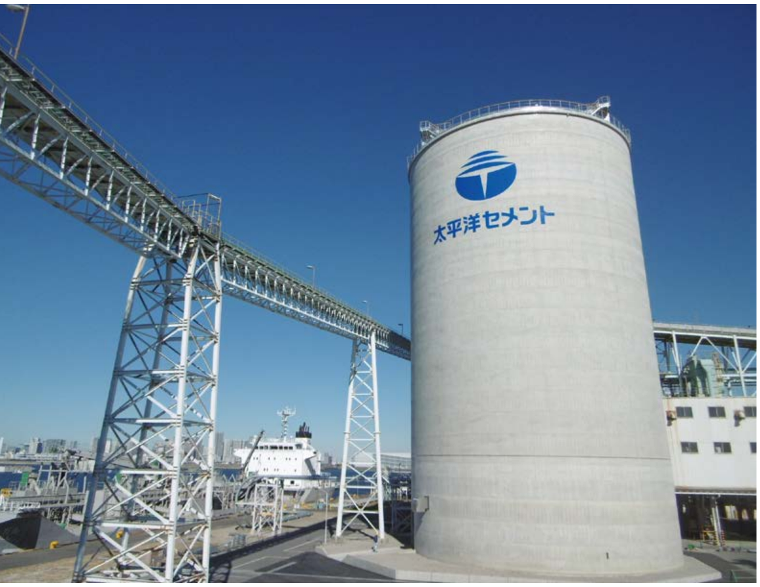
The following presumptions have been applied for the period covered by the 20 Medium-Term Management Plan.

Estimated domestic cement demand: 42 to 43 million tons
Estimated exchange rate: 110 yen/US$

(Billions of yen)

		Net Sales		Operating Income	
		FY2018 Actual	FY2021 Plan	FY2018 Actual	FY2021 Plan
Cement Business	Japan	408.5	423.0	25.5	29.0
	Overseas	203.4	223.0	15.1	25.5
	Sub-total	611.9	646.0	40.6	54.5
Mineral Resources Business		81.4	90.0	8.0	9.5
Environmental Business		90.2	111.0	7.4	9.0
Construction Materials Business		77.0	88.0	4.7	6.0
Other Business		79.0	95.0	3.9	6.0
Intergroup Elimination		-68.5	-80.0	0.2	-0
Total		871.1	950.0	65.1	85.0

Plans and other forward-looking statements in this document are based on information available to the Company as of the date of the release of this document and on certain assumptions the Company deems reasonable, and therefore are subject to risks and uncertainties.
As such, we do not offer any promise or guarantee that planned results and measures included in this document will be realized in the future. Actual results may differ significantly due to a variety of factors.



Cement Business

Sales and Profits Increase with Strong Performance Overseas, Particularly in the U.S.

Domestic cement demand in the public sector was solid in the first half of FY2018 due to the enforcement of the supplementary budget for the previous year, while it was stagnant in the second half due to the effects of unseasonable weather and prolongation in construction duration etc. For the full year, public sector demand was lower than the previous year. Domestic cement demand in the private sector exceeded the previous year due to an increase in capital investment and, as a whole, domestic cement demand increased 0.2% from the previous year to 41.87 million tons, of which imported cement decreased 37.4% from the previous year to 0.17 million tons. Total exports increased 2.4% to 11.80 million tons.

Under these circumstances the Taiheiyo Cement Group's domestic cement sales by volume, including consignment sales, increased 2.4% from the previous year to 14.72 million tons, whilst exports decreased 2.7% to 4.23 million tons.

As a result of the above, sales in the domestic cement business increased ¥23,452 million from the previous year to ¥408,513 million, and Operating income declined ¥4,020 million to ¥25,505 million due to factors including increased variable costs.

Shipment volume rose, served by our U.S. West Coast cement and ready-mixed concrete businesses where the market prices are generally on a recovery trend. Our cement business in China saw a partial recovery trend in demand and price. Our cement business in Vietnam was affected by competition with other products, among other factors. Our cement business in the Philippines is facing weak market prices, although domestic demand is expanding.

As a result of the above, sales in the Group's overseas cement business increased ¥29,550 million from the previous year to ¥203,405 million, and Operating income increased ¥5,774 million to ¥15,146 million.

Sales	¥ 611,918 million	up ¥53,003 million year-on-year
Operating Income	¥ 40,652 million	up ¥1,753 million year-on-year

Mineral Resources Business

Sales and Profits Increase as Mineral Product Sales Volume Grows

In our aggregates business, although demand related to the Tokyo Olympics and Paralympics began to increase, demand as a whole decreased since the restoration and reconstruction works in the Tohoku region neared completion. In our mineral products business, shipments of limestone to overseas customers in the iron and steel industry were solid. Intake in our surplus construction soil recycling business exceeded levels of the previous year.

Sales	¥ 81,483 million	up ¥1,306 million year-on-year
Operating Income	¥ 8,061 million	up ¥302 million year-on-year

Environmental Business

Increased Fixed Costs such as Depreciation and Amortization of Capital Investments Depressed Profits

Waste processing operations, such as for waste plastics, etc., and electric power-related business were strong and, while measures were promoted for disaster waste processing operations associated with the 2016 Kumamoto Earthquakes, depreciation and amortization costs increased due to capital investments. These factors resulted in a decrease in consolidated operating income.

Sales	¥ 90,206 million	up ¥12,305 million year-on-year
Operating Income	¥ 7,463 million	down ¥203 million year-on-year

Construction Materials Business

Reduced Profitability of Ground Improvement Projects Led to Decline in Profits

Consolidated sales was up on increased sales of materials related to civil engineering and construction. However, consolidated operating income decreased due to declining profitability of ground improvement projects.

Sales	¥ 77,033 million	up ¥3,006 million year-on-year
Operating Income	¥ 4,740 million	down ¥1,321 million year-on-year

Other Business

Sales and Profits Increase as Real Estate and Data Processing Post Strong Performance

This segment includes our real estate, engineering, data processing, finance, transport and warehousing, chemical products, sports facility, and other businesses. Our real estate and data processing businesses posted strong performance.

Sales	¥ 79,020 million	up ¥3,689 million year-on-year
Operating Income	¥ 3,926 million	up ¥658 million year-on-year

Yamba Dam construction site

Fiscal 2019 Business Strategies

Quickly realizing fair prices and strengthening profitability

Domestic Cement Business

Dealing with geographical imbalances in demand is a key issue

The 20 Medium-Term Management Plan anticipates annual domestic cement demand of 42 million tons in an environment in which construction work remains concentrated in central Tokyo. We expect cement demand during FY2019 to track these expectations at 42 million tons thanks to construction related to the Tokyo Olympics and Paralympics as well as an uptick in construction in regional cities, where demand is currently depressed.

Against this backdrop, we have made prompt implementation of fair prices adjustments and strengthened profitability as our basic policies in FY2019. To realize fair prices, we increased current prices by at least ¥1,000 per ton from shipments as of April 1, 2018. We have gained customer understanding for this increase by carefully explaining the impact of rising distribution and maintenance costs due to Japan's labor shortage, as well as the reality of a business environment in which coal prices have been soaring for the past several years.

As the geographic imbalance between regions with demand and those without becomes more striking, and as natural disaster recovery projects account for an increasingly large percentage of total demand, we believe the need to avoid the creation of "blank areas" in the supply of ready-mixed concrete and concrete products will emerge as a key issue. Because the Japanese Industrial Standard (JIS) requires ready-mixed concrete be cast (poured into forms) no later than 90 minutes from the time it was first mixed in order to ensure quality, the product can only be supplied in areas near plants. This requirement explains why there are many ready-mixed concrete plants located throughout the country. As plants become less viable in regions where demand is falling, it becomes more difficult to provide a stable supply of ready-mixed concrete as a finished product in these areas. This trend is a serious problem for us as a cement manufacturer, and we see it as an issue for which the entire cement and concrete industry needs to study potential solutions.

Yamba Dam Concrete Placing

In addition, this imbalance in demand is being accompanied by an increasingly serious shortage of drivers and vehicles. We have been working closely with customers to address this challenge and will continue to work to secure drivers and vehicles in the future.

Strengthening profitability from three perspectives

The 20 Medium-Term Management Plan identifies two key sales priorities for the Domestic Cement Business: (a) strengthening profitability by quickly realizing fair prices and aggressive cost-cutting and (b) contributing to national and other projects by strengthening and expanding our capacity for reliably supplying products.

We described the basic policies we will pursue in FY2019 in order to quickly realize fair prices. To strengthen profitability we will undertake three initiatives: sales measures, ready-mixed concrete policies and concrete product measures.

Sales measures will consist primarily of strengthening construction-related orders and establishing supply structures for cement with special specifications (low-heat cement, moderate-heat cement, blended cement, etc.). In working to strengthen construction-related orders we will focus on gaining useful information about business opportunities from ready-mixed concrete companies and concrete product companies so we can boost the volume of orders from worksites where our added value benefits us. Since specialty cements are part of a category where we can fully leverage our competitive advantages, we will also work to enhance our supply structures in this area of our operations. Other initiatives include planning and reliably implementing sales policies in concert with DC Co., Ltd., a Kawasaki, Kanagawa Prefecture-based wholly owned subsidiary that we acquired in 2016, in order to leverage synergies with that company so that we can fulfill brisk demand in the Tokyo metropolitan area.

Ready-mixed concrete policies consist of strengthening the financial footing of our directly-owned ready-mixed concrete facilities and implementing measures targeting group customers. Ready-mixed concrete companies located throughout Japan have access to regional information and we will maintain and enhance our ability to gather this information, which we consider to be an important part of our operations. In addition, we will enhance our ability to market products to clients and work to earn a larger percentage of orders on large projects. We will also continue to

Kamiiso Plant

work closely with ready-mixed concrete industry associations nationwide to popularize concrete paving. Going forward, we have high expectations concerning the industry's ability to tap the changeover from asphalt to concrete paving as a new source of demand.

Concrete product measures will consist of strengthening our relationships with concrete product companies throughout Japan. Labor shortages at construction sites are driving a trend toward greater use of pre-cast concrete, but the different characteristics of ready-mixed concrete and concrete products require the appropriate use of these based on site conditions. Going forward, we will support development of distinctive and appealing products so that we can continue to contribute to the development of the concrete product and ready-mixed concrete industries, for example by building win-win relationships that combine both product types. We will also work to accommodate the i-Construction initiative. Currently, general contractors are dominant in leading new industry initiatives, but the cement industry will carefully analyze where advantages can be realized for the cement industry and move forward accordingly.

Note: The i-Construction initiative aims to increase the overall productivity of construction production systems by introducing measures such as across-the-board use of information and communications technology (so-called "ICT in earthworks") at construction sites.

Tokyo Service Station

Securing orders from large-scale infrastructure development projects

With regard to the policy of contributing to national projects by strengthening and enhancing our capacity to provide a stable supply, we will work to cut costs by strengthening our overland transport capabilities and carefully identifying optimal distribution cost structures. Specifically, we will study how to implement a return-load transport system, including through partnerships with other industries. We believe this approach will yield the dual benefits of enabling us to secure the means of transport while simultaneously lowering transport costs. In addition, we will pursue initiatives to realize stable supply from both production and distribution perspectives as we prepare for the start of OEM operations for Hitachi Cement Co., Ltd., in April 2019.

Regarding our contributions to national and other projects, orders related to the Tokyo Olympics and Paralympics have slowed but we will continue to work to ensure reliable deliveries until these projects have been completed. Going forward, a number of large infrastructure development projects are coming up, including the Naruse Dam in Akita Prefecture, which will be one of the largest dams in Honshu, the extension of the Hokuriku Shinkansen and Hokkaido Shinkansen lines, and the construction of the Chuo Shinkansen, and we will work together with Group companies to supply products and ready-mixed concrete.

Although construction is currently concentrated in the Tokyo metropolitan area we expect to see a renewed surge of private-sector redevelopment in major cities such as Osaka and Nagoya. We plan to promote our extensive network of shipping facilities, which is one of Taiheiyo's core strengths, to earn new orders from these projects.

We shipped a record volume of cement-based soil stabilizer in FY2018. Conditions following the Great East Japan Earthquake spurred calls for projects using this product leading to a rapid increase in sales. We expect this growth to continue in the future and will ensure our ability to accommodate growing demand by enhancing our supply and transport structures.

In addition to the above measures we will continue to focus on ensuring safety, reassessing our quality control structures and fostering the development of talented workers.

Toshiaki Suzuki
Director, Managing Executive Officer
Senior General Manager, Cement Business Division

Shin-Tsukumi Quarry

Fiscal 2019 Business Strategies

Establishing a robust system for ensuring the stable supply of mineral resources and taking full advantage of the abundant resources of the Group to boost the profitability of our businesses

Mineral Resources Business

Boosting the profitability at existing businesses during FY2019

Among our core businesses we expect profits to grow in the aggregates business. We have expanded our sand plant to accommodate expected growth in demand for fine aggregate in the Kanto region, and will work with DC Co., Ltd., a subsidiary with a sand business in Chiba Prefecture and surrounding regions, to meet this demand.

Our mineral products business is planning for higher profits due to stable shipments of limestone to the iron and steel industry. Our production of quicklime has reached capacity and we aim to implement price increases going forward. We will focus on maintaining production facilities so that we can continue to realize maximum production and sales volumes. We will also work to expand our silica stone facilities to enable us to put structures in place to bundle sales of silica stone with limestone to customers in the iron and steel industry.

In our geo-solutions business, we expect to increase sales of Denite®, a heavy metal immobilization material from Taiheiyo Cement, as large public works projects such as the Tokyo-Gaikan Expressway finally get underway. We also aim to boost profitability in operations involving surplus construction soil by working closely with subsidiaries DC Co., Ltd., and Mitsui Wharf Co., Ltd., to capture more orders.

In our functional materials business we will work to increase sales by augmenting ChiccaLight®, a high-purity phosphor raw material used in LED production that we have shipped in stable quantities for several years, with a range of new products such as High-Purity Silicon Carbide (SiC) which is attracting attention as a material for use in next-generation power semiconductor applications.

We also plan to establish a local subsidiary in Vietnam to allow our mineral resources business to aggressively pursue sales in overseas markets.

Steadily implementing the business strategy set out in the 20 Medium-Term Management Plan

For the 20 Medium-Term Management Plan we set three priority objectives:

- Establish a robust system for ensuring the stable supply of mineral resources
- Take full advantage of the abundant resources of the Group to boost the profitability of our businesses
- Focus on developing future-oriented businesses as well as creating an overseas resource business

With regard to the first objective to establish a robust system for ensuring the stable supply of mineral resources, we will work to develop quarries over the next three years to ensure a stable supply of products going forward. We will focus not only on limestone, but also on silica stone as we build structures to ensure the Group can leverage its exceptional capabilities in our mineral resource operations to provide a stable supply of products.

Because distribution costs are a significant expense in our aggregates business, we will enhance our supply structures to enable us to supply products from our Garo quarries in Hokkaido to customers in Kanto and locations further north, and products from our Shin-Tsukumi Quarry in Oita to customers in West Japan. In the Kanto region, we will allocate product based on customer wishes by combining marine shipments with supply from inland facilities operated by Buko Mining Co., Ltd., Chichibu Mining Co., Ltd., Kosyu Saiseki Co., Ltd., and Yuko Mining Co., Ltd.

With regard to the second objective to take full advantage of the abundant resources of the Group to boost the profitability of our businesses, we plan to focus on increasing prices and growing market share in our aggregates business as we expand associated production facilities. Because of high distribution costs, the aggregates business has a strong local component. However, increasing volume means operating a wide network of production facilities that requires active investment in order to increase profitability. We believe increasing the number of such facilities we operate will also boost sales in regions that are not currently serviced.

In our mineral products business, we will build supply structures for limestone that optimize the characteristics of the products from individual mines. In addition, in the Horoshi area of our Ofunato Quarry (in Iwate Prefecture), we are able to extract crystalline limestone of sufficiently high quality to supply the paper industry. We will work to increase the profitability of this business while strategically expanding it by augmenting our existing Kawara Quarry (in Fukuoka Prefecture) with new production facilities for crystalline limestone.

In our geo-solutions business, we will work to increase sales of Denite®, a heavy metal immobilization material from Taiheiyo Cement, while collaborating with DC and Mitsui Wharf as described above to increase profitability in operations involving surplus construction soil.

With regard to the third objective of focusing on developing future-oriented businesses as well as creating an overseas resource business, we will work to commercialize High-Purity Silicon Carbide (SiC) and functional hollow particles to advance our functional materials business.

We plan to utilize our new local subsidiary in Vietnam as a base from which to launch a more aggressive globalization program focusing on Southeast Asia.

Kanto Ash Center

Crushed waste plastic

A year for upfront investments to facilitate future growth

Environmental Business

Establishing technology for the future

We anticipate the following management environment for each of our businesses in the coming financial year.

In our e-materials business the volume of coal ash we handle is trending down due to growth in renewable energy driven by widespread introduction of solar power and restrictions on the operation of coal-fired power plants.

In the previous financial year our materials recycling business completed the processing of waste and debris from disasters, including a series of earthquakes in Kumamoto and heavy rains in northern Kyushu. This year we will strive to increase profitability by boosting sales of biomass fuel to the rapidly growing number of biomass power plants, processing incineration ash from these facilities and processing waste plastic, a service for which we expect demand to grow due to Chinese import restrictions on waste.

In our aqua business, during the previous financial year we worked to selectively consolidate our product range. This year we will work to increase sales of Power House® high-performance filtering media and Ceraclean® water purification material. In May 2018 we obtained the Environmental Technology Verification (ETV) mark from the Ministry of the Environment for our Ceraclean® water purification material. It has been praised for its effectiveness in Southeast Asia, where shrimp cultivation is a booming business, and we expect it to continue to attract growing interest and sales going forward.

In light of these conditions we expect business performance on a par with the previous financial year. We consider this year a time for making future-focused investments, and will move forward with a broad range of R&D and demonstration programs designed to establish new technologies for processing difficult-to-process materials such as lithium-ion batteries and carbon fiber, a field in which we expect growing demand.

Implementing the “Resource Complex” initiative

The 20 Medium-Term Management Plan sets forth a basic policy of “quickly achieving and subsequently maintaining operating income of ¥9 billion” while identifying the need to “maximize the earnings capacity of our businesses while constructing a new business model by developing advanced technology” and to “contribute to creating a new recycling system for unutilized resources”.

In addition to expanding and strengthening the foundation of our recycling business with a focus on conventional cement plants, we will actively pursue new businesses that are not dependent on cement plant operation with the goal of establishing them as major profit-drivers.

While our conventional cement plants accept a wide range of waste products and incorporate them into the cement manufacturing process, in the future we will actively separate and sort valuable resources. Waste products include heavy metals such as copper, zinc and lead, as well as precious metals like gold and silver. We plan to enrich and sort these elements and sell them as raw materials to non-ferrous metal businesses. We have already commercialized this business at Group company Tokyo Tama Ecocement Inc., and are studying its introduction at other plants. As part of this initiative we have set-up a demonstration trial at our Ofunato Plant.

By not only tapping the stream of waste products and byproducts we receive for use as cement raw materials and fuel as we have in the past, but also extracting valuable resources other than cement raw materials and returning them to the market, we will further contribute to resource recycling in Japan. Going forward, we will work with diverse industries, local governments and other partners to expand resource recycling to successfully implement the “Resource Complex” initiative.

We will also actively work on expanding the Environmental Business overseas by focusing on pioneering new business domains, for example by assigning personnel to overseas facilities and establishing local subsidiaries. The Environmental Business Development Department is responsible for procuring biomass fuel for Ofunato Power Inc., which will start operating a biomass-fueled power generation business in 2019, and we will work to expand our fuel procurement operations in step with its operation.

Kunihiro Ando
Director, Managing Executive Officer
Mineral Resources Business Division
Environmental Business Development Department

Oro Grande Plant

Fiscal 2019 Business Strategies

Expanding existing businesses and investing in new businesses in the Pacific Rim

International Business

Boosting production capacity in the U.S. and Southeast Asia to meet growing demand

Cement demand in the U.S. during FY2019 is expected to rise 2% to 3% nationwide and by several percentage points in the five West Coast states where we do the majority of our business (Washington, Oregon, California, Arizona and Nevada). Based on our belief that this trend will continue for some time, we are working to expand the cement grinding mill (finish mill) at the Oro Grande Plant that we acquired in 2015. We plan to complete these enhancements during the first quarter of FY2020.

In China the cement market prices have been recovering since the second half of 2016. Although there is a striking geographic imbalance in the market as demand shrinks in the north while expanding in the south, we believe that the market continues to be a promising one overall with annual demand of about 2.3 billion tons. However, initiatives by the government to strengthen environmental regulations have led to halts in plant operation, retirement of outdated equipment and the discontinuation of low-specification products in the cement industry. The effect of this has been to add to the cost and investment burden on manufacturers as they find themselves faced with the need to purchase equipment that complies with the new regulations as well as newly required chemicals and other additives. In addition, the government's peak shift policy that halts operations during certain periods is expanding. We see opportunities in this environment as the retirement of outdated equipment and other factors will weigh on production and force up prices, and our environmental business—a key area of strength for Taiheiyo—will have the opportunity to expand nationwide.

Turning to Southeast Asia, we failed to achieve planned targets during FY2018 in both Vietnam and the Philippines due to factors that include a deterioration in the cement market caused by intensifying competition. However, we continue work to boost production capacity and strengthen supply structures based on our expectation that cement demand will continue to grow in both countries. In the Philippines in particular, we see growth continuing in the immediate future as large-scale infrastructure construction proceeds under the Duterte administration's "Build, Build, Build" initiative.

As exports from Japan remain at the 4-million ton level we will work to boost shipments of blended cement and cement with special specifications to overseas customers. We will also seek to strengthen supply structures in offshore trade to route cement from China, South Korea and other nations to the U.S. to accommodate growing demand in that market.

Building a brand image that emphasizes sustainability

Recognizing that investment is critical to maintaining growth, the International Business Division is planning to expand existing businesses and invest in new businesses in the Pacific Rim. Specific initiatives include boosting cement production capacity and terminal capacity, and our approach is to select the most appropriate investment scheme for each project from a menu of choices that include green field investments, M&A and asset acquisitions, and joint ventures.

The most important consideration as we determine where to invest will be whether proposed projects can achieve synergies with existing businesses. We will also emphasize the relationship with existing business projects when investing in new countries and locations, as we consider the most appropriate timing and location for each investment.

In addition to cement, we are working to increase the volume of bulk materials such as fly ash and slag that we handle. Exports of blended cement to Singapore are growing and we expect to expand exports of this product to other countries in the future. However, we anticipate that the volume available for export of bulk materials from the domestic Japanese market will be insufficient in the future, so we will work with the Environmental Business Development Department and the Mineral Resources Business Division to study the viability of procuring materials such as fly ash and slag from overseas coal-fired power plants and steel mills as a way to establish stable supply structures.

In formulating the 20 Medium-Term Management Plan we emphasized sustainability. Awareness of the importance of this concept is rising, including in emerging nations, and Japanese companies such as Taiheiyo are receiving increasingly high praise for their sustainability initiatives. Japanese products win praise for their high quality, legal compliance, environmental friendliness, and safety; all characteristics that justify their prices. We believe that by building a strong brand image and earning consumer trust we can realize a competitive advantage in our operations, and a stance that makes safety our top priority and values our employees helps build this trust.

Going forward, global human resources development will play an essential role as we develop our businesses overseas. Taiheiyo has adopted a policy of hiring more multilingual employees who speak languages other than Japanese and English and more non-Japanese employees. In the area of human resources development we have begun training engineers by opening a training center in the Philippines, where English is the official language, and we plan to assign those trainees to Group companies and overseas facilities in the future.

Ichiro Egami
Director, Managing Executive Officer
Senior General Manager,
International Business Division

Vietnam Subway Construction (ground improvement)

Establishing a sustainable business foundation

Construction Materials Business

Securing profits in FY2019 by adapting to changes in the business environment

Although our Construction Materials Business posted rising profits for five years in a row starting in FY2012 and achieved the 17 Medium-Term Management Plan's operating income target of ¥6.0 billion earlier than anticipated, profits fell significantly during FY2018, the plan's final year.

While special-procurement projects made a major contribution to the bottom line during FY2016 and FY2017, construction delays caused by various factors, including labor shortages and work-style reforms, had a noticeable impact in FY2018. We believe the declining profitability of ground improvement projects, due in part to lower demand from reconstruction work following the Great East Japan Earthquake and resulting in smaller scale projects, exacerbated these challenges and were a major factor in our earnings decline.

We anticipate substantial orders from projects that will contribute to profits during FY2019, including the start of construction on the Tokyo-Gaikan Expressway following a series of delays that have slowed progress on the project to date. At the same time, I believe it is important to introduce measures that adapt to changes in the scheduling of construction projects in light of ongoing labor shortages, which are expected to become even tighter in the coming year, and work-style reforms. While it has been standard practice in the construction industry to ramp up work during the fourth quarter to complete projects before the end of the fiscal year, I feel we have reached a point where we need to reassess the viability of this approach. This fiscal year we will focus on securing profits in a changing business environment by building flexible management structures in a timely manner.

20 Medium-Term Management Plan: Changing focus from business expansion to operating margins

The 20 Medium-Term Management Plan seeks to address changes in the business environment such as Japan's labor shortage by focusing on operating margins rather than business expansion during the term of the Plan. We believe this will reinforce the company's business foundation and lay the groundwork for the next medium-term management plan.

We have adopted two basic priorities:

- Establish a sustainable business foundation capable of adapting to changes in the business environment and strengthen the competitiveness and financial structure of our businesses
- Cultivate a new earnings source in a growth field and maximize synergies with our businesses

Our first initiative is to pursue labor savings across all business activities in order to address Japan's labor shortage and other changes in the business environment.

We are also planning to reallocate management resources by promoting selection and concentration of existing businesses and products using labor productivity and profitability as yardsticks. The Group includes companies with portfolios that have hundreds of products, some of which are only marginally profitable. We are looking to review these portfolios to concentrate on high-added-value products. At the same time, we will strengthen partnerships within the Group like never before as we work to implement efficient Group management structures as quickly as possible and build cooperative relationships in the distribution field.

In addition, to prepare for the contraction of the domestic market in the future, we will minimize costs, including by reassessing existing business facilities. For instance, we will build collaborative structures with other Group and non-group companies. Under the 17 Medium-Term Management Plan we have built networks of contacts through sales activities in partnership with Group companies. We will continue to expand this initiative with the aim of achieving significant results during the 20 Medium-Term Management Plan.

Initiatives to strengthen the financial structure of Group companies made excellent progress under the 17 Medium-Term Management Plan and we will continue these efforts as some companies still have a less than robust financial base.

To realize our second priority of cultivating a new earnings source in a growth field and maximizing synergies with our businesses, we will strengthen our partnership with the Central Research Laboratory to develop products that meet labor-saving needs and create new opportunities for Group companies to take advantage of pre-cast products, a category we expect to grow in the future. We believe that these and related initiatives will help alleviate the labor shortage at domestic construction sites.

We will also actively advance into overseas markets, particularly in Southeast Asia. As a first step, in September 2017 Onoda Chemico Co., Ltd. established a local subsidiary in Vietnam. Going forward, we will work closely with the International Business Division to determine the needs of each Group company and local needs.

In addition to these initiatives, we will actively invest in safety measures and work to further strengthen our quality control structures. We will also work on strengthening our management structures to enhance governance, including at affiliates of Group companies.

Katsuhide Fukuhara
Director, Managing Executive Officer
Construction Materials Business Department

Directors and Corporate Auditors

(As of June 29, 2018)

Board of Directors

Chairman and Director

Shuji Fukuda

President and Representative Director

Masafumi Fushihara

Vice President and Representative Director

Yuuichi Kitabayashi

Director, Senior Executive Officer

Shigeru Matsushima

Directors, Managing Executive Officers

Youichi Funakubo

Keiichi Miura

Masahiro Karino

Kunihiro Ando

Ichiro Egami

Tomoya Sakamoto

Directors, Managing Executive Officers

Katsuhide Fukuhara

Toshiaki Suzuki

Directors

Yoshiko Koizumi

Yuzo Arima

Corporate Auditors (Standing)

Hidehiko Kasamura
Toshihide Nishimura

Corporate Auditors

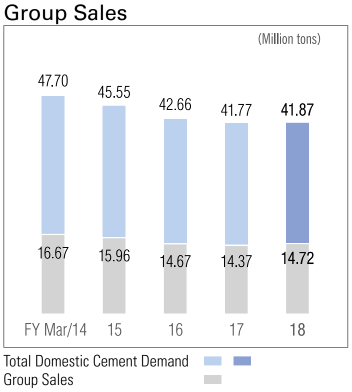
Yoshio Narukage
Wakako Mitani

Executive Officers

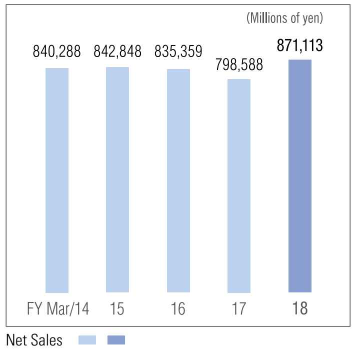
Toru Kanai
Seiichi Araki
Yoshiaki Tominaga
Kazuo Horikawa
Yoshiyuki Uenoyama
Hideaki Asakura
Tetsuya Ohashi
Yukimasa Nakano
Katsuyoshi Fukagawa
Yoshifumi Taura
Isao Takaki
Takayoshi Okamura
Atsuhiro Koike

Major Corporate Data

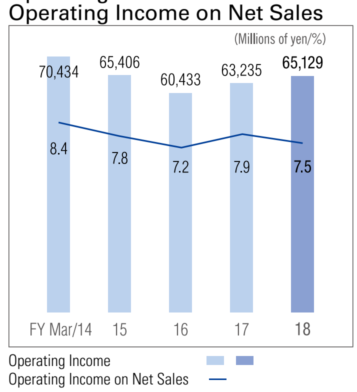
Total Domestic Cement Demand/ Group Sales



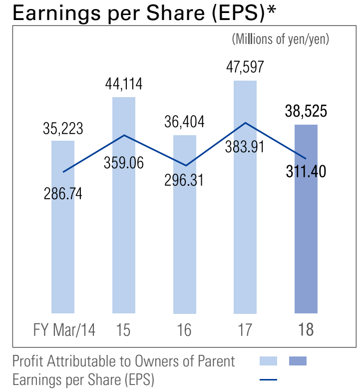
Net Sales



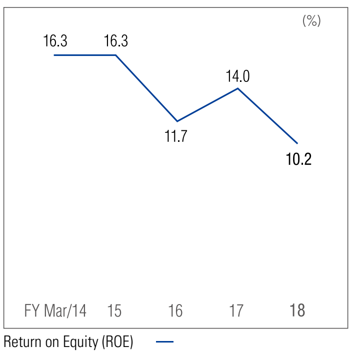
Operating Income/ Operating Income on Net Sales



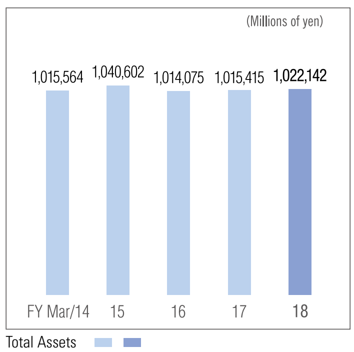
Profit Attributable to Owners of Parent/ Earnings per Share (EPS)*



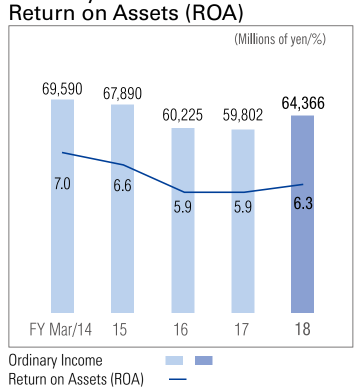
Return on Equity (ROE)



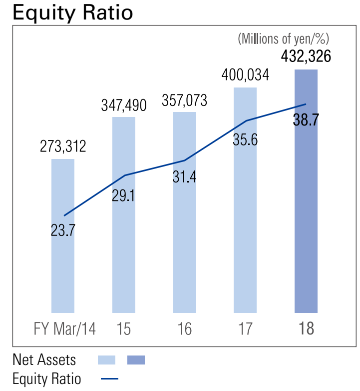
Total Assets



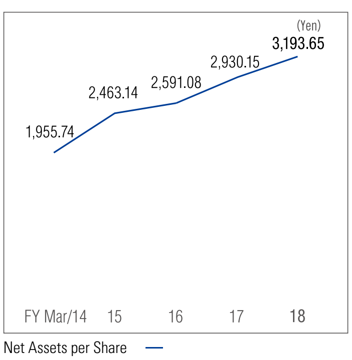
Ordinary Income/ Return on Assets (ROA)



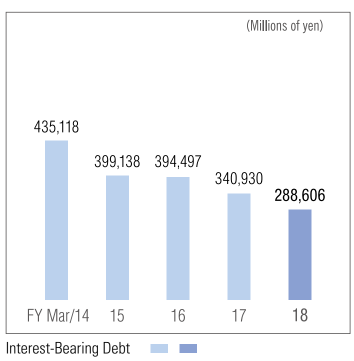
Net Assets/ Equity Ratio



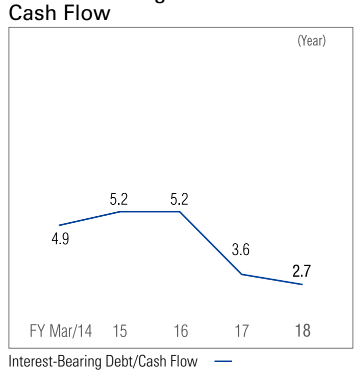
Net Assets per Share*



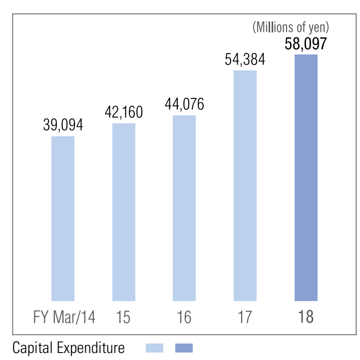
Interest-Bearing Debt



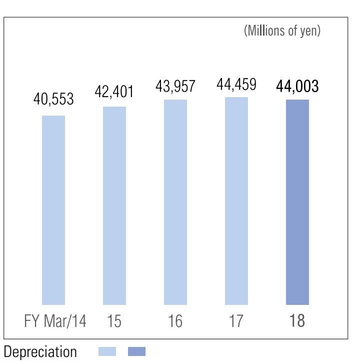
Interest-Bearing Debt/ Cash Flow



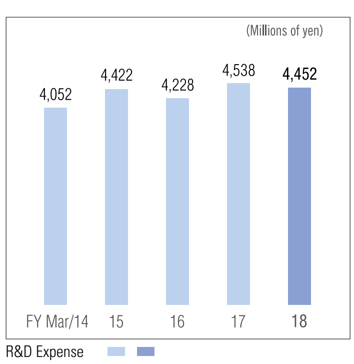
Capital Expenditure



Depreciation



R&D Expense



*The Company, with an effective date of October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. Earnings per Share (EPS) and Net Assets per Share is calculated assuming that the said share consolidation had been conducted at the beginning of the fiscal year ended March 2014.

Consolidated Balance Sheets

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Assets			
Current assets			
Cash and deposits	¥60,516	¥53,766	$506,084
Notes and accounts receivable-trade	166,625	182,272	1,715,670
Electronically recorded monetary claims-operating	5,320	10,989	103,440
Merchandise and finished goods	31,835	29,193	274,786
Work in process	1,708	2,383	22,432
Raw materials and supplies	42,422	41,761	393,089
Deferred tax assets	9,098	7,320	68,906
Short-term loans receivable	3,896	3,464	32,613
Other	12,595	10,560	99,398
Allowance for doubtful accounts	(1,125)	(1,116)	(10,512)
Total current assets	332,895	340,595	3,205,909
Noncurrent assets			
Property, plant and equipment			
Building and structures, net	136,454	134,456	1,265,596
Machinery, equipment, and vehicles, net	135,380	136,603	1,285,796
Land	160,571	158,057	1,487,740
Leased assets	22,319	20,998	197,647
Construction in progress	19,083	32,647	307,300
Other, net	23,341	22,674	213,430
Total property, plant and equipment	497,151	505,438	4,757,513
Intangible assets			
Goodwill	3,409	777	7,314
Other	34,250	32,261	303,661
Total intangible assets	37,660	33,038	310,976
Investments and other assets			
Investment securities	84,781	86,834	817,341
Long-term loans receivable	3,238	2,941	27,688
Assets for retirement benefits	17,352	21,298	200,476
Deferred tax assets	19,056	12,194	114,782
Other	31,613	28,341	266,764
Allowance for doubtful accounts	(8,333)	(8,539)	(80,381)
Total investments and other assets	147,708	143,070	1,346,672
Total noncurrent assets	682,520	681,546	6,415,161
Total assets	¥1,015,415	¥1,022,142	$9,621,071

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥78,441	¥91,113	$857,623
Electronically recorded obligations-operating	1,234	4,670	43,963
Short-term loans payable	134,428	153,181	1,441,841
Current portion of bonds	11,120	15,035	141,519
Income taxes payable	5,914	6,416	60,393
Deferred tax liabilities	4	3	34
Provision for bonuses	5,742	6,021	56,676
Other provision	410	121	1,142
Other	71,613	83,986	790,536
Total current liabilities	308,910	360,550	3,393,731
Noncurrent liabilities			
Bonds payable	35,035	20,000	188,253
Long-term loans payable	160,346	100,390	944,941
Deferred tax liabilities	8,378	10,051	94,607
Liability for retirement benefits	24,217	24,559	231,170
Provision for directors' retirement benefits	568	520	4,895
Provision for special repairs	121	128	1,212
Other provision	981	750	7,059
Lease obligations	21,285	18,844	177,380
Asset retirement obligations	7,520	7,553	71,100
Other	48,013	46,466	437,375
Total noncurrent liabilities	306,469	229,265	2,157,997
Total liabilities	615,380	589,815	5,551,728
Net assets			
Shareholders' equity			
Capital stock	86,174	86,174	811,128
Capital surplus	59,548	60,339	567,951
Retained earnings	228,914	260,016	2,447,440
Treasury stock	(10,911)	(10,947)	(103,044)
Total shareholders' equity	363,725	395,582	3,723,475
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	9,830	10,941	102,985
Deferred gains or losses on hedges	48	1	11
Revaluation reserve for land	5,065	5,057	47,601
Foreign currency translation adjustment	(12,862)	(16,201)	(152,497)
Retirement benefits liability adjustments	(3,987)	(111)	(1,052)
Total accumulated other comprehensive income	(1,906)	(313)	(2,951)
Non-controlling interests	38,215	37,058	348,817
Total net assets	400,034	432,326	4,069,342
Total liabilities and net assets	¥1,015,415	¥1,022,142	$9,621,071

Consolidated Statements of Income

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Net Sales	¥798,588	¥871,113	$8,199,484
Cost of sales	599,924	664,996	6,259,376
Gross profit	198,664	206,117	1,940,107
Selling, general and administrative expenses	135,429	140,987	1,327,066
Operating income	63,235	65,129	613,041
Non-operating income			
Interest and dividends income	1,650	1,969	18,539
Equity in earnings of unconsolidated subsidiaries and affiliates	2,009	3,196	30,090
Other	2,228	3,212	30,238
Total non-operating income	5,888	8,378	78,868
Non-operating expenses			
Interest expenses	4,998	4,639	43,673
Provision of allowance for doubtful accounts	120	1,030	9,696
Other	4,201	3,471	32,679
Total non-operating expenses	9,320	9,141	86,049
Ordinary income	59,802	64,366	605,860
Extraordinary income			
Gain on disposal of non-current assets	648	1,417	13,346
Gain on sales of investment securities	4,012	92	868
Gain on bargain purchase	16,874	–	–
Other	126	106	1,004
Total extraordinary income	21,661	1,616	15,219
Extraordinary loss			
Loss on disposal of non-current assets	3,965	4,725	44,479
Loss on sales of investment securities	24	23	218
Loss on valuation of investment securities	68	1,356	12,772
Impairment loss	20,693	577	5,436
Loss on step acquisitions	3,034	–	–
Other	936	658	6,194
Total extraordinary loss	28,723	7,341	69,101
Income before income taxes	52,741	58,642	551,978
Income taxes-current	8,830	10,200	96,016
Income taxes-deferred	(3,646)	7,356	69,241
Profit	47,556	41,085	386,720
Profit (loss) attributable to non-controlling interests	(40)	2,559	24,092
Profit attributable to owners of parent	¥47,597	¥38,525	$362,627

Consolidated Statements of Comprehensive Income

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Profit	¥47,556	¥41,085	$386,720
Other comprehensive income			
Valuation difference on available-for-sale securities	3,721	811	7,636
Deferred gains or losses on hedges	18	(7)	(71)
Foreign currency translation adjustment	(8,851)	(4,620)	(43,489)
Remeasurements of defined benefit retirement plans, net of tax	7,966	3,994	37,600
Share of other comprehensive income of associates accounted for using equity method	588	423	3,986
Total other comprehensive income	3,443	601	5,662
Comprehensive income	¥51,000	¥41,686	$392,382
Comprehensive income attributable to:			
Owners of parent	¥52,257	¥40,118	$377,620
Non-controlling interests	¥(1,257)	¥1,568	$14,761

Consolidated Statements of Changes in Net Assets

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

2017

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at pre end of term	¥86,174	¥50,925	¥188,731	¥(979)	¥324,851	¥4,755	¥16	¥4,665	¥(4,174)	¥(11,829)	¥(6,566)	¥38,787	¥357,073
Changes of items during period													
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(88)			(88)								(88)
Dividends of surplus			(7,474)		(7,474)								(7,474)
Profit attributable to owners of parent			47,597		47,597								47,597
Purchase of treasury stock				(10,045)	(10,045)								(10,045)
Disposal of treasury stock		546		482	1,029								1,029
Change by share exchanges		8,165		(369)	7,795								7,795
Increase by merger of consolidated subsidiary and non-consolidated subsidiary			59		59								59
Net changes of items other than shareholders' equity						5,074	31	400	(8,688)	7,842	4,660	(571)	4,088
Total changes of items during the period	–	8,623	40,182	(9,932)	38,873	5,074	31	400	(8,688)	7,842	4,660	(571)	42,961
Balance at end of this term	¥86,174	¥59,548	¥228,914	¥(10,911)	¥363,725	¥9,830	¥48	¥5,065	¥(12,862)	¥(3,987)	¥(1,906)	¥38,215	¥400,034

Consolidated Statements of Changes in Net Assets

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

2018

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at pre end of term	¥86,174	¥59,548	¥228,914	¥(10,911)	¥363,725	¥9,830	¥48	¥5,065	¥(12,862)	¥(3,987)	¥(1,906)	¥38,215	¥400,034
Changes of items during period													
Change in treasury shares of parent arising from transactions with non-controlling shareholders		66			66								66
Dividends from surplus			(7,423)		(7,423)								(7,423)
Profit attributable to owners of parent			38,525		38,525								38,525
Purchase of treasury stock				(113)	(113)								(113)
Disposal of treasury stock		724		78	802								802
Change by share exchanges													–
Increase by merger of consolidated subsidiary and non-consolidated subsidiary													–
Net changes of items other than shareholders' equity						1,111	(47)	(8)	(3,338)	3,875	1,592	(1,157)	435
Total changes of items during the period	–	790	31,101	(35)	31,856	1,111	(47)	(8)	(3,338)	3,875	1,592	(1,157)	32,291
Balance at end of this term	¥86,174	¥60,339	¥260,016	¥(10,947)	¥395,582	¥10,941	¥1	¥5,057	¥(16,201)	¥(111)	¥(313)	¥37,058	¥432,326

(Thousands of U.S. dollars)

	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at pre end of term	$811,128	$560,510	$2,154,690	$(102,707)	$3,423,621	$92,526	$458	$47,677	$(121,073)	$(37,533)	$(17,944)	$359,713	$3,765,389
Changes of items during period													
Change in treasury shares of parent arising from transactions with non-controlling shareholders		622			622								622
Dividends of surplus			(69,877)		(69,877)								(69,877)
Profit attributable to owners of parent			362,627		362,627								362,627
Purchase of treasury stock				(1,072)	(1,072)								(1,072)
Disposal of treasury stock		6,818		735	7,554								7,554
Change by share exchanges													–
Increase by merger of consolidated subsidiary and non-consolidated subsidiary													–
Net changes of items other than shareholders' equity						10,459	(447)	(76)	(31,423)	36,481	14,993	(10,895)	4,098
Total changes of items during the period	–	7,441	292,750	(336)	299,854	10,459	(447)	(76)	(31,423)	36,481	14,993	(10,895)	303,952
Balance at end of this term	$811,128	$567,951	$2,447,440	$(103,044)	$3,723,475	$102,985	$11	$47,601	$(152,497)	$(1,052)	$(2,951)	$348,817	$4,069,342

Consolidated Statements of Cash Flows

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Cash flows from operating activities:			
Profit (loss) before income taxes	¥52,741	¥58,642	$551,978
Depreciation	44,459	44,003	414,191
Amortization of goodwill	2,518	2,497	23,507
Share of (profit) loss of entities accounted for using equity method	(2,009)	(3,196)	(30,090)
Loss (gain) on valuation of investment securities	68	1,356	12,772
Increase (decrease) in net defined benefit asset and liability	3,648	2,390	22,502
Increase (decrease) in provision for directors' retirement benefits	107	(48)	(456)
Increase (decrease) in provision for bonuses	(29)	276	2,602
Increase (decrease) in allowance for doubtful accounts	826	946	8,912
Increase (decrease) in other provision	(601)	(513)	(4,836)
Interest and dividends income	(1,650)	(1,969)	(18,539)
Interest expenses	4,998	4,639	43,673
Loss (gain) on sales of investment securities	(3,988)	(69)	(649)
Loss (gain) on disposal of non-current assets	3,317	3,307	31,132
Impairment loss	20,693	577	5,436
(Increase) Decrease in notes and accounts receivable-trade	(3,236)	(21,864)	(205,800)
Decrease in inventories	(267)	1,859	17,505
Decrease in notes and accounts payable-trade	1,200	16,405	154,418
Loss (gain) on step acquisitions	3,034	–	–
Gain on bargain purchase	(16,874)	–	–
Other, net	(102)	10,200	96,012
Subtotal	108,854	119,442	1,124,273
Interest and dividends income received	2,046	2,678	25,213
Interest expenses paid	(5,006)	(4,630)	(43,582)
Income taxes paid	(11,460)	(9,808)	(92,320)
Cash flows from operating activities:	94,433	107,683	1,013,583
Cash flows from investing activities:			
Decrease (Increase) in time deposits	(4,855)	(492)	(4,635)
Purchase of property, plant, and equipment	(48,638)	(52,588)	(495,000)
Proceeds from sales of property, plant, and equipment	4,276	2,812	26,471
Purchase of other depreciated assets	(1,995)	(108)	(1,023)
Proceeds from sales of other depreciated assets	66	0	0
Purchase of investment securities	(870)	(121)	(1,139)
Proceeds from sales and redemption of investment securities	41,062	1,157	10,898
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	55	518
Payments of loans receivable	(3,950)	(2,792)	(26,283)
Collection of loans receivable	3,826	3,393	31,945
Other, net	685	223	2,104
Cash flows from investing activities:	(10,394)	(48,460)	(456,142)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(23,513)	(14,323)	(134,824)
Proceeds from long-term loans payable	15,253	16,659	156,805
Repayment of long-term loans payable	(51,609)	(41,802)	(393,474)
Redemption of bonds	(450)	(11,120)	(104,668)
Proceeds from share issuance to non-controlling shareholder	1,400	–	–
Proceeds from sales of treasury stock	1,144	1,123	10,573
Purchase of treasury stock	(10,045)	(102)	(963)
Cash dividends paid	(7,474)	(7,423)	(69,877)
Cash dividends paid to minority shareholders	(639)	(2,619)	(24,651)
Other, net	(5,921)	(6,209)	(58,444)
Cash flows from financing activities:	(81,855)	(65,818)	(619,525)
Effect of exchange rate change on cash and cash equivalents	(1,474)	(459)	(4,321)
Net increase (decrease) in cash and cash equivalents	710	(7,054)	(66,405)
Cash and cash equivalents at beginning of period	50,072	51,974	489,219
Increase in cash and cash equivalents resulting from share exchanges	1,108	–	–
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	83	57	537
Cash and cash equivalents at end the period	¥51,974	¥44,976	$423,351

Notes to the Consolidated Financial Statements

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

1. Notes, etc. on Significant Matters Serving as the Basis for Preparation of Consolidated Financial Statements

(1) Matters Concerning Scope of Consolidation

(i) Number of consolidated subsidiaries and name of major consolidated subsidiaries

Number of consolidated subsidiaries: 123

Name of major consolidated subsidiaries:

Major consolidated subsidiaries are DC Co., Ltd., Clion Co., Ltd., Myojyo Cement Co., Ltd., Taiheiyo Materials Corporation, CalPortland Company, Jiangnan-Onoda Cement Co., Ltd., Qinhuangdao Asano Cement Co., Ltd., Dalian Onoda Cement Co., Ltd., Nghi Son Cement Corporation and Taiheiyo Cement Philippines, Inc.

Of note, DC Co., Ltd. was made into a wholly-owned subsidiary via share exchange, so DC Co., Ltd. and its four subsidiaries were included in the scope of consolidation. Additionally, Ofunato Power Inc. was newly established, so it was included in the scope of consolidation. Tsuruga Ready Mixed Concrete Industry Co., Ltd. and another subsidiary had completed the liquidation process, so these subsidiaries were excluded from the scope of consolidation.

(ii) Name, etc. of major unconsolidated subsidiaries

Name of major unconsolidated subsidiaries:

Major unconsolidated subsidiaries are Taiheiyo Singapore Pte. Ltd., Morehead Company, Ltd. and Kawara Seikousho Corporation.

Reason for excluding from the scope of consolidation:

All unconsolidated subsidiaries are small companies, and none of them have a material impact on the consolidated financial statements in terms of the amount of equity interest including total assets, net sales, net income and retained earnings as a whole; accordingly, they were excluded from the scope of consolidation.

(2) Matters Concerning Application of Equity Method

(i) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method and name of major companies, etc.

Number of unconsolidated subsidiaries accounted for by the equity method: 7

Name of major companies, etc.:

Major unconsolidated subsidiaries accounted for by the equity method are Taiheiyo Singapore Pte. Ltd. and Morehead Company, Ltd.

Number of affiliates accounted for by the equity method: 38

Name of major companies, etc.:

Major equity-method affiliates are Okutama Kogyo Co., Ltd., A&A Material Corporation, Fuji P.S Corporation, Yakushima Denko Co., Ltd., Chichibu Railway Co., Ltd. and Azuma Shipping Co., Ltd.

Kyowa Remicon Co., Ltd. was excluded from the scope of equity-method as a result of extinction due to absorption-type merger wherein the Company's consolidated subsidiary Tohoku Taiheiyo Namacon Co., Ltd. is the surviving company.

(ii) Name, etc. of unconsolidated subsidiaries and affiliates not accounted for by the equity method

Name of major companies, etc.:

(Unconsolidated subsidiaries)

Unconsolidated subsidiaries not accounted for by the equity method are Asaka Taiheiyo Namacon Co., Ltd. and 71 other companies.

(Affiliates)

Affiliates not accounted for by the equity method are Cement Terminal Corporation and 66 other companies.

Reason for not applying the equity method:

Unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of the equity method because the amount of equity interest including their respective net income and retained earnings all have minimal impact on the consolidated financial statements.

(iii) Particularly noteworthy matters concerning procedures for application of the equity method

For companies accounted for by the equity method whose fiscal year-end is different from the consolidated fiscal year-end, their respective non-consolidated financial statements for the most recent fiscal year have been used.

(3) Matters Concerning Accounting Policies

(i) Standards and methods for valuation of significant assets

a. Available-for-sale securities

a) Securities with market value:

Such securities are marked to market by the Company and some consolidated subsidiaries based on the average market price, etc. in the one-month period before the end of the fiscal year. (Valuation differences are all charged/credited directly to net assets, and the cost of selling the securities is determined by the moving-average method.)

b) Securities without market value:

Such securities are stated at cost, based on the moving-average method.

b. Derivatives

Derivatives are stated at market value.

c. Inventories

Inventories are mainly stated at cost, which is determined by the moving average method (subject to write-down due to diminished profitability.)

However, the cost for contract work in process is determined by the specific identification cost method.

Of note, inventories at the consolidated subsidiary in the U.S. are stated at lower of cost or market, based on the gross average method.

(ii) Depreciation method for significant depreciable assets

a. Property, plant and equipment (excluding leased assets)

The declining balance method is adopted by the Company and its domestic consolidated subsidiaries, and the straight-line method by its consolidated overseas subsidiaries.

However, the depreciation of buildings (excluding accompanying facilities) purchased on and after April 1, 1998 and accompanying facilities and structures purchased on and after April 1, 2016 is computed based on the straight-line method by the Company and its domestic consolidated subsidiaries.

The range of useful lives of main property, plant and equipment is as follows:

Buildings and structures:	10 - 75 years
Machinery, equipment and vehicles:	4 - 15 years

b. Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method. However, software is amortized by the straight-line method over its useful life assuming in-house use (5 years).

c. Leased assets

Leased assets are depreciated by the straight-line method that assumes their lease periods are useful lives and residual values are zero (or if there is a residual value guarantee, the guaranteed residual value).

(iii) Accounting standards for significant provisions

a. Allowance for doubtful accounts

Allowance for doubtful accounts is provided for by the Company and its domestic consolidated subsidiaries at the estimated uncollectible amount, which is calculated based on the historical credit loss ratio with respect to ordinary receivables, and in consideration of collectibility on a case-by-case basis with respect to specified receivables such as doubtful accounts. Consolidated overseas subsidiaries mainly provide for such allowance at the estimated uncollectible amount with respect to specified receivables.

b. Provision for bonuses

To prepare for the payment of bonuses payable to employees, the Company and its domestic consolidated subsidiaries record the estimated payable amount to be borne in the consolidated fiscal year under review.

c. Provision for directors' retirement benefits

Certain consolidated subsidiaries provide for retirement allowances for directors and corporate auditors at the necessary payment amount in full at the year-end based on their internal regulations.

(iv) Accounting standards for revenue recognition of construction

Completed construction volume is recorded under the construction progress method (percentage of completion estimates for construction are via the cost to cost method) for construction for which progress results can be determined with certainty by the end of the fiscal year under review, and for others, the completed construction method is applied.

(v) Standards for translating significant foreign currency assets and liabilities into Japanese yen

Monetary claims and obligations denominated in foreign currencies are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, and translation gains (losses) are recognized in profit (loss). Of note, consolidated overseas subsidiaries' assets and liabilities are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, revenue and expenses are translated into Japanese yen based on the average exchange rate for the fiscal year, and translation gains (losses) are included in "Foreign currency translation adjustment" and "Non-controlling interests" under Net Assets.

(vi) Significant hedge accounting methods

a. Method of hedge accounting

Gains/losses on hedges are deferred. Allocation treatment is applied when the currency swaps meet the conditions for application of such allocation treatment. Exceptional treatment is applied when the interest rate swaps meet the conditions for application of such exceptional treatment.

b. Hedging instruments and hedged items

Hedging instruments:

Interest rate swaps, currency swaps, raw materials and fuel swaps, interest-rate options, currency options, raw materials and fuel options and forward exchange contracts are employed as hedging instruments.

Hedged items:

Borrowings, bonds payable, fuel, etc.

c. Hedging policy

Hedge accounting policy is to limit hedging to those aimed at hedging against the risk of interest rate, exchange rate, and raw materials and fuel price fluctuations of the hedged items and those aimed at eliminating hedging.

d. Method of evaluating hedge effectiveness

Hedge effectiveness is verified on a transaction-by-transaction basis at the end of each accounting period with respect to hedging instruments and hedged items; however, if the principal, interest rate, period, and other such significant terms of the hedging instruments and hedged items are the same, such verification is omitted.

(vii) Method and period of amortization of goodwill

Goodwill is amortized over the estimated number of years in cases that the number of years can be estimated based on practical judgment starting from the fiscal year of acquisition while the entire amount of goodwill is amortized in the fiscal year of acquisition without analyzing the causes in cases that the amount of goodwill is insignificant.

(viii) Accounting procedures for liability for retirement benefits

To prepare for the payment of retirement benefits to employees, liability for retirement benefits is recorded in the amount of retirement benefit obligation less plan assets based on the projected amount at the end of the consolidated financial year under review.

Actuarial gains and losses and prior service cost are amortized in equal amounts as expenses by the straight-line method over a certain number of years (primarily 10 years) within the average remaining years of service of employees at the time of accrual, commencing in the consolidated fiscal year following the year of accrual for actuarial gains and losses and in the consolidated fiscal year of accrual for prior service cost.

Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded as "Retirement benefits liability adjustments" in "Accumulated other comprehensive income" under Net Assets, after making tax effect adjustments. When the value of plan assets exceeds the amount of the retirement benefit obligation, the amount of such excess is recorded in "Assets for retirement benefits".

(ix) Accounting treatment of consumption tax, etc.

Tax exclusion method is applied.

Of note, there were no applicable transactions in consolidated overseas subsidiaries.

(x) Amounts shown in these consolidated financial statements are rounded down to the nearest million yen.

Notes to the Consolidated Financial Statements

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

(4) United States Dollar Amounts

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on a basis of ¥106.24 = U.S.$1, the approximate effective rate of exchange prevailing at 31st March, 2018. The inclusion of such U.S. dollar amounts is solely for convenience of the readers and is not intended to imply that yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

(5) Changes in presentation

The Consolidated Balance Sheets
"Electronically recorded monetary claims-operating" (¥5,320 million in the previous consolidated fiscal year), which has been included in "notes and accounts receivable–trade" in the previous consolidated fiscal year, "leased assets" (¥22,319 million in the previous consolidated fiscal year), which has been included in "other" under "property, plant and equipment" in the previous consolidated fiscal year, and "electronically recorded obligations-operating" (¥1,234 million in the previous consolidated fiscal year), which has been included in "notes and accounts payable-trade" in the previous consolidated fiscal year, are separately presented from the consolidated fiscal year under review due to their increased monetary importance.
The Consolidated Statements of Income
"Provision of allowance for doubtful accounts" (¥120 million in the previous consolidated fiscal year), which has been included in "other" under "non-operating expenses" in the previous consolidated fiscal year, is separately presented from the consolidated fiscal year under review due to its increased monetary importance.

(6) Additional information

On December 22, 2017, the Tax Cuts and Jobs Act was enacted in the U.S. and the federal corporate tax rate applied to the consolidated subsidiary in the U.S. was reduced from 35% to 21%. As a result of this tax decrease, deferred tax assets (net of deferred tax liabilities) and foreign currency translation adjustment decreased by ¥1,273 million and ¥9 million, respectively, while income taxes-deferred increased by ¥1,263 million for the consolidated fiscal year under review.

2. Notes to the Consolidated Balance Sheets

(1) Assets Pledged as Collateral and secured liabilities

(i) Assets pledged as collateral

	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	¥653	$6,146
Property, plant and equipment	¥36,442	$343,023
Intangible assets	¥801	$7,545
Investment securities	¥122	$1,149
Investments and other assets-other	¥1,821	$17,142
Total	¥39,840	$375,007

(ii) Secured liabilities

	(Millions of yen)	(Thousands of U.S. dollars)
Notes and accounts payable-trade	¥4,701	$44,253
Short-term loans payable	¥7,336	$69,057
Notes discounted	¥111	$1,053
Other current liabilities	¥3	$35
Long-term loans payable	¥5,872	$55,277
Other noncurrent liabilities	¥19	$180
Total	¥18,045	$169,856

(2) Accumulated depreciation of property, plant and equipment

(Millions of yen)	(Thousands of U.S. dollars)
¥1,141,884	$10,748,162

(3) Guarantee obligations

Guarantees for loans payable from banks, etc.

(Millions of yen)	(Thousands of U.S. dollars)
¥1,397	$13,149

Guarantees for account payables to Ready-mixed Cooperative Association, etc.

(Millions of yen)	(Thousands of U.S. dollars)
¥1,824	$17,170

(4) Discounted trade notes receivable

(Millions of yen)	(Thousands of U.S. dollars)
¥3,039	$28,608

Trade notes receivable transferred by endorsement

(Millions of yen)	(Thousands of U.S. dollars)
¥1,076	$10,128

(5) Trade notes maturing on the balance sheet date

The settlement of trade notes maturing on the balance sheet date of the consolidated fiscal year under review is accounted for on the date of bank clearance.

As the balance sheet date of the consolidated fiscal year under review was a bank holiday, the following notes maturing on the balance sheet date were included in the balance of the respective items outstanding at the end of the consolidated fiscal year under review:

	(Millions of yen)	(Thousands of U.S. dollars)
Notes receivable-trade:	¥11,541	$108,638
Notes payable-trade:	¥4,351	$40,961
Notes payable-facilities:	¥210	$1,982

(6) Revaluation of Land

A&A Material Corporation and Chichibu Railway Co., Ltd., the Company's affiliates accounted for by the equity method, revalued their business-purpose land in accordance with the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998) and the Act on Partial Revision of the Act on Revaluation of Land (revised on March 31, 1999). With respect to the valuation difference, the amount of the Company's share in the valuation difference is recorded in Net Assets as "Revaluation reserve for land".

3. Notes to the Consolidated Statements of Changes in Net Assets

(1) Class and total number of outstanding shares as at the end of the consolidated fiscal year under review:

Common stock 127,140,278 shares

(2) Matters concerning dividends

(i) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Amount of dividend per share	Record date	Effective date
Ordinary General Meeting of Stockholders held on June 29, 2017	Common stock	3,722 (Note 1)	¥3.00 (Note 3)	March 31, 2017	June 30, 2017
Meeting of Board of Directors held on November 9, 2017	Common stock	3,722 (Note 2)	¥3.00 (Note 3)	September 30, 2017	December 4, 2017

(Notes) 1. Includes dividends of ¥15 million associated with treasury stock held by consolidated subsidiaries.
2. Includes dividends of ¥6 million associated with treasury stock held by consolidated subsidiaries.
3. With an effective date of October 1, 2017, the Company conducted a reverse stock split for its common stock at a ratio of one for 10. The amounts of dividend per share, with a record date of March 31, 2017, and September 30, 2017, are the amounts before the reverse stock split.

(ii) Dividends whose record date is at the end of the consolidated fiscal year under review whereas its effective date falls in the next consolidated fiscal year
The following matters concerning dividends for common stock are scheduled to be proposed at the Ordinary General Meeting of Stockholders.

Total amount of dividends:	¥3,722 million
Amount of dividend per share:	¥30.00
Record date:	March 31, 2018
Effective date:	June 29, 2018

Of note, the source of funding dividend payments is scheduled to be retained earnings.
Total amount of dividends includes dividends of ¥6 million associated with treasury stock held by consolidated subsidiaries.

(iii) Class and number of shares to be issued upon exercise of share options at the end of the consolidated fiscal year under review (excluding those for which the first day of the exercise period has not yet arrived)
Not applicable.

4. Notes on Financial Instruments

(1) Matters concerning Status of Financial Instruments

The Taiheiyo Cement Group limits its fund management activities to short-term deposits, etc., and raises funds principally by bank borrowings and corporate bonds. It performs derivative transactions for the purpose of averting risks due to future exchange-rate, interest-rate, and raw materials and fuel price fluctuations and does not perform speculative transactions.

While notes and accounts receivable-trade and electronically recorded monetary claims-operating. which are operating receivables, are exposed to credit risk in relation to customers, each responsible department periodically identifies the financial position, etc. of the counterparties and manages the due date and outstanding balance with respect to each counterparty, in an effort to identify and reduce collectibility concerns in the early stages. In addition, operating receivables denominated in foreign currencies related to export transactions are exposed to exchange rate fluctuation risks. Investment securities are primarily shares of companies with which the Company has a business relationship, and are exposed to the risk of market price fluctuations.

Notes and accounts payable-trade and electronically recorded obligations-operating, which are operating payables, have payment due dates within one year. For a portion of raw materials and fuel procurement, derivative transactions (raw fuel swap transactions) are used as hedging methods to limit risk in the variation of raw materials and fuel prices. Among borrowings, short-term loans payable are mainly funds raised in connection with business transactions, and long-term loans payable and bonds payable are principally funds raised for the purpose of making capital investments. Some long-term loans payable have financial covenants and may influence liquidity risks regarding fund raising activities. Borrowings with variable interest rates are exposed to interest rate fluctuation risk; however, to avert the risk of fluctuations of interest payable and fix interest expenses for some long-term loans payable, derivatives (interest rate swap transactions) are used as hedging instruments on a contract-by-contract basis. Additionally, borrowings in foreign currencies are exposed to foreign exchange risk, but of these, for a portion of long-term borrowings, derivative transactions (currency swap transactions) are used as a hedging method to avoid foreign currency fluctuation risk.

(2) Matters concerning Market Value, etc. of Financial Instruments

The consolidated balance sheet amount and market value of financial instruments and the difference between the two at March 31, 2018 (i.e., end of the consolidated fiscal year under review) are shown in the following table.

(Unit: Millions of yen)

	Consolidated balance sheet amount	Market value	Difference
(i) Cash and deposits	53,766	53,766	–
(ii) Notes and accounts receivable-trade	182,272	182,272	–
(iii) Electronically recorded monetary claims-operating	10,989	10,989	–
(iv) Investment securities	43,695	40,690	(3,005)
Total assets	290,724	287,719	(3,005)
(v) Notes and accounts payable-trade	91,113	91,113	–
(vi) Electronically recorded obligations -operating	4,670	4,670	–
(vii) Short-term loans payable	77,935	77,935	–
(viii) Bonds payable	35,035	35,129	94
(ix) Long-term loans payable	175,636	176,105	468
Total liabilities	384,391	384,954	563
(x) Derivative transactions*	–	–	–

* Net receivables and payables arising from derivative transactions are shown in net amount.

(Notes) 1. Calculation method of market value of financial instruments and matters related to securities and derivative transactions
(i) Cash and deposits, (ii) Notes and accounts receivable-trade and (iii) Electronically recorded monetary claims-operating
Since these items are settled in a short period of time, their market value is more or less the same as carrying value; therefore, the carrying value is adopted.
(iv) Investment securities
The market value of investment securities is based on quoted market prices.

(v) Notes and accounts payable-trade, (vi) Electronically recorded obligations-operating, (vii) Short-term loans payable
Since these items are settled in a short period of time, their market value is more or less the same as carrying value; therefore, the carrying value is adopted.

(viii) Bonds payable
The calculation method involves discounting the sum of the principal and interest by an interest rate that takes into account the credit risk. The presentation of market value of bonds payable includes the current portion of bonds.

(ix) Long-term loans payable
The calculation method involves discounting the sum of the principal and interest by the interest rate that is expected to be applied if a similar new loan is taken out. The presentation of market value of long-term loans payable includes the current portion of long-term loans payable. A portion of long-term loans payable are subject to appropriated treatment for currency swaps and exceptional treatment for interest rate swaps (see (x) below), and the calculation method involves discounting the sum of the principal, which is an aggregate of the currency swap and interest rate swap, with a reasonably-estimated interest rate that would be applied if a similar loan is taken out.

(x) Derivative transactions
The market value of derivatives is calculated based on prices, etc. presented by financial institutions with which derivative transactions are performed. Of note, those subject to allocation treatment for exchange rate swaps and exceptional treatment for interest rate swaps are processed integrally with the hedged long-term loans payable, so their market value is included in the presentation of such long-term loans payable (see (ix) above).

2. Unlisted stocks and investments in capital, etc. (consolidated balance sheet amount: ¥43,138 million) are not included in "(iv) Investment securities" as it is deemed extremely difficult to determine their market value because there is no quoted market price and it is impossible to estimate future cash flows.

5. Notes on Real Estate for Rent, etc.

(1) Matters concerning status of real estate for rent, etc.

The Company and some of its consolidated subsidiaries have plants, warehouses (including land), etc. for lease purposes in Tokyo and other regions.

(2) Matters concerning market value of real estate for rent, etc.

(Unit: Millions of yen)

Consolidated balance sheet amount	Market value
52,360	110,280

(Notes) 1. Consolidated balance sheet amount equals the acquisition cost minus accumulated depreciation and accumulated impairment loss.
2. The market value of major properties as at the end of the consolidated fiscal year under review is the amount based on a real estate appraisal conducted by an outside real estate appraiser, whereas the market value of other properties is a certain appraisal value or the amount calculated in-house based on indicators deemed to properly reflect the market price. However, if there are no significant changes in a certain level of valuation amounts or indices which are believed to accurately reflect market values from the most recent evaluation, amounts utilizing these valuations and indices are applied.

6. Notes on Per Share Information

Net assets per share: ¥3,193.65
Earnings per share: ¥311.40

The Company, with an effective date of October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. Accordingly, net assets per share and earnings per share are calculated on the assumption that the reverse stock split was conducted at the beginning of the consolidated fiscal year under review.

7. Notes on Significant Subsequent Events

Not applicable.

8. Other Notes

(Notes on Impairment Loss)
The Company's assets are grouped together based on segments by business type, except for assets for rent, important idle properties and assets scheduled for disposal, which are grouped together by treating individual property as a single unit.
In the case of consolidated subsidiaries, in principle, a business company is deemed as a single asset group, and in the case of important companies, assets are grouped together based on management accounting classifications, etc., except for important assets for rent, idle properties and assets scheduled for disposal, which are grouped together by treating individual property as a single unit.

As a result, the carrying value was reduced to the recoverable amount with respect to assets for rent with reduced profitability due to such factors as the decrease in demand and substantial fall in the market value of land, and idle properties that are not expected to be used in the future as follows, and such reduction in the amount of ¥577 million was recorded as an impairment loss under Extraordinary loss.

(Unit: Millions of yen)

Purpose	Location	Type	Impairment loss*
Assets for rent	Mito City, Ibaraki Prefecture, etc.	Buildings and structures, land, etc.	355
Idle properties	Inabe City, Mie Prefecture, etc.	Machinery, equipment and vehicles, land, etc.	221

* Breakdown of Impairment loss by purpose

(Unit: Millions of yen)

Purpose	Breakdown
Assets for rent	Buildings and structures: 71, Machinery, equipment and vehicles: 0, Land: 283, Total: 355
Idle properties	Buildings and structures: 47, Machinery, equipment and vehicles: 59, Land: 109, Other: 5, Total: 221

Recoverable amount is measured at the higher of net selling price or value in use.
If it is measured at net selling price, it is calculated by making reasonable adjustments based on real estate appraisal standards, etc.
If it is measured at value in use, it is calculated by discounting future cash flows by 5%.

[Industry Segments]

Information of net sales, profit or loss, assets, liabilities, and other items by reportable segment are as follows:

(Millions of yen)

2017	Cement	Mineral resources	Environmental business	Construction materials	Subtotal	Other	Total	Adjustment	Consolidated total
Net sales:									
(1) Net sales to outside customers	¥546,891	¥58,559	¥70,405	¥69,912	¥745,769	¥52,819	¥798,588	¥–	¥798,588
(2) Inter-segment net sales	12,023	21,617	7,495	4,114	45,250	22,511	67,762	(67,762)	–
Total	¥558,915	¥80,177	¥77,901	¥74,027	¥791,020	¥75,331	¥866,351	¥(67,762)	¥798,588
Segment profit (loss)	¥38,898	¥7,759	¥7,666	¥6,061	¥60,386	¥3,267	¥63,654	¥(418)	¥63,235
Segment assets	¥643,586	¥93,828	¥18,052	¥71,788	¥827,256	¥222,818	¥1,050,074	¥(34,658)	¥1,015,415
Other									
Depreciation	¥29,923	¥6,069	¥246	¥2,202	¥38,442	¥5,490	¥43,933	¥525	¥44,459
Amortization of goodwill	¥2,516	¥–	¥1	¥–	¥2,518	¥–	¥2,518	¥–	¥2,518
Equity in earnings of unconsolidated subsidiaries and affiliates	¥40	¥(43)	¥26	¥1,506	¥1,530	¥479	¥2,010	¥(0)	¥2,009
Impairment loss	¥19,393	¥357	¥–	¥–	¥19,751	¥942	¥20,693	¥–	¥20,693
Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method	¥16,101	¥–	¥275	¥12,726	¥29,103	¥15,959	¥45,063	¥331	¥45,394
Increase for property, plant, equipment, and intangible assets	¥34,841	¥7,563	¥1,235	¥2,572	¥46,212	¥7,584	¥53,796	¥587	¥54,384

2018	Cement	Mineral resources	Environmental business	Construction materials	Subtotal	Other	Total	Adjustment	Consolidated total
Net sales:									
(1) Net sales to outside customers	¥601,598	¥58,185	¥82,964	¥73,210	¥815,959	¥55,153	¥871,113	¥–	¥871,113
(2) Inter-segment net sales	10,320	23,298	7,241	3,822	44,683	23,866	68,550	(68,550)	–
Total	¥611,918	¥81,483	¥90,206	¥77,033	¥860,643	¥79,020	¥939,663	¥(68,550)	¥871,113
Segment profit (loss)	¥40,652	¥8,061	¥7,463	¥4,740	¥60,917	¥3,926	¥64,843	¥286	¥65,129
Segment assets	¥644,989	¥95,429	¥20,787	¥74,826	¥836,033	¥212,757	¥1,048,790	¥(26,648)	¥1,022,142
Other									
Depreciation	¥30,686	¥4,578	¥397	¥2,391	¥38,053	¥5,490	¥43,543	¥460	¥44,003
Amortization of goodwill	¥2,495	¥–	¥1	¥–	¥2,497	¥–	¥2,497	¥–	¥2,497
Equity in earnings of unconsolidated subsidiaries and affiliates	¥731	¥(62)	¥10	¥1,505	¥2,185	¥1,005	¥3,191	¥5	¥3,196
Impairment loss	¥37	¥91	¥12	¥–	¥141	¥436	¥577	¥–	¥577
Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method	¥17,529	¥–	¥272	¥13,695	¥31,497	¥16,435	¥47,933	¥337	¥48,270
Increase for property, plant, equipment, and intangible assets	¥36,186	¥8,476	¥1,780	¥3,462	¥49,905	¥7,624	¥57,529	¥557	¥58,087

(Thousands of U.S. dollars)

2018	Cement	Mineral resources	Environmental business	Construction materials	Subtotal	Other	Total	Adjustment	Consolidated total
Net sales:									
(1) Net sales to outside customers	$5,662,637	$547,678	$780,918	$689,108	$7,680,343	$519,141	$8,199,484	$–	$8,199,484
(2) Inter-segment net sales	97,142	219,300	68,163	35,984	420,591	224,650	645,241	(645,241)	–
Total	$5,759,779	$766,979	$849,082	$725,093	$8,100,934	$743,791	$8,844,726	$(645,241)	$8,199,484
Segment profit (loss)	$382,643	$75,881	$70,247	$44,618	$573,391	$36,957	$610,349	$2,692	$613,041
Segment assets	$6,071,064	$898,243	$195,663	$704,316	$7,869,288	$2,002,614	$9,871,902	$(250,831)	$9,621,071
Other									
Depreciation	$288,841	$43,092	$3,739	$22,507	$358,182	$51,677	$409,859	$4,331	$414,191
Amortization of goodwill	$23,490	$–	$16	$–	$23,507	$–	$23,507	$–	$23,507
Equity in earnings of unconsolidated subsidiaries and affiliates	$6,886	$(585)	$99	$14,175	$20,574	$9,467	$30,042	$47	$30,090
Impairment loss	$352	$863	$115	$–	$1,331	$4,104	$5,436	$–	$5,436
Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method	$165,000	$–	$2,564	$128,911	$296,476	$154,700	$451,177	$3,175	$454,353
Increase for property, plant, equipment, and intangible assets	$340,609	$79,785	$16,761	$32,587	$469,743	$71,765	$541,509	$5,251	$546,761

[Geographic Segments]

(Millions of yen)

	Japan	U.S.A.	Other	Total
Net sales	649,909	134,197	87,006	871,113
Non-current assets	352,940	103,779	48,718	505,438

Taiheiyo Cement Group Network

DOMESTIC NETWORK

Taiheiyo Cement's facilities include our head office and Research & Development Center, eight branch offices, and six cement plants.

OVERSEAS NETWORK

Taiheiyo Cement U.S.A., Inc.
2025 East Financial Way, Glendora, CA 91741, U.S.A.
Tel: +1-626-852-6200 Fax: +1-626-852-6217

Taiheiyo Cement (China) Investment Co., Ltd.
Room 4008, Chang Fu Gong Office Building, 26,
Jian Guo Men Wai Da Jie,
Chao Yang District, Beijing, China
Tel: +86-10-8591-1815 Fax: +86-10-8591-1870

Taiheiyo Singapore Pte. Ltd.
16 Raffles Quay, #41-03 Hong Leong Building,
Singapore 048581
Tel: +65-6220-9495 Fax: +65-6225-5853

Vietnam Representative Office
Suite 801, 8th Fl., Sun Red River Building,
23 Phan Chu Trinh Street,
Hoan Kiem District, Hanoi, Vietnam
Tel: +84-4-3933-0913 Fax: +84-4-3933-0922

Bangkok Representative Office
17th Fl., 5 Sitthivorakit Building, Soi Pipat, Silom Road,
Silom, Bangrak, Bangkok 10500, Thailand
Tel: +66-2-266-8741 Fax: +66-2-266-8742

Taipei Representative Office
5th Fl., 139, Cheng-Chou Road, Taipei 103, Taiwan
Tel: +886-2-2557-8098 Fax: +886-2-2553-9853

Hong Kong Representative Office
20th Fl., Tern Centre, Tower 1, 237 Queen's Road Central,
Hong Kong
Tel: +852-2545-9987 Fax: +852-2542-0474

MAJOR SUBSIDIARIES AND AFFILIATES

CEMENT AND READY-MIXED CONCRETE
DC Co., Ltd.
Kokusai Kigyo Co., Ltd.
Myojyo Cement Co., Ltd.
Tsuruga Cement Co., Ltd.

MINERAL RESOURCES
Abekawa Kaihatsu Co., Ltd.
Buko Mining Co., Ltd.
Chichibu Mining Co., Ltd.
Chichibu Taiheiyo Cement Corporation
Ishizaki Co., Ltd.
Kansai Matech Co., Ltd.
Kansai Taiheiyo Minerals Corporation
Kosyu Saiseki Co., Ltd.
Oita Taiheiyo Mining Corporation
Okutama Kogyo Co., Ltd.
Ryushin Mining Co., Ltd.
Yuko Mining Co., Ltd.

ENVIRONMENT
NACODE Corporation
Tokyo Tama Ecocement Inc.

CONSTRUCTION AND CONSTRUCTION MATERIALS
A&A Material Corporation
Chichibu Concrete Industry Co., Ltd.
Clion Co., Ltd.
Fuji P.S Corporation
Onoda Chemico Co., Ltd.
Taiheiyo Materials Corporation
Taiheiyo Precast Concrete Industry Co., Ltd.

OTHERS
Azuma Shipping Co., Ltd.
Chichibu Railway Co., Ltd.
Onoda Chemical Industry Co., Ltd.
Pacific Systems Corporation
Taiheiyo Accounting & Financial Services Corporation
Taiheiyo Engineering Corporation
Taiheiyo Real Estate Co., Ltd.

OVERSEAS ACTIVITIES
CalPortland Company (USA)
Dalian Onoda Cement Co., Ltd. (CHINA)
Jiangnan-Onoda Cement Co., Ltd. (CHINA)
Kalahari Dry (Thailand) Co., Ltd. (THAILAND)
Nghi Son Cement Corporation (VIETNAM)
PNG-Taiheiyo Cement Limited (PAPUA NEW GUINEA)
Qinhuangdao Asano Cement Co., Ltd. (CHINA)
Shanghai Sanhang Onoda Cement Co., Ltd. (CHINA)
Taiheiyo Cement Philippines, Inc. (PHILIPPINES)
Taiheiyo International (Thailand) Co., Ltd. (THAILAND)

Corporate Data

(As of March 31, 2018)

Company Name	TAIHEIYO CEMENT CORPORATION
Head Office	Daiba Garden City Building, 2-3-5 Daiba, Minato-Ku, Tokyo 135-8578 Japan
Established	May 1881
Paid-in Capital	¥ 86,174 million
Fiscal Year	April 1–March 31
Annual Meeting	June
Common Stock*	Authorized: 197,730,800 Issued: 127,140,278 (including 3,072,988 shares of treasury stock) * The company, with an effective date of October 1, 2017, changed the number of shares constituting one unit of stock from 1,000 shares to 100 shares, and also conducted a reverse stock split for its common stock at a ratio of one for 10. As a result, the total number of shares authorized to be issued changed from 1,977,308,000 shares to 197,730,800 shares, and the total number of shares outstanding changed from 1,271,402,783 shares to 127,140,278 shares.
No. of Stockholders	55,822
Agent of Record	Sumitomo Mitsui Trust Bank, Ltd.

Major Stockholders

Stockholder	Holding (thousand shares)	Stockholding ratio (%)*
Japan Trustee Services Bank, Ltd. (Trust Account)	8,727	7.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,328	5.9
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	5,122	4.1
JP MORGAN CHASE BANK 385632	2,464	1.9
STATE STREET BANK AND TRUST COMPANY	2,415	1.9
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,413	1.9
Mizuho Bank, Ltd.	2,375	1.9
STATE STREET BANK WEST CLIENT - TREATY 505234	2,311	1.8
GOVERNMENT OF NORWAY	1,877	1.5
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1,790	1.4

* The stockholding ratio is calculated by excluding treasury stocks.

TAIHEIYO CEMENT

www.taiheiyo-cement.co.jp

TAIHEIYO CEMENT CORPORATION
Daiba Garden City Building, 2-3-5 Daiba, Minato-ku, Tokyo 135-8578 Japan
tel: 03-5531-7334 fax: 03-5531-7551 e-mail: ir-com@taiheiyo-cement.co.jp

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