TAIHEIYO CEMENT

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TAIHEIYO CEMENT CORPORATION

# Boosting Innovation, Sustaining Growth

ANNUAL REPORT
April 1, 2018–March 31, 2019

2019

# Boosting Innovation, Sustaining Growth

## Corporate Profile

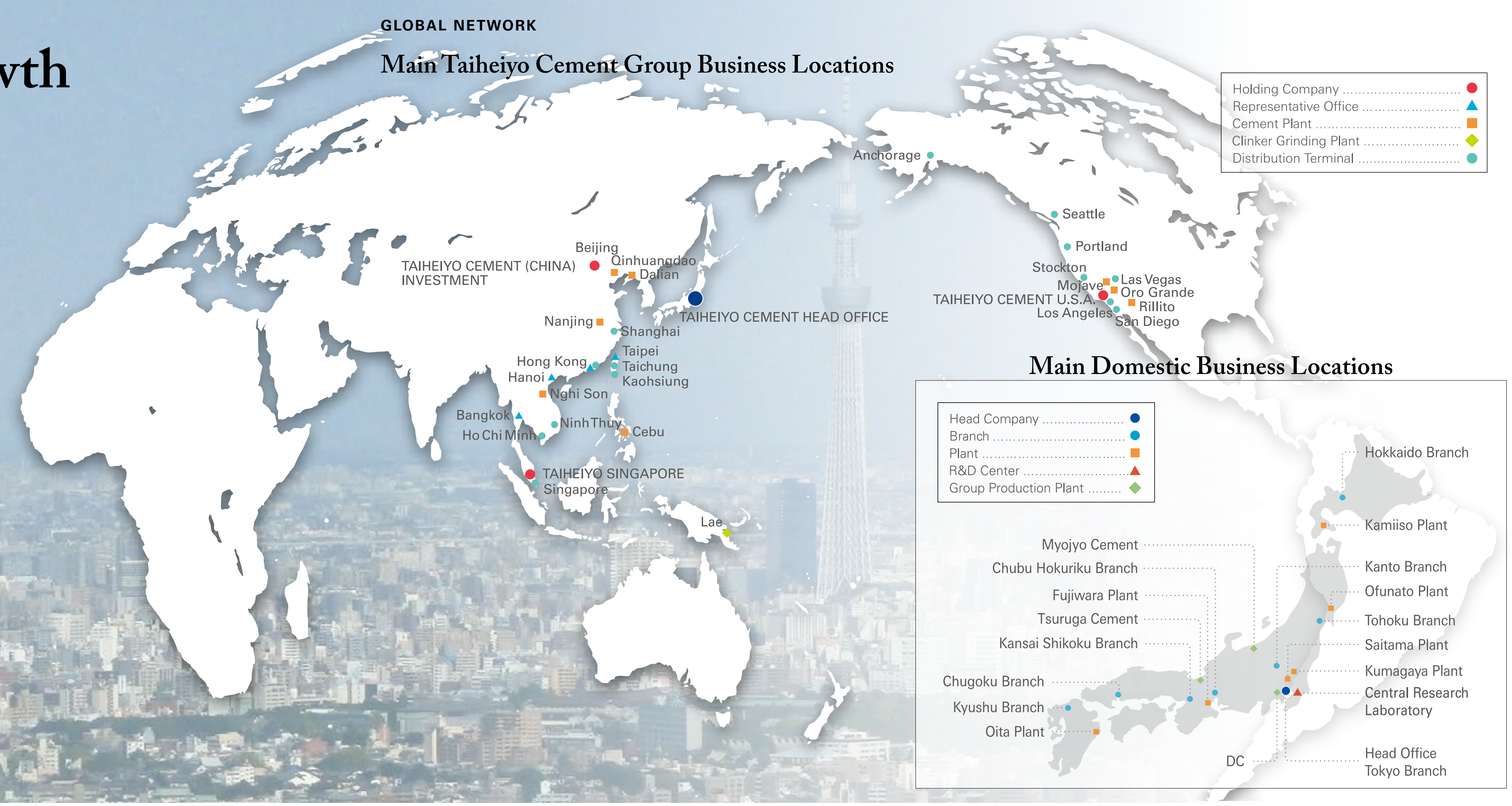
The Taiheiyo Cement Group “aspires to play a leading role in pioneering a sustainable future by ensuring that its business activities reflect not only economic development priorities, but also environmental and social responsibility considerations.” We practice this philosophy by working to utilize business resources efficiently in an integrated, cost- and risk-minimizing manner to maximize the sum total of our corporate value underpinned by a robust earnings and financial structure.

We are at the same time committed to protecting the Earth’s environment and realizing a recycling-based society by leveraging the unique ability of cement plants to process and recycle large volumes of waste and byproducts as well as the recycling technologies we have developed over time to enable this approach.

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

GLOBAL NETWORK

## Main Taiheiyo Cement Group Business Locations




## Contents



## Financial Highlights

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| **CONSOLIDATED** | **2019** | **2018** | **2019** |
| **For the year:** | | | |
| Net Sales | ¥ 916,071 | ¥ 871,113 | $ 8,253,642 |
| Operating Income | 66,012 | 65,129 | 594,765 |
| Income before Income Taxes | 59,174 | 58,642 | 533,150 |
| Profit Attributable to Owners of Parent | 43,452 | 38,525 | 391,499 |
| **At year-end:** | | | |
| Net Assets | 450,645 | 432,326 | 4,060,232 |
| Total Assets | 1,034,428 | 1,020,111 | 9,320,015 |
| | Yen | | U.S. dollars |
| Earnings per Share (EPS)[1] | 351.72 | 311.40 | 3.16 |

[1] The Company, effective 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 the share consolidation took place at the year to March 2018.

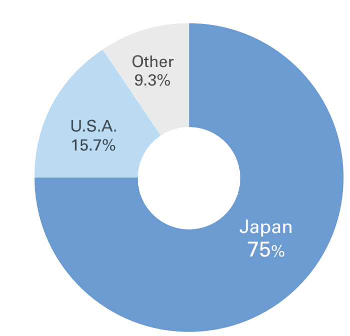
Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥110.99=US$1, the approximate exchange rate prevailing on the Foreign Exchange Market on March 31, 2019.

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| **UNCONSOLIDATED** | **2019** | **2018** | **2019** |
| **For the year:** | | | |
| Net Sales | ¥ 329,525 | ¥ 321,162 | $ 2,968,965 |
| Operating Income | 24,937 | 27,863 | 224,683 |
| Income before Income Taxes | 21,963 | 29,562 | 197,884 |
| Net Income | 16,656 | 23,254 | 150,074 |
| **At year-end:** | | | |
| Net Assets | 275,267 | 274,554 | 2,480,114 |
| Total Assets | 587,029 | 574,109 | 5,289,034 |
| | Yen | | U.S. dollars |
| Net Income per Share[1] | 134.48 | 187.41 | 1.21 |
| Dividends per Share[2, 3] | 80.00 | 60.00 | 0.72 |

[2] Dividends per share figures reflect the actual dividend paid before the reverse stock split.
[3] Converted to reflect the reserve stock split, dividends per share were 80.00 yen, which includes commemorative dividends of 20.00 yen for the 20th anniversary of the company’s founding at the year to March 2019.

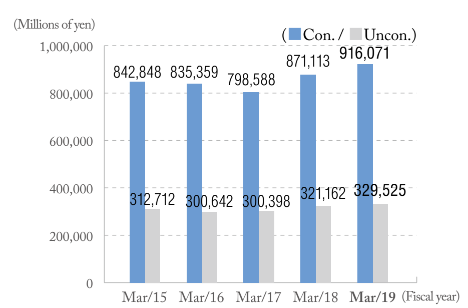
### Composition of Sales by Geographic Segments

(As of March 31, 2019/Consolidated)

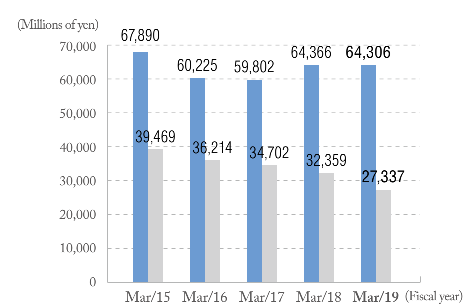



Note: Contributions to sales by country or region, based on customer location.

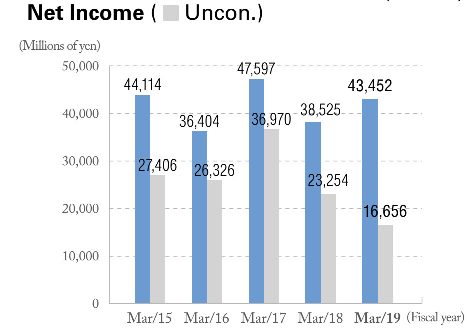
### Net Sales



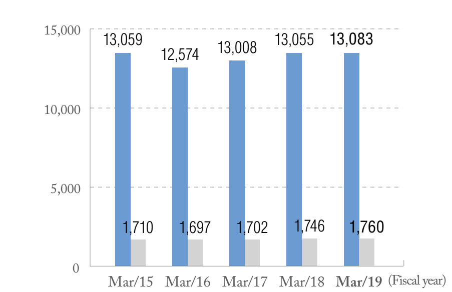

### Ordinary Income




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




### Employees



# Boosting Innovation, Sustaining Growth

Japan's economy during fiscal year ended March 2019 (FY2019) maintained a mild recovery trend on expanding capital investment and improvements in employment and employment income buoyed by robust corporate performance. Negatives included the ongoing uncertainties due to US–China trade friction and the slowing of China's economy in addition to repercussions from a string of natural disasters and Japan's tightening labor market.

The US economy also enjoyed a continuation of its mild growth trajectory on low unemployment and robust personal consumption. China's economy showed signs of slowing economic expansion with slackening exports and softening consumer demand; but the other two economies we serve, Vietnam and the Philippines, both trended favorably thanks to robust personal consumption and other factors.

In these circumstances, the Group's FY2019 consolidated net sales increased ¥44,958 million from the previous year to ¥916,071 million, consolidated operating income increased ¥883 million to ¥66,012 million, consolidated ordinary income contracted ¥59 million to ¥64,306 million, and profit attributable to owners of parent increased ¥4,927 million to ¥43,452 million.

Going forward, we anticipate that Japan's economy will continue up the path of mild recovery on better corporate profitability and improvements in the unemployment and wage situations, though the effects of October's Consumption Tax hike are a concern. The overall business environment, however, remains unpredictable given the uncertainties of where the global economy is headed, especially the repercussions of US–China trade friction, a slowdown in China, and turmoil accompanying Brexit. These factors are further complicated by the situation in the U.S. Though robust corporate profits and the favorable employment situation show all signs of continuing, we must stay alert for increasingly uncertain changes in the application of government policy.

With regard to the Group's immediate operating environment, our mainstay cement business enjoys a solid underpinning of demand for projects associated with the Tokyo Olympics, urban redevelopment investment and disaster mitigation efforts, and can look forward to demand in conjunction with Chuo Shinkansen construction; a seriously tightening labor shortage, higher input costs, and other factors will, however, be keeping us on our toes for changes in business conditions.

In this climate, the Group committed itself to leveraging its cumulative capabilities to become a corporate group providing safety and security to Pacific Rim communities as the vision for itself and where it wants to be by the mid-2020s. Having defined a clear mid- to long-term direction for sustainable growth, we are actively pursuing this vision in three steps. Our 20 Medium-Term Management Plan, which runs for the three years to FY2021 and is themed on "establishing a solid business foundation for sustainable future growth," is positioned as the second of these steps.

FY2020 is the second year of the management plan. It characterizes by work to strengthen existing businesses' revenue bases through cost cutting, process innovation and other efforts, and pursuit of competitive advantage through new-value creation and further competitive differentiation. We are also working to generate earnings capacity through growth-oriented investment. In our involvement in Chuo Shinkansen construction, as well as other national projects, we leverage the Group's strengths to the maximum, demonstrating its cumulative capabilities by ensuring stable supplies of quality products and delivering reliable solutions. And on top of all these business strategies, we are and will continue taking steps to build greater resilience into the fundaments of our management structure through stronger governance at the Group and corporate levels, as well as engaging in R&D to facilitate growth throughout the Group.

Looking forward to FY2020, at the consolidated level we estimate sales of ¥936,000 million, operating income of ¥71,000 million, ordinary income of ¥69,500 million, and profit attributable to owners of parent of ¥45,000 million.

In closing, allow me to express my gratitude for your interest in the Taiheiyo Cement Group and my hope that you will continue standing by us as we move into the future.

Masafumi Fushihara
*President and Representative Director*

Masafumi Fushihara

# Solid foundation for sustainable growth

**The Taiheiyo Cement Group is concentrating its energies on building a solid business foundation for sustainable growth as laid out by the Fundamental Policies of its 20 Medium-Term Management Plan.**

## Cement and clinker alliance with Hitachi Cement

The history of collaboration between Taiheiyo Cement and Hitachi Cement Co., Ltd. is long, typified by joint investment in ready-mixed concrete and calcium carbonate manufacturing interests. The two companies recently formed a new toll-manufacturing and supply alliance as described below to further develop their cement businesses. During FY2020 Taiheiyo Cement will supply Hitachi Cement with some 600,000 tons of clinker*.

Ceremony marking the first shipment of clinker to Hitachi Cement (Kumagaya Plant)

### Summary

- Taiheiyo Cement produces clinker and cement for Hitachi Cement.
- Hitachi Cement uses the clinker and cement at its own plants to manufacture its own blended cements and soil stabilizers.
- Hitachi Cement manufactures a portion of Taiheiyo Cement's blended cements
- Taiheiyo Cement supplies Hitachi Cement with products from its plants and service stations
- Taiheiyo Cement and Hitachi Cement sell the products manufactured under the agreement to their respective customers under their own brands.

*Clinker is the basic component of cement. A nodular material, it is produced in a kiln by heating limestone and clay to about 1450°C. Cement is made by grinding the clinker with an appropriate amount of gypsum into powder.

## Addition of clinker mill at Oro Grande Plant (USA)

Wholly owned subsidiary CalPortland Company (CPC) completed an expansion of the clinker mill at the cement plant in Oro Grande, California, acquired by the Company in September 2015. The new capacity came online in April 2019, increasing the plant's annual cement production by some 800,000 tons.

CPC serves the US west coast, where demand has recovered robustly since a dip in the wake of the 2008 financial crisis. The expansion allows CPC to maximize the plant's potential, giving it the infrastructure for supplying enough cement to meet rising demand, which looks set to continue.

Going forward, we will be optimizing the production and distribution capabilities of the Oro Grande and other two plants in California and Arizona to further enhance earnings at our US cement business.

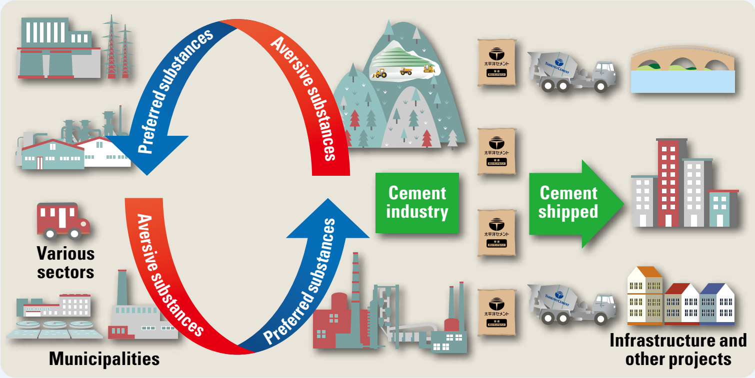
Oro Grande Plant

## Advancing our Materials Recovery Complex initiative

The cement industry recycles waste and industrial byproducts by incorporating them in the cement manufacturing process, either repurposing them as inputs or burning them as fuel. But our methods, while reusing them completely, fall short inasmuch as wastes and byproducts also contain substances that themselves are valuable resources—resources that are going wastefully untapped.

To address this Taiheiyo Cement proposed its Materials Recovery Complex initiative and is now working with government, academia and other businesses to come up with a practical operational model. The action envisions collaborations in which players in different industries (such as non-ferrous metals, scrap smelting, chemicals and recycling) would work together to recover, repurpose and reuse one another's energy surpluses, waste and byproducts as resources—energy or inputs—for their own industrial processes. As part of this initiative, in March 2018 Taiheiyo Cement launched trials at its Ofunato Plant to demonstrate how precious and heavy metals can be recovered from municipal incinerator ash using physical separation.

Committed to leading the corporate sector in resource recycling, Taiheiyo Cement will continue pursuing more multi-faceted undertakings for turning wastes into resources through robust private–public and cross-industry collaborations in the field.




Role of the cement industry in Taiheiyo Cement's Materials Recovery Complex initiative

Equipment for demonstrating viability of precious and heavy metals recovery (Ofunato Plant)

## A framework formulated for our long-range vision of greenhouse gas emissions reduction toward 2050

The Taiheiyo Cement Group positions $CO_2$ emissions reduction as an important growth strategy. We have been actively working to reduce $CO_2$ emissions from cement production since proclaiming our CSR Objectives 2025 we formulated in 2015. And along with announcing our support for the Recommendations of the TCFD* in June 2019, the following month we formulated a framework for our long-range vision of greenhouse gas emissions reduction.

The Taiheiyo Cement Group will be exploring various strategies oriented to realizing our Long-term Vision goals as part of our active commitment to further reducing $CO_2$ emissions.

*The Task Force on Climate-related Financial Disclosures (TCFD): Established in 2015 by the Financial Stability Board (FSB) to promote disclosure of climate-related financial information. In 2017, for the appropriate investment decisions of investors, the TCFD published recommendations to promote disclosure of information on the financial impacts of climate-related risks and opportunities.

Test plant for separating and recovering $CO_2$

### Framework Formulated for our Long-range Vision of Greenhouse Gas Emissions Reduction

**Reduction of $CO_2$ emissions in cement production**

Long-term goal: **80%** reduction by 2050

**Measures to realize our long-term goal**
- Increased use of alternatives to fossil energy
- Increased use of fossil energy which generates less $CO_2$ emissions
- Development of low-carbon clinkers and cements, including those with higher admixture content
- $CO_2$ capture from exhaust gases and the effective use and storage of the $CO_2$

**Advancing the system**
Establish a new dedicated organization within the Central Research Laboratory to strengthen research and development of technical measures, including carbon recycling (effective use of $CO_2$)

**Contribution of cement products to avoid $CO_2$ emissions**

Long-term goal: contribute to avoiding emissions equivalent to **20%** of the $CO_2$ emissions in cement production

**Measures to realize our long-term goal**
- Formulate the Calculation and Reporting Protocol for Accounting and Reporting of Avoided GHG Emissions through the Value Chain of Cement and Cement-based Products.
- Develop and provide products that contribute to a greater contribution of cement products to avoid $CO_2$ emissions using the protocol.

## Cement Business

**Sales and profits up on robustness in U.S., other overseas markets**

During Fiscal Year ended March 2019 (FY2019) domestic demand for cement rose across the board: Demand from the public sector grew as construction in preparation for the 2020 Tokyo Olympics got into full swing and progress picked up on projects around the country for extending the Shinkansen network. Private sector demand, too, was robust on rising capital investment thanks to improving corporate earnings and urban redevelopment projects, particularly in the Tokyo metropolitan region. In numbers, overall domestic demand increased 1.7% over the previous year to 42.58 million tons; of that, 90,000 tons was imported, a 48.1% year-on-year decrease. Total cement exports came to 10.37 million tons, a 12.1% decrease on the previous year.

In this environment, the Taiheiyo Cement Group's domestic cement sales by volume, including sales in conjunction with toll-manufacturing agreements, increased 3.5% year-on-year to 15.24 million tons whereas exports by volume fell 17.7% year-on-year to 3.48 million tons. These volumes delivered sales of ¥434,875 million, an increase of ¥26,362 million year on year, though operating income fell ¥4,094 million to ¥21,410 million, mainly on increased variable and fixed costs.

Meanwhile, on the overseas front: Our cement and ready-mixed concrete businesses on the US west coast did well as shipment volumes grew amid recovering market prices. In China prices are recovering, but in Vietnam our business is vulnerable to competitive forces. Prices have bottomed out in the Philippines and internal demand is expanding there.

Sales at the Group's overseas cement segment were up ¥8,195 million from the previous year to ¥211,601 million, and operating income rose ¥5,185 million over the previous year to ¥20,332 million.

| | | |
|---|---|---|
| Sales | ¥646,477 million | up ¥34,558 million year-on-year |
| Operating Income | ¥41,743 million | up ¥1,091 million year-on-year |

## Mineral Resources Business

**Burgeoning aggregate demand pushes sales and profits higher**

Earnings at our aggregates business grew as demand generated by redevelopment projects and preparations for the 2020 Olympics in the greater Tokyo area went into overdrive, making up for lower demand in the Great East Japan Earthquake recovery and reconstruction demand wind down.

Our mineral products and geo-solutions businesses also posted robust performance.

| | | |
|---|---|---|
| Sales | ¥84,262 million | up ¥2,778 million year-on-year |
| Operating Income | ¥8,242 million | up ¥180 million year-on-year |

## Environmental Business

**Increased costs push profits down**

Environmental Business revenues rose on robustness in fuel sales and waste processing, particularly of waste plastics and sludge; however, segment operating income fell compared to the previous year due to increases in logistics and new business development costs, which came on top of lower coal-fired power plant capacity utilization due to growth in renewables.

| | | |
|---|---|---|
| Sales | ¥92,693 million | up ¥2,486 million year-on-year |
| Operating Income | ¥6,614 million | down ¥848 million year-on-year |

## Construction Materials Business

**Ground improvement projects recovery raises sales and profits**

Along with a recovery in ground improvement projects, increased sales of materials used in civil engineering and construction led to higher revenues and boosted operating income.

| | | |
|---|---|---|
| Sales | ¥82,185 million | up ¥5,151 million year-on-year |
| Operating Income | ¥4,999 million | up ¥259 million year-on-year |

## Other Business

**Sales and profits up on robustness in engineering**

The Other Business includes our interests in real estate, engineering, data processing, finance, transport and warehousing, chemical products, and sporting facilities. The engineering business in particular posted strong performance, leading to increased sales and profits for the segment.

| | | |
|---|---|---|
| Sales | ¥86,028 million | up ¥7,008 million year-on-year |
| Operating Income | ¥4,658 million | up ¥731 million year-on-year |


The new National Stadium area (Tokyo)


Urban redevelopment site


Kamiiso Plant


Hokuyumaru cement tanker (launched on August 2019)

## Shore up revenue base, ensure disruption-free supply of product

# Domestic Cement Business

### Four pillar strategies

We forecast that domestic cement demand will reach 43 million tons in Fiscal Year ending March 2020, an increase of 500,000 tons over the previous year. Although numerous urban redevelopment, infrastructure and other public works are in planning, and several national-project scale works such as the Chuo Shinkansen and extensions of the Hokkaido and Hokuriku Shinkansen lines are in progress, domestic demand remains stuck at about 43 million tons annually. We believe this is attributable to delays in project progress due to chronic shortages of construction-site labor and a tight logistics situation. To cope, we are working to strengthen our revenue base by implementing measures via four pillar strategies 1) sales, 2) ready-mixed concrete, 3) concrete products and 4) acquiring more large-project orders.

We are approaching sales from two aspects: price and volume. We asked customers to allow us to raise product prices for deliveries starting April 1, 2018, and have received positive responses from most users; with the rest of our customers, negotiations on the timing and scale of price hikes are in the final stages. Although the coal price increases of the past several years have finally settled down, materials costs, logistics costs, cement tanker fuel costs and other input prices continue their upward climb, mainly to due labor shortages. We also anticipate cost increases stemming from a tightening of regulations on bunker-fuel sulfur content scheduled to go into effect in January 2020. In negotiating more favorable prices we will work to persuade customers that higher prices are the inevitable consequence of these shifting externalities while reassuring them of our continued commitment to cost cutting. With regard to volumes, we are working to move more product by enhancing distributers' system to market our products, winning more construction project orders and ensuring that we can supply specialty cements without disruptions. To enhance distributers' capabilities, we will be working more closely with them to reach out to prospective and existing customers and more effectively communicate the advantages of our products and services. Technically savvy company sales and marketing personnel will accompany sales representatives on their rounds to maximize Taiheiyo Cement's field experience-driven prowess. To encourage more construction project orders we will be stepping up sales and marketing calls attended by personnel with engineering expertise so they can pitch products and solutions optimized for the needs of specific worksites, which are characterized by larger scale and demand the utilization of newer technologies. Furthermore, we will reinforce our ability to supply moderate-heat[1] and other specialist cements without disruption as demand for these products remains brisk in city centers. We will carefully watch demand points and trends from multiple perspectives so as to optimally configure our supply infrastructure.

Our ready-mixed concrete strategies entail working more closely with our directly run ready-mixed businesses to acquire human resources in sufficient numbers and train them to have the requisite skills, as well as bolstering collaboration between them in a manner conducive to sharing vital information on local demand trends and other issues they face. To be able to provide products and services that better satisfy the needs of project owners, we are also working to increase opportunities for Company marketing and sales personnel to accompany directly run businesses' personnel on their sales calls. And last year, in a move designed to further bolster our ability to market and supply products and services in the greater capital region (Tokyo and surrounding prefectures), we integrated Daiichi Concrete Co., Ltd. into our network of directly run ready-mixed concrete companies. The company does business mainly in this region, where demand remains brisk, so we will be collaborating more tightly with it to maximize the benefits of the integration down the road ahead.

In concrete products, the Group's ownership of several manufacturers gives us a major advantage in the category. We intend to leverage it by providing technical support so these makers can improve the attractiveness of their products. We believe this will facilitate their adoption by builders and contribute to higher cement-sales volumes.

To acquire more large-project orders we are working to gain the confidence and trust of project owners and general contractors by providing interruption- and disruption-free supply of product, even amid the seriously tight labor situation, as well as reliably accommodating the diverse engineering and technical needs of each worksite we serve. Moreover, since large-scale projects bring with them more opportunities for getting the non-cement and non-ready-mixed concrete products and services of Group companies adopted, we will be doing more to share information and encourage collaboration between Group companies and boost project owners' and general contractors' confidence in Taiheiyo Cement in order to maximize orders in this category.

Finally, underpinning these actions to shore up our revenue base are our efforts to enhance logistics—our ability to get product to sites where it is needed, when it's needed. In that context, too, we initiated a toll-manufacturing agreement with Hitachi Cement Co., Ltd. in April 2019 to supply product disruption-free while maintaining the trust and confidence of the company's customers.

[1] A cement used in concrete for large-mass structures such as dams and bridge piers. It is formulated to limit the heat generated by the hydration reaction between the cement and water in concrete as it sets.

### Unwavering commitment to safety and compliance

To minimize work and industrial accidents at high-risk service stations, Taiheiyo Cement makes strategic safety-oriented capital investments in addition to more safety patrols, ongoing driver training and other routine efforts.

Given the series of corporate scandals involving quality-data falsification in 2017, Taiheiyo Cement has been, and in FY2020 will continue, moving to ensure a quality control infrastructure worthy of customers' trust and confidence. We extended the purview of the Quality Assurance & Product Liability Committee, which operates under our CSR Management Committee, from just our own plants to Group companies and, in addition to its original mandate of collating test data, had it review all work flows for loopholes and other weaknesses conducive to falsification and in FY2019 we continued informational campaigns designed to prevent instances of non-compliance.

And for us to be able to accommodate the varied and diverse needs of each worksite we serve, we work to train human resources and encourage interaction between personnel, transcending both category and divisional boundaries, to ensure that sales and marketing personnel are widely and deeply knowledgeable of not just cement and concrete, but aggregates, admixtures and the broad range of products and services that Group companies offer.


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

Garo Quarry

Sodegaura aggregates yard

PKS (Malaysia)

Lithium-ion battery embrittlement demonstration plant (Tsuruga Cement)



Building an optimal business organization for sustainable growth

# Mineral Resources Business

### Strengthening existing core businesses to maximize profits

The Mineral Resources Business's flagship strategies for FY2020 are "working to enhance the earning capabilities of existing core businesses and maximizing profits" and "formulating and implementing growth strategies to facilitate development of future core businesses." Our existing core businesses consist of Taiheiyo Cement's aggregates business, mineral products business and geo-solutions business.

The aggregates business continues to work to build an optimal logistics system to meet brisk demand for limestone aggregate, especially in the greater capital region (Tokyo and surrounding prefectures). Demand for sand is also increasing in the circum-Tokyo Bay area, but sand extracted from our main source in Chiba Prefecture is becoming finer grained just as demand for coarser grained sand is growing. To date, we have been working to ramp up production of coarse sand from our Shin-Tsukumi Quarry in Oita Prefecture, but going forward we will be working to expand sales of sand by formulating a Taiheiyo-Brand Sand, blended from coarse material from Shin-Tsukumi Quarry and fine material, including product extracted by Group member DC Co., Ltd. from its mines in Chiba Prefecture.

At our mineral products business we are working to build an optimal production and supply infrastructure to ensure that we can provide product stably over the long term given the outlook of continuing brisk demand, particularly for limestone used by steel makers located overseas. Since demand for white crystalline limestone used in paper manufacturing is likely to be impacted by falling demand for paper itself, we also are working to enhance its earnings capacity as well as strategically expand sales of the product. We currently produce white crystalline limestone at our Kawara Quarry in Fukuoka and will soon be able to extract quality white crystalline as well as regular limestone from our Ofunato Quarry's Horoshi sector, currently under development. When Horoshi comes on stream we will be able to build supply locations sourced from east Japan, which we believe will allow us to enhance the product's earnings capacity through greater efficiencies in both production and logistics.

Brisk demand for quicklime (calcium oxide: CaO), particularly from steelmakers, has us running production at full throttle; going forward, we will be seeking higher prices and expanding the scope of our sales area in a bid to boost the product's earnings capacity. To date the main source of demand for silica (stone and powder) has been cement making, but we are working to expand sales of the material to users in other industrial sectors, principally steel makers. In this context we have reactivated our mothballed silica-mining operations and are looking to move ahead with development of new silica sources.

The focus at our geo-solutions business is on telling the market about the performance characteristics and quality of Taiheiyo Cement's Denite®, which is effective for immobilizing heavy metal contaminants in soil. Progress on the most promising source of Denite® demand, construction of the Tokyo-Gaikan Expressway, has stalled; so we are working to persuade potential users to incorporate the material into their large-scale project designs in FY2020 by leveraging the reputation it has garnered through use in freeway construction in Yokohama and other similar works.

Generation of surplus construction soil is concentrated in the greater capital region, where construction is booming. We are working to maximize orders in this category by building out our framework for accepting surplus soil. This includes enhancing collaboration with subsidiaries Mitsui Wharf Co., Ltd. and DC Co., Ltd., both of which have maritime shipping facilities in the capital region.

### Growth-oriented investment for future core businesses

In formulating and implementing growth strategies to facilitate development of future core businesses, we will be working to capitalize on the know-how our Mineral Resource and Environmental businesses have accrued in Japan by putting it to work overseas. As an early step, we set up a subsidiary in Vietnam in April 2019 to prepare for the Mineral Resources Business striking out into Southeast Asia. We believe Vietnam presents good opportunities for our Mineral Products Business to supply limestone and quicklime to the local steel industry, which plans to build a number of blast furnaces. This development also holds promise for our Environmental Business, which collects and processes slag and fly ash generated by the steel and power-generation industries. And the rest of Southeast Asia is home to a number of other developing economies as well, making Vietnam a good steppingstone for gradually rolling out these two businesses across the region.

Our functional materials business is another segment we believe has a bright future as a core mainstay. At present we are concentrating on resolving engineering issues and developing mass-production techniques so we can quickly bring to market promising products like functional hollow particles and High-Purity Silicon Carbide (SiC). The former is lightweight and displays excellent heat insulation, while the latter is a focus of attention for its potential in next-generation power semiconductor applications. Since manufacturers we deliver them to have already moved ahead with capital investments, we are watching trends carefully so as to not miss the coming wave of market expansion.

We are also providing Group companies with backup to ensure that they will be able to make capital investments when it will be optimal for shoring up and solidifying their earnings capabilities.

Developing a new business model while maximizing existing businesses' earnings capacity

# Environmental Business

### Address business-environment changes, maximize earnings capacity

Given that FY2020 is the second year of the three-year 20 Medium-Term Management Plan we will be stepping up efforts to maximize the earnings capacity of our businesses to achieve our ¥9 billion operating income target.

The e-materials business finds itself operating in an environment that has changed drastically since the 20 Medium-Term Management Plan was formulated. Attitudes towards coal-fired power generation, a major contributor to carbon dioxide emissions and thus global warming, are hardening significantly around the world. In Japan alone, several plans to add new coal-fired capacity are now under review or have already been shelved. These developments bode ill for e-materials business revenues, which are likely to shrink: The lower coal-fired capacity utilization, the less coal ash will be available for us to process; sales of calcium carbonate, used for scrubbing plant emissions, will fall commensurately, resulting in lower volumes of flue gas desulfurization (FGD) gypsum to trade as well. To ease some of this pressure we are striving to secure coal ash stably given that it is an indispensable alternative to clay at Japan's cement plants. In parallel, we are also working to procure disruption-free supplies of biomass to fuel a power plant Group company Ofunato Power Inc is building. The plant is scheduled to launch commercial operations in early 2020.

Our materials recycling business is encountering higher demand for its services thanks to China's and other Southeast Asian countries' curtailing of waste-plastic imports. Waste plastic offers big advantages as an alternative for other thermal sources at cement plants. At present, however, our conventional plants are unable to consume all of this increased volume as-is due to factors such as high chloride content. We are therefore moving to upgrade the plants with chlorine bypass equipment to boost our capacity to accept waste plastics through a combination of the processing techniques we have always used and substance-separation techniques. We are also seeing increases in demand for sewage- and water-treatment sludge processing. Since we want to do as much as we can to contribute to resource recycling, we are looking for ways to accurately gauge municipalities' needs and accept as much of their sludge as possible.

To date our aqua segment has dealt mostly in water-filtration and -treatment materials for aquariums, but moving forward we will be putting more effort into expanding sales of our Ceraclean® water quality stabilizer. Ceraclean® acquired the Environmental Technology Verification (ETV) mark from Japan's Ministry of the Environment in 2018 and is enjoying rising market awareness. It has been gaining a reputation for effectiveness at sites where it is used extensively, such as golf course ponds and tidal (mud) flats, so we will be actively pitching Ceraclean's utility to increase sales for use in such applications.

### Developing advanced technologies for a new business model

We are focusing on developing advanced technologies that will enable us to construct a new business model. In this context we will continue our action to realize the Materials Recovery Complex initiative, envisioning collaborations in which players in different industries (such as non-ferrous metals, scrap smelting, chemicals and recycling) work together to recover, repurpose and reuse one another's energy surpluses, waste and byproducts as resources—energy or inputs—for their own industrial processes. We have already established technology for recovering gold, silver and other precious metals from municipal solid waste incineration bottom ash and deployed and commercialized it at Group company Tokyo Tama Ecocement Inc., and we are running demonstration tests of the technology at the Ofunato Plant in Iwate Prefecture in preparation for extending the new business to other plants. Tsuruga Cement Co., Ltd., another Group company, is similarly conducting demonstration tests for the processing of discarded lithium-ion batteries, and plans are in the works to develop a methane fermentation process for producing hydrogen gas ($H_2$) derived from the biogases it generates. Meanwhile, DC Co. is moving to deploy a test plant using low-temperature embrittlement for separating and recovering useful metals from automobile shredder residue (ASR), which is generated when cars are scrapped. And Chichibu Concrete Industry is developing technology for using electrostatic separation as a means of ensuring stable JIS-compliant supplies in anticipation of advancing coal-ash shortages in Japan.

To bring forth innovations from initiatives like those described above, and in search of technologies destined to become future pillars of the Environmental Business or yield huge cost savings to the Taiheiyo Cement Group, we are committed to diligently pressing ahead with technological development oriented to establishing a new business model.

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


Nghi Son Cement (Vietnam)


Taiheiyo Cement Philippines (Philippines)


Ground improvement works (LDis-Dy Method) (Onoda Chemico)



## Enhance earnings capacity with region-based business development

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

# International Business

### Increase earnings potential attending to local trends

Cement demand in the U.S. has recovered from its post-2008 financial crisis nadir and is well on its way to crossing the 100-million-ton line in 2020. Demand in the five West Coast states where we do the most of our business (Washington, Oregon, California, Arizona and Nevada), growing more briskly than elsewhere in the country, is set to continue providing solid ground for doing business in FY2020. The newly added clinker mill at our Oro Grande Plant in California was completed on schedule and came onstream in April 2019. We are now ready to accommodate the increase in demand this climate is likely to bring. To date we have been successful in maintaining a supply-demand balance by supplementing local supply shortfalls with imported cement, and going forward we see the US market as continuing to be a pillar of our overseas business given its promise for growth driven by rising population.

Meanwhile, although China's massive market has grown to account for about half of the world's cement demand, the government continues tightening restrictions on cement-plant operations as part of its more rigorous regulatory regime to protect the environment, exemplified by its imposition of a peak-shift policy to flatten peaks in environmental load associated with manufacturing. But for Taiheiyo Cement this situation is also an opportunity, and we hope to roll out our world-class environmental technologies and make them a driver of our cement business in China.

With its high economic growth, Vietnam is one of the countries promising plenty of room for growth in Southeast Asia. Cement demand is trending favorably, reaching 65 million tons in 2018, but with domestic capacity now exceeding 90 million tons the country has to export the surplus and is now Asia's largest cement exporter. We will be working to further enhance our earnings capability there by differentiating ourselves with an extended logistics network and offering a broader selection of products domestically, as well as leveraging our Group's network to secure stable revenues through exports.

In Vietnam we also launched a mineral resources- and environmental-business subsidiary in April 2019 and are moving to leverage our capabilities in limestone and blast furnace slag. Numerous blast-furnace and power-station construction projects are in planning in Asia and there is plenty of room for growing our mineral resources and environmental businesses there, so we hope to pursue synergies between our cement and other businesses through closer collaboration among them.

As in Vietnam, cement demand in the Philippines is trending robustly thanks to the high economic growth of the past several years. It reached about 30 million tons in 2018, but insufficient local clinker capacity means shortages have to be covered by cement and clinker imports. An influx of cheap product from Vietnam and other neighbors over the past year or two precipitated a rapid deterioration of the cement market, but the Philippine government is countering with safeguards to stem the influx of cheap cement. We forecast continuing cement-demand growth in light of the numerous large infrastructure projects in the works under the Duterte administration's Build, Build, Build initiative and, to ensure our ability to take advantage of the opportunities this demand presents, we will be looking into new capital investments to enhance our local production capacity and logistics network.

### Developing the trading business

In addition to exporting product from Japan, our trading arm is working to leverage the Group's network of overseas operations to develop direct trading links between offshore sources and destinations. We intend to grow total trading to 10 million tons annually in 2023 and believe that once we have established supply routes that can be serviced from total sources, we will be able to continue supplying high volumes of product to overseas markets even if circumstances force us to limit exports from Japan.

### Assuring safety and quality, developing global human resources

Safety is a fundamental requisite of sustainability, and in the spirit of safety first we are working to eliminate industrial accidents and injuries in the workplace. We will also commit to assure and improve the consistent performance of quality for which our products enjoy a solid reputation in overseas markets. We will be fostering closer collaboration among organizational units responsible for quality.

To develop the human resources we need down the road, we will be sending employees early in their careers for a certain period to amass experience overseas. We believe this will also help us—the company and them personally—ascertain early whether they have the aptitude and qualities requisite for long-term overseas postings in leadership or managerial positions. Further, the Group intends to train employees of many different nationalities to be able to thrive in transnational roles in future. The International Business Division has already begun assigning local employees of Group companies in Vietnam and the Philippines to duties in Japan to give them this kind of experience, and we intend to further enhance initiatives like these.


**Yoshifumi Taura**
*Director, Managing Executive Officer*
*Senior General Manager, International Business Division*

## Pursue labor savings, reinforce earning bases

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

# Construction Materials Business

### Three strategies for a sustainable business foundation

The Construction Materials Business will be pursuing three pillar strategies in FY2020: 1. labor savings in all aspects of our business activities, 2. enhancing the earnings bases of our existing businesses, and 3. accelerating development of new businesses in growth areas.

Our first strategy, achieving labor savings, entails investing in effective ways to reduce the labor intensity of operations and enhance productivity. Typical examples to date include a total revamping of the layout of subsidiary Clion Co., Ltd.'s plant and utilizing more large-diameter high-pressure jets at Onoda Chemico Co., Ltd. Since these initiatives are both proving effective, we will be taking similar steps at other Group companies. We will also be consolidating existing businesses' product lines and optimizing production sites.

Further, we will be working to achieve greater efficiencies by strengthening collaboration between Group companies and combining their technical and engineering know-how. As an example, in FY2019 we brought to market Porouscrete, jointly developed by Onoda Chemico and Chichibu Concrete Industry Co., Ltd. Moving forward, we will be strengthening collaboration among Onoda Chemico, Chichibu Concrete Industry and Taiheiyo Materials Corporation to position them at the core of our materials manufacturing segment.

Our second strategy, to reinforce existing businesses' earnings bases, entails working to maximize orders by offering innovative proposals for comprehensive solutions in large infrastructure projects like construction of the Tokyo-Gaikan Expressway and the Chuo Shinkansen. Substantiating Group companies' ability to supply diverse and multifaceted products and services make sales propositions all the more attractive. Currently the Group is working as a unified force gathering intelligence conducive to winning as many orders as possible for Expo 2025 Osaka projects.

Another indispensable part of reinforcing Group companies' revenue bases is organizing a logistics infrastructure capable of keeping supply of product running disruption-free by alleviating the impacts of Japan's labor-shortage. As an example of how this could be done, we are seriously exploring the potential of collaborative frameworks and how to make them happen. We envisage partnering with other companies, including those outside the Group, to have them manufacture product under toll manufacturing agreements at locations close to our customers. Cooperation like this could help to not only alleviate the effects of the tight labor market, but also cut costs and enhance business efficiency across the board. Group companies have also been enhancing the Group's overall enterprise value by demonstrating leadership in construction engineering and work methods at professional and trade research associations. We believe that facilitating this kind of engagement serves to enhance Group companies' earning bases over the long run.

Our third strategy, to step up cultivation of new growth-promising businesses, entails concentrating on developing and bringing to market products and services that provide solutions addressing real-world construction-site needs. As an example, subsidiary A&A Material Corporation developed a new method for installing noncombustible decorative board that obviates adhesives, achieving a 30% improvement in work efficiency at installation sites. This approach is likely to present the Group with great business opportunities so we will continue to actively develop better engineering technologies and work methods, embodying them in products and services to address practical construction-site needs.

Moving forward we anticipate that advancing deterioration of older infrastructure will present another growth area as a market for maintenance and repair services emerges and expands. We will win orders by combining Group companies' technologies in materials optimized for maintenance and repair.

And finally, we see overseas markets as having huge growth potential for the Construction Materials Business, and subsidiaries Onoda Chemico and A&A Material have already made progress outside Japan. Going forward we will be fully leveraging the Company's overseas networks to help Group members roll out overseas businesses, such as by expanding Taiheiyo Materials' exports, mainly to Southeast Asia.

### Eliminating work accidents and non-compliance incidents

We will actively work to further strengthen safety measures, our quality control structures and corporate governance. Work-related accidents are a top-priority issue in our industry, and we want to eliminate them through diligent safety training and effective capital investment. The steps we have taken to enhance quality control are typified by our establishment of quality assurance units independent of the production process such as at Taiheiyo Materials and Chichibu Concrete Industry, where a large range of products are produced under toll manufacturing agreements. Moving forward we will be helping other Group companies set up quality control frameworks that similarly match their respective business formats. And we are ensuring good corporate governance, consistently and throughout the Taiheiyo Cement Group, by integrating subsidiaries into tighter groups (as we have done with the Onoda Chemico Group and the Taiheiyo Materials Group) and emplacing rigorous governance frameworks under the leadership of each group's parent.


**Katsuhide Fukuhara**
*Director, Managing Executive Officer*
*Construction Materials Business Department*

## Directors and Corporate Auditors

(As of June 29, 2019)

### Board of Directors

Chairman and Director

Shuji Fukuda

President and Representative Director

Masafumi Fushihara

Vice President and Representative Director

Yuuichi Kitabayashi

Directors, Senior Executive Officers

Keiichi Miura

Masahiro Karino

Directors, Managing Executive Officers

Kunihiro Ando

Katsuhide Fukuhara

Toshiaki Suzuki

Yoshiyuki Uenoyama

Hideaki Asakura

Directors, Managing Executive Officers

Tetsuya Ohashi

Yoshifumi Taura

Directors

Yoshiko Koizumi

Yuzo Arima

### Corporate Auditors (Standing)

Toshihide Nishimura
Shigeru Matsushima

### Corporate Auditors

Wakako Mitani
Yoshio Fujima

### Executive Officers

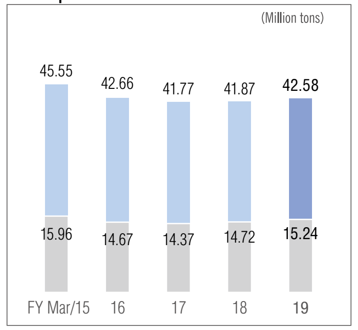
Seiichi Araki
Yoshiaki Tominaga
Yukimasa Nakano
Takayoshi Okamura
Atsuhiro Koike
Koshiro Hidaka
Susumu Miyazaki
Naoyuki Kira
Masaki Takahashi
Yasushi Ushiki
Shinji Fukami





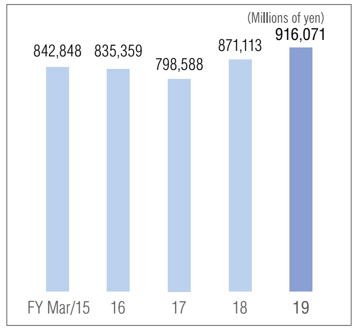
## Major Corporate Data

Total Domestic Cement Demand/ Group Sales



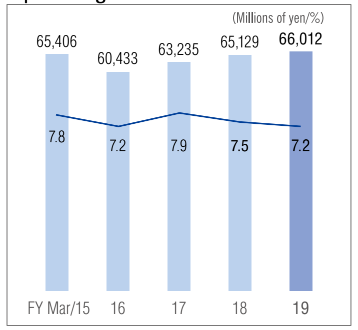

Total Domestic Cement Demand
Group Sales

Net Sales



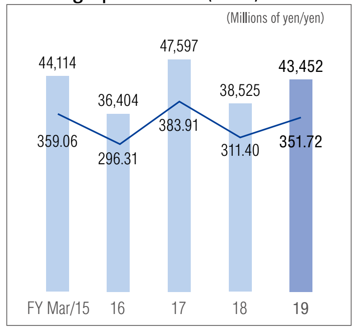

Net Sales

Operating Income/ Operating Income on Net Sales



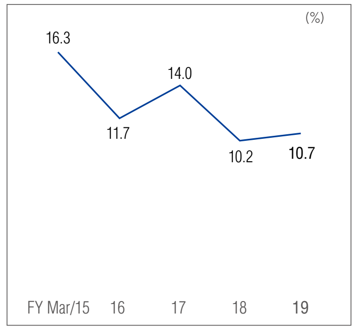

Operating Income
Operating Income on Net Sales

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



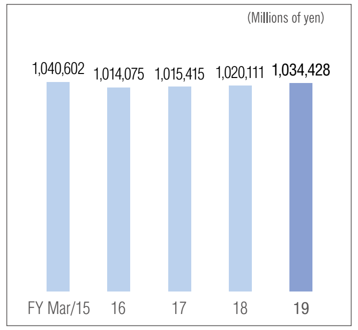

Profit Attributable to Owners of Parent
Earnings per Share (EPS)

Return on Equity (ROE)



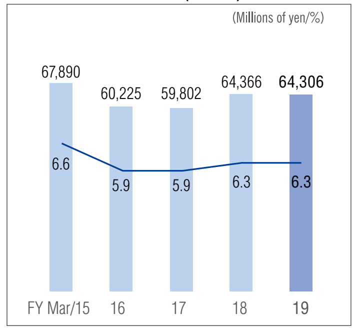

Return on Equity (ROE)

Total Assets



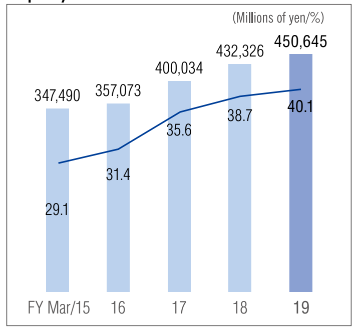

Total Assets

Ordinary Income/ Return on Assets (ROA)



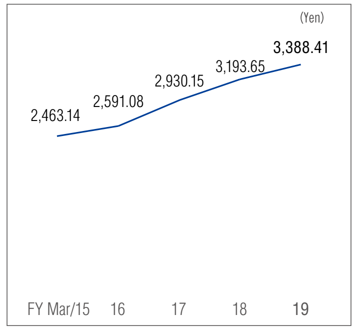

Ordinary Income
Return on Assets (ROA)

Net Assets/ Equity Ratio



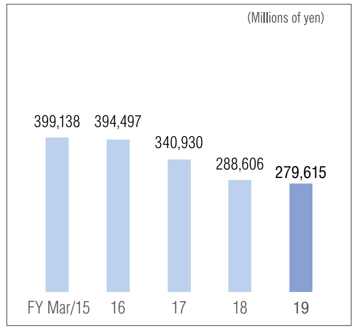

Net Assets
Equity Ratio

Net Assets per Share*



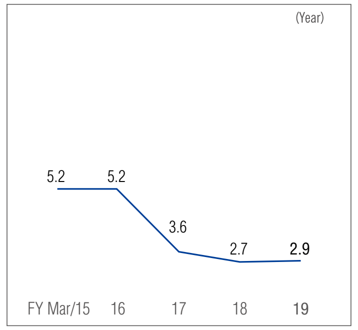

Net Assets per Share

Interest-Bearing Debt



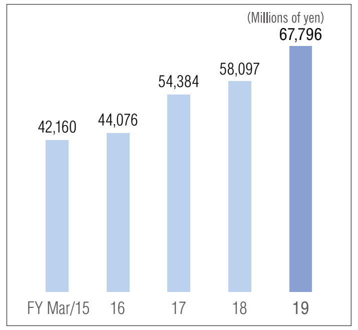

Interest-Bearing Debt

Interest-Bearing Debt/ Cash Flow



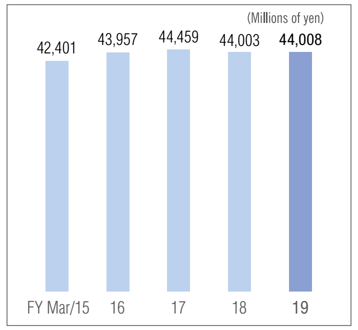

Interest-Bearing Debt/Cash Flow

Capital Expenditure



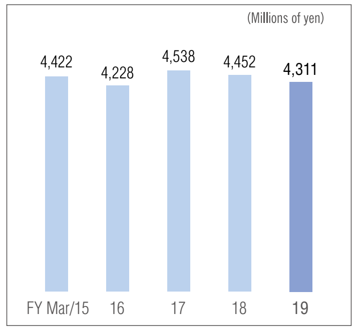

Capital Expenditure

Depreciation




Depreciation

R&D Expense




R&D Expense

*The Company, effective 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 the share consolidation took place at the year to March 2015.

# Consolidated Balance Sheets

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2019

| | 2018 | 2019 | 2019 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and deposits | ¥53,766 | ¥56,561 | $509,610 |
| Notes and accounts receivable-trade | 182,272 | 180,535 | 1,626,595 |
| Electronically recorded monetary claims-operating | 10,989 | 12,998 | 117,115 |
| Merchandise and finished goods | 29,193 | 31,138 | 280,549 |
| Work in process | 2,383 | 2,268 | 20,441 |
| Raw materials and supplies | 41,761 | 43,314 | 390,259 |
| Short-term loans receivable | 3,464 | 3,421 | 30,822 |
| Other | 10,560 | 11,714 | 105,547 |
| Allowance for doubtful accounts | (1,116) | (646) | (5,824) |
| **Total current assets** | 333,275 | 341,307 | 3,075,119 |
| **Noncurrent assets** | | | |
| **Property, plant and equipment** | | | |
| Buildings and structures, net | 134,456 | 135,653 | 1,222,212 |
| Machinery, equipment, and vehicles, net | 136,603 | 134,649 | 1,213,167 |
| Land | 158,057 | 157,638 | 1,420,290 |
| Leased assets | 20,998 | 22,120 | 199,300 |
| Construction in progress | 32,647 | 48,678 | 438,583 |
| Other, net | 22,674 | 22,199 | 200,017 |
| **Total property, plant and equipment** | 505,438 | 520,939 | 4,693,572 |
| **Intangible assets** | | | |
| Goodwill | 777 | 321 | 2,895 |
| Other | 32,261 | 30,553 | 275,286 |
| **Total intangible assets** | 33,038 | 30,875 | 278,181 |
| **Investments and other assets** | | | |
| Investment securities | 86,834 | 83,692 | 754,055 |
| Long-term loans receivable | 2,941 | 1,754 | 15,804 |
| Asset for retirement benefits | 21,298 | 17,807 | 160,441 |
| Deferred tax assets | 17,484 | 17,109 | 154,150 |
| Other | 28,341 | 28,374 | 255,652 |
| Allowance for doubtful accounts | (8,539) | (7,432) | (66,962) |
| **Total investments and other assets** | 148,360 | 141,306 | 1,273,141 |
| **Total noncurrent assets** | 686,836 | 693,120 | 6,244,895 |
| **Total assets** | ¥1,020,111 | ¥1,034,428 | $9,320,015 |

| | 2018 | 2019 | 2019 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Notes and accounts payable-trade | ¥91,113 | ¥96,275 | $867,429 |
| Electronically recorded obligations-operating | 4,670 | 8,716 | 78,535 |
| Short-term loans payable | 153,181 | 135,381 | 1,219,761 |
| Commercial papers | – | 4,000 | 36,039 |
| Current portion of bonds | 15,035 | 10,000 | 90,098 |
| Income taxes payable | 6,416 | 8,376 | 75472 |
| Provision for bonuses | 6,021 | 6,046 | 54,474 |
| Other provision | 121 | 220 | 1,985 |
| Other | 83,986 | 80,373 | 724,152 |
| **Total current liabilities** | 360,546 | 349,390 | 3,147,948 |
| **Noncurrent liabilities** | | | |
| Bonds payable | 20,000 | 30,000 | 270,294 |
| Long-term loans payable | 100,390 | 100,233 | 903,089 |
| Deferred tax liabilities | 8,024 | 7,630 | 68,746 |
| Liability for retirement benefits | 24,559 | 24,206 | 218,094 |
| Provision for directors' retirement benefits | 520 | 535 | 4,826 |
| Provision for special repairs | 128 | 75 | 679 |
| Other provision | 750 | 757 | 6,821 |
| Lease obligations | 18,844 | 17,616 | 158,718 |
| Asset retirement obligations | 7,553 | 7,619 | 68,648 |
| Other | 46,466 | 45,718 | 411,914 |
| **Total noncurrent liabilities** | 227,238 | 234,392 | 2,111,834 |
| **Total liabilities** | 587,785 | 583,783 | 5,259,782 |
| **Net assets** | | | |
| Shareholders' equity | | | |
| Capital stock | 86,174 | 86,174 | 776,414 |
| Capital surplus | 60,339 | 60,408 | 544,271 |
| Retained earnings | 260,016 | 294,265 | 2,651,283 |
| Treasury stock | (10,947) | (16,081) | (144,893) |
| Total shareholders' equity | 395,582 | 424,767 | 3,827,075 |
| Accumulated other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 10,941 | 8,688 | 78,279 |
| Deferred gains or losses on hedges | 1 | (3) | (31) |
| Revaluation reserve for land | 5,057 | 5,019 | 45,222 |
| Foreign currency translation adjustment | (16,201) | (20,128) | (181,357) |
| Retirement benefits liability adjustments | (111) | (3,632) | (32,732) |
| Total accumulated other comprehensive income | (313) | (10,057) | (90,619) |
| **Non-controlling interests** | 37,058 | 35,935 | 323,776 |
| **Total net assets** | 432,326 | 450,645 | 4,060,232 |
| **Total liabilities and net assets** | ¥1,020,111 | ¥1,034,428 | $9,320,015 |

## Consolidated Statements of Income

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2019

| | 2018 | 2019 | 2019 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| **Net Sales** | ¥871,113 | **¥916,071** | **$8,253,642** |
| **Cost of sales** | 664,996 | **712,660** | **6,420,943** |
| **Gross profit** | 206,117 | **203,411** | **1,832,699** |
| **Selling, general and administrative expenses** | 140,987 | **137,398** | **1,237,934** |
| **Operating income** | 65,129 | **66,012** | **594,765** |
| **Non-operating income** | | | |
| Interest income | 810 | **632** | **5,698** |
| Dividends income | 1,159 | **1,227** | **11,060** |
| Real estate rent | 301 | **247** | **2,233** |
| Equity in earnings of unconsolidated subsidiaries and affiliates | 3,196 | **2,288** | **20,621** |
| Other | 2,910 | **3,294** | **29,681** |
| **Total non-operating income** | 8,378 | **7,691** | **69,295** |
| **Non-operating expenses** | | | |
| Interest expenses | 4,639 | **4,068** | **36,653** |
| Loss on disposal of inventories | 258 | **1,126** | **10,152** |
| Provision of allowance for doubtful accounts | 1,030 | **–** | **0** |
| Other | 3,213 | **4,202** | **37,861** |
| **Total non-operating expenses** | 9,141 | **9,397** | **84,667** |
| **Ordinary income** | 64,366 | **64,306** | **579,394** |
| **Extraordinary income** | | | |
| Gain on disposal of non-current assets | 1,417 | **1,149** | **10,358** |
| Gain on sales of investment securities | 92 | **532** | **4,798** |
| Other | 106 | **234** | **2,114** |
| **Total extraordinary income** | 1,616 | **1,917** | **17,272** |
| **Extraordinary loss** | | | |
| Loss on disposal of non-current assets | 4,725 | **4,828** | **43,502** |
| Loss on sales of investment securities | 23 | **133** | **1,200** |
| Loss on valuation of investment securities | 1,356 | **326** | **2,941** |
| Impairment loss | 577 | **1,101** | **9,921** |
| Other | 658 | **660** | **5,949** |
| **Total extraordinary loss** | 7,341 | **7,049** | **63,515** |
| **Income before income taxes and non-controlling interests** | 58,642 | **59,174** | **533,150** |
| Income taxes-current | 10,200 | **11,760** | **105,961** |
| Income taxes-deferred | 7,356 | **1,796** | **16,188** |
| **Profit** | 41,085 | **45,616** | **410,999** |
| Profit attributable to non-controlling interests | 2,559 | **2,164** | **19,499** |
| **Profit attributable to owners of parent** | ¥38,525 | **¥43,452** | **$391,499** |

## Consolidated Statements of Comprehensive Income

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2019

| | 2018 | 2019 | 2019 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| **Profit** | ¥41,085 | **¥45,616** | **$410,999** |
| **Other comprehensive income** | | | |
| Valuation difference on available-for-sale securities | 811 | **(1,657)** | **(14,934)** |
| Deferred gains or losses on hedges | (7) | **(4)** | **(43)** |
| Foreign currency translation adjustment | (4,620) | **(4,733)** | **(42,645)** |
| Remeasurements of defined benefit retirement plans, net of tax | 3,994 | **(3,553)** | **(32,014)** |
| Share of other comprehensive income of associates accounted for using equity method | 423 | **(641)** | **(5,777)** |
| **Total other comprehensive income** | 601 | **(10,590)** | **(95,414)** |
| **Comprehensive income** | ¥41,686 | **¥35,026** | **$315,585** |
| **Comprehensive income attributable to:** | | | |
| Owners of parent | ¥40,118 | **¥33,746** | **$304,046** |
| Non-controlling interests | ¥1,568 | **¥1,280** | **$11,538** |

## Consolidated Statements of Changes in Net Assets

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2019

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 of 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 |
| Increase by merger of consolidated subsidiary and non-consolidated subsidiary | | | | | | | | | | | | | – |
| Adjustment to retained earnings due to change in US tax rate | | | | | | | | | | | | | – |
| 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 |

# Consolidated Statements of Changes in Net Assets

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2019

2019

(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** | **¥60,339** | **¥260,016** | **¥(10,947)** | **¥395,582** | **¥10,941** | **¥1** | **¥5,057** | **¥(16,201)** | **¥(111)** | **¥(313)** | **¥37,058** | **¥432,326** |
| Changes of items during period | | | | | | | | | | | | | |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | 69 | | | 69 | | | | | | | | 69 |
| Dividends of surplus | | | (9,909) | | (9,909) | | | | | | | | (9,909) |
| Profit attributable to owners of parent | | | 43,452 | | 43,452 | | | | | | | | 43,452 |
| Purchase of treasury stock | | | | (5,134) | (5,134) | | | | | | | | (5,134) |
| Disposal of treasury stock | | 0 | | 0 | 0 | | | | | | | | 0 |
| Increase by merger of consolidated subsidiary and non-consolidated subsidiary | | | (53) | | (53) | | | | | | | | (53) |
| Adjustment to retained earnings due to change in US tax rate | | | 759 | | 759 | | | | | | | | 759 |
| Net changes of items other than shareholders' equity | | | | | | (2,252) | (4) | (37) | (3,927) | (3,521) | (9,744) | (1,122) | (10,866) |
| **Total changes of items during the period** | **–** | **69** | **34,249** | **(5,134)** | **29,185** | **(2,252)** | **(4)** | **(37)** | **(3,927)** | **(3,521)** | **(9,744)** | **(1,122)** | **18,318** |
| **Balance at end of this term** | **¥86,174** | **¥60,408** | **¥294,265** | **¥(16,081)** | **¥424,767** | **¥8,688** | **¥(3)** | **¥5,019** | **¥(20,128)** | **¥(3,632)** | **¥(10,057)** | **¥35,935** | **¥450,645** |

(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** | **$776,414** | **$543,645** | **$2,342,698** | **$(98,634)** | **$3,564,123** | **$98,578** | **$11** | **$45,563** | **$(145,971)** | **$(1,007)** | **$(2,825)** | **$333,889** | **$3,895,188** |
| Changes of items during period | | | | | | | | | | | | | |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | 626 | | | 626 | | | | | | | | 626 |
| Dividends of surplus | | | (89,279) | | (89,279) | | | | | | | | (89,279) |
| Profit attributable to owners of parent | | | 391,499 | | 391,499 | | | | | | | | 391,499 |
| Purchase of treasury stock | | | | (46,262) | (46,262) | | | | | | | | (46,262) |
| Disposal of treasury stock | | 0 | | 3 | 3 | | | | | | | | 3 |
| Increase by merger of consolidated subsidiary and non-consolidated subsidiary | | | (481) | | (481) | | | | | | | | (481) |
| Adjustment to retained earnings due to change in US tax rate | | | 6,845 | | 6,845 | | | | | | | | 6,845 |
| Net changes of items other than shareholders' equity | | | | | | (20,298) | (42) | (341) | (35,385) | (31,725) | (87,794) | (10,112) | (97,907) |
| **Total changes of items during the period** | **–** | **626** | **308,584** | **(46,259)** | **262,951** | **(20,298)** | **(42)** | **(341)** | **(35,385)** | **(31,725)** | **(87,794)** | **(10,112)** | **165,044** |
| **Balance at end of this term** | **$776,414** | **$544,271** | **$2,651,283** | **$(144,893)** | **$3,827,075** | **$78,279** | **$(31)** | **$(45,222)** | **$(181,357)** | **$(32,732)** | **$(90,619)** | **$323,776** | **$4,060,232** |

# Consolidated Statements of Cash Flows

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2019

| | 2018 | 2019 | 2019 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| **Cash flows from operating activities:** | | | |
| Profit (loss) before income taxes | ¥58,642 | **¥59,174** | **$533,150** |
| Depreciation | 44,003 | **44,008** | **396,511** |
| Amortization of goodwill | 2,497 | **490** | **4,423** |
| Share of (profit) loss of entities accounted for using equity method | (3,196) | **(2,288)** | **(20,621)** |
| Loss (gain) on valuation of investment securities | 1,356 | **326** | **2,941** |
| Increase (decrease) in net defined benefit asset and liability | 2,390 | **(1,364)** | **(12,297)** |
| Increase (decrease) in provision for directors' retirement benefits | (48) | **15** | **140** |
| Increase (decrease) in provision for bonuses | 276 | **24** | **223** |
| Increase (decrease) in allowance for doubtful accounts | 946 | **(185)** | **(1,668)** |
| Increase (decrease) in other provision | (513) | **52** | **474** |
| Interest and dividends income | (1,969) | **(1,860)** | **(16,758)** |
| Interest expenses | 4,639 | **4,068** | **36,653** |
| Loss (gain) on sales of investment securities | (69) | **(399)** | **(3,597)** |
| Loss (gain) on disposal of non-current assets | 3,307 | **3,678** | **33,144** |
| Impairment loss | 577 | **1,101** | **9,921** |
| (Increase) Decrease in notes and accounts receivable-trade | (21,864) | **(2,728)** | **(24,585)** |
| Decrease (increase) in inventories | 1,859 | **(4,207)** | **(37,905)** |
| Increase (decrease) in notes and accounts payable-trade | 16,405 | **9,577** | **86,292** |
| Other, net | 10,200 | **(1,218)** | **(10,978)** |
| Subtotal | 119,442 | **108,266** | **975,462** |
| Interest and dividends income received | 2,678 | **2,844** | **25,629** |
| Interest expenses paid | (4,630) | **(4,019)** | **(36,216)** |
| Income taxes paid | (9,808) | **(9,808)** | **(88,371)** |
| Cash flows from operating activities: | 107,683 | **97,283** | **876,503** |
| **Cash flows from investing activities:** | | | |
| Decrease (Increase) in time deposits | (492) | **1,995** | **17,976** |
| Purchase of property, plant, and equipment | (52,588) | **(64,520)** | **(581,316)** |
| Proceeds from sales of property, plant, and equipment | 2,812 | **2,208** | **19,898** |
| Purchase of other depreciated assets | (108) | **(142)** | **(1,285)** |
| Proceeds from sales of other depreciated assets | 0 | **–** | **–** |
| Purchase of investment securities | (121) | **(43)** | **(388)** |
| Proceeds from sales and redemption of investment securities | 1,157 | **1,132** | **10,199** |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | 55 | **1,308** | **11,793** |
| Payments of loans receivable | (2,792) | **(2,639)** | **(23,782)** |
| Collection of loans receivable | 3,393 | **3,078** | **27,734** |
| Other, net | 223 | **(402)** | **(3,625)** |
| Cash flows from investing activities: | (48,460) | **(58,025)** | **(522,795)** |
| **Cash flows from financing activities:** | | | |
| Net increase (decrease) in short-term loans payable | (14,323) | **1,509** | **13,599** |
| Increase (decrease) in commercial papers | – | **4,000** | **36,039** |
| Proceeds from long-term loans payable | 16,659 | **57,127** | **514,710** |
| Repayment of long-term loans payable | (41,802) | **(75,721)** | **(682,235)** |
| Proceeds from issuance of bonds | – | **20,000** | **180,196** |
| Redemption of bonds | (11,120) | **(15,035)** | **(135,462)** |
| Proceeds from sales of treasury stock | 1,123 | **0** | **3** |
| Purchase of treasury stock | (102) | **(5,026)** | **(45,287)** |
| Cash dividends paid | (7,423) | **(9,909)** | **(89,279)** |
| Cash dividends paid to non-controlling shareholders | (2,619) | **(1,565)** | **(14,107)** |
| Other, net | (6,209) | **(9,133)** | **(82,292)** |
| Cash flows from financing activities: | (65,818) | **(33,753)** | **(304,116)** |
| Effect of exchange rate change on cash and cash equivalents | (459) | **(543)** | **(4,899)** |
| Net increase (decrease) in cash and cash equivalents | (7,054) | **4,960** | **44,692** |
| Cash and cash equivalents at beginning of period | 51,974 | **44,976** | **405,233** |
| Increase in cash and cash equivalents resulting from merger | 57 | **147** | **1,326** |
| Cash and cash equivalents at end the period | ¥44,976 | **¥50,084** | **$451,253** |

# Notes to the Consolidated Financial Statements

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2019

## 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: 119

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, Yokohama Taiheiyo Namacon Co., Ltd. and one other company had completed the liquidation process, and Shenzhen Haixing-Onoda Logistics Development Co., Ltd. had completed the transfer of equity, so these subsidiaries were excluded from the scope of consolidation. Sakai Remicon Co., Ltd. was also excluded from the scope of consolidation as a result of disappearance due to absorption-type merger wherein the Company's consolidated subsidiary Osaka Asano Concrete Co., Ltd. is the surviving company.

(ii) Name, etc. of major unconsolidated subsidiaries

Name of major unconsolidated subsidiaries:

Major unconsolidated subsidiaries are Taiheiyo Singapore Pte., Ltd., and Taiheiyo Services Co., Ltd.

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: 6

Name of major companies, etc.:

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

Number of affiliates accounted for by the equity method: 37

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.

Transfer of company accounted for by the equity method is as follows: Morehead Company., Ltd. and Jidong Taiheiyo (Beijing) Environmental Engineering Co., Ltd. had completed the liquidation process, so these companies were excluded from the scope of equity-method.

(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 Taiheiyo Services Co., Ltd. and 66 other companies.

(Affiliates)

Affiliates not accounted for by the equity method are Cement Terminal Corporation and 65 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 lease 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 lease 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. Lease assets

Lease 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 adjustments" 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, 2019

### (4) Changes in Accounting Policy

The "Income Statement – Reporting Comprehensive Income (Topic 220)" (Accounting Standards Update No. 2018-02 issued by Financial Accounting Standards Board (FASB) on February 14, 2018) has been applied from the consolidated fiscal year under review, at overseas consolidated subsidiaries that apply US GAAP prior to the mandatory effective date. Consequently, the effects of revaluation of deferred tax assets and deferred tax liabilities that were previously recognized as net income or loss, resulting from the change of tax rate by the Tax Cuts and Jobs Act in 2017, have been reclassified from accumulated other comprehensive income to retained earnings.

As a result, as of the end of the consolidated fiscal year under review, accumulated other comprehensive income decreased by ¥759 million and retained earnings increased by ¥759 million. There is no impact on the consolidated statement of income and per share information for the consolidated fiscal year under review.

### (5) Changes in presentation

The Consolidated Balance Sheets

The Company has adopted the Ministerial Order for Partial Revisions of the Regulation on Corporate Accounting and Enforcement Regulations of the Companies Act (Ministry of Justice Order No. 5 issued on March 26, 2018) due to the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, issued on February 16, 2018) from the fiscal year under review. As a result, deferred tax assets are presented under investments and other assets while deferred tax liabilities are presented under noncurrent liabilities.

The Consolidated Statements of Income

"Loss on disposal of inventories," which has been included in "Other" under "Non-operating expenses" in the previous consolidated fiscal year, is separately presented in the consolidated fiscal year under review due to its increased monetary importance.

## 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 | $5,883 |
| Property, plant and equipment | ¥35,326 | $318,289 |
| Intangible assets | ¥790 | $7,121 |
| Investment securities | ¥97 | $879 |
| Investments and other assets-other | ¥1,728 | $15,575 |
| Total | ¥38,596 | $347,750 |

(ii) Secured liabilities

| | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| Notes and accounts payable-trade | ¥5,492 | $49,490 |
| Notes discounted | ¥13 | $120 |
| Short-term loans payable | ¥6,384 | $57,527 |
| Other current liabilities | ¥3 | $33 |
| Long-term loans payable | ¥4,806 | $43,306 |
| Other noncurrent liabilities | ¥45 | $406 |
| Total | ¥16,746 | $150,885 |

### (2) Accumulated depreciation of property, plant and equipment

| (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|
| ¥1,160,135 | $10,452,613 |

### (3) Guarantee obligations

| | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| Guarantees for loans payable from banks, etc. | ¥1,290 | $11,627 |
| Guarantees for account payables to Ready-mixed Cooperative Association, etc. | ¥1,942 | $17,497 |

### (4) Discounted trade notes receivable

| | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| | ¥2,052 | $18,494 |
| Trade notes receivable transferred by endorsement | ¥1,088 | $9,804 |
| Discounts on electronically recorded monetary claims-operating | ¥164 | $1,484 |

### (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 | ¥10,768 | $97,018 |
| Electronically recorded monetary claims-operating | ¥2,041 | $18,392 |
| Notes payable-trade | ¥4,474 | $40,317 |
| Notes payable-facilities | ¥132 | $1,197 |
| Electronically recorded obligations-operating | ¥1,683 | $15,168 |

### (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 28, 2018 | Common stock | 3,722 (Note 1) | ¥30.00 | March 31, 2018 | June 29, 2018 |
| Meeting of Board of Directors held on November 8, 2018 | Common stock | 6,203 (Note 2) | ¥50.00 (Note 3) | September 30, 2018 | December 4, 2018 |

(Notes) 1. Includes dividends of ¥6 million associated with treasury stock held by consolidated subsidiaries.
2. Includes dividends of ¥10 million associated with treasury stock held by consolidated subsidiaries.
3. The dividend per share by the Meeting of Board of Directors held on November 8, 2018 includes commemorative dividends of ¥20.00 for the 20th anniversary of the Company's founding.

(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: ¥3,681 million
Amount of dividend per share: ¥30.00
Record date: March 31, 2019
Effective date: June 28, 2019

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 (foreign exchange contracts and raw fuel swap transactions) are used as hedging methods to limit risk of exchange and price fluctuations of raw materials and fuel. 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, 2019 (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 | 56,561 | 56,561 | – |
| (ii) | Notes and accounts receivable-trade | 180,535 | 180,535 | – |
| (iii) | Electronically recorded monetary claims-operating | 12,998 | 12,998 | – |
| (iv) | Investment securities | 41,746 | 35,538 | (6,208) |
| | Total assets | 291,842 | 285,634 | (6,208) |
| (v) | Notes and accounts payable-trade | 96,275 | 96,275 | – |
| (vi) | Electronically recorded obligations -operating | 8,716 | 8,716 | – |
| (vii) | Short-term loans payable | 80,410 | 80,410 | – |
| (viii) | Commercial papers | 4,000 | 4,000 | – |
| (ix) | Bonds payable | 40,000 | 40,015 | 15 |
| (x) | Long-term loans payable | 155,204 | 155,143 | (61) |
| | Total liabilities | 384,607 | 384,561 | (46) |
| (xi) | Derivative transactions* | (46) | (46) | – |

* Net payables arising from derivative transactions are shown in parenthesis.

(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, (viii) Commercial papers

# Notes to the Consolidated Financial Statements

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2019

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.

(ix) 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.

(x) 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 (xi) 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.

(xi) 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 (x) above).

2. Unlisted stocks and investments in capital, etc. (consolidated balance sheet amount: ¥41,946 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 |
|---|---|
| 51,666 | 111,495 |

(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: | ¥3,388.41 |
| Net income per share: | ¥351.72 |

## 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 business and 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 ¥1,101 million was recorded as an impairment loss under Extraordinary loss.

(Unit: Millions of yen)

| Purpose | Location | Type | Impairment loss* |
|---|---|---|---|
| Assets for business | Kumagaya City, Saitama Prefecture, etc. | Buildings and structures, machinery, equipment and vehicles, land, etc. | 223 |
| Assets for rent | Togane City, Chiba Prefecture, etc. | Land | 196 |
| Idle properties | Hokuto City, Hokkaido Prefecture, etc. | Buildings and structures, machinery, equipment and vehicles, land, etc. | 681 |

* Breakdown of Impairment loss by purpose

(Unit: Millions of yen)

| Purpose | Breakdown |
|---|---|
| Assets for business | Buildings and structures: 30, Machinery, equipment and vehicles: 151, Land: 16, Other: 25, Total: 223 |
| Assets for rent | Land: 196, Total: 196 |
| Idle properties | Buildings and structures: 60, Machinery, equipment and vehicles: 2, Land: 296, Other: 323, Total: 681 |

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:

2018 (Millions of yen)

| | 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 | ¥644,687 | ¥95,405 | ¥20,787 | ¥74,805 | ¥835,685 | ¥212,681 | ¥1,048,790 | ¥(28,255) | ¥1,020,111 |
| The Others | | | | | | | | | |
| 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 |

2019

| | Cement | Mineral resources | Environmental business | Construction materials | Subtotal | Other | Total | Adjustment | Consolidated total |
|---|---|---|---|---|---|---|---|---|---|
| Net sales: | | | | | | | | | |
| (1) Net sales to outside customers | ¥636,385 | ¥59,401 | ¥85,081 | ¥77,940 | ¥858,808 | ¥57,263 | ¥916,071 | – | ¥916,071 |
| (2) Inter-segment net sales | 10,092 | 24,860 | 7,611 | 4,245 | 46,809 | 28,765 | 75,575 | (75,575) | – |
| Total | ¥646,477 | ¥84,262 | ¥92,693 | ¥82,185 | ¥905,618 | ¥86,028 | ¥991,647 | ¥(75,575) | ¥916,071 |
| Segment profit (loss) | ¥41,743 | ¥8,242 | ¥6,614 | ¥4,999 | ¥61,559 | ¥4,658 | ¥66,257 | ¥(244) | ¥66,012 |
| Segment assets | ¥647,846 | ¥101,608 | ¥21,292 | ¥80,813 | ¥851,561 | ¥217,462 | ¥1,069,023 | ¥(34,595) | ¥1,034,428 |
| The Others | | | | | | | | | |
| Depreciation | ¥31,023 | ¥4,279 | ¥671 | ¥2,405 | ¥38,381 | ¥5,258 | ¥43,639 | ¥368 | ¥44,008 |
| Amortization of goodwill | ¥490 | ¥– | ¥– | ¥– | ¥490 | ¥– | ¥490 | ¥– | ¥490 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | ¥508 | ¥40 | ¥11 | ¥1,481 | ¥2,042 | ¥252 | ¥2,295 | ¥(6) | ¥2,288 |
| Impairment loss | ¥39 | ¥353 | ¥– | ¥103 | ¥496 | ¥604 | ¥1,101 | ¥– | ¥1,101 |
| Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method | ¥17,145 | ¥– | ¥281 | ¥15,166 | ¥32,593 | ¥15,683 | ¥48,276 | ¥437 | ¥48,714 |
| Increase for property, plant, equipment, and intangible assets | ¥38,557 | ¥10,246 | ¥1,852 | ¥3,626 | ¥54,282 | ¥11,899 | ¥66,182 | ¥1,614 | ¥67,796 |

2019 (Thousands of U.S. dollars)

| | Cement | Mineral resources | Environmental business | Construction materials | Subtotal | Other | Total | Adjustment | Consolidated total |
|---|---|---|---|---|---|---|---|---|---|
| Net sales: | | | | | | | | | |
| (1) Net sales to outside customers | $5,733,717 | $535,195 | $766,572 | $702,226 | $7,737,712 | $515,930 | $8,253,642 | $– | $8,253,642 |
| (2) Inter-segment net sales | 90,928 | 223,991 | 68,575 | 38,251 | 421,747 | 259,173 | 680,921 | (680,921) | 0 |
| Total | $5,824,645 | $759,187 | $835,148 | $740,477 | $8,159,459 | $775,104 | $8,934,564 | $(680,921) | $8,253,642 |
| Segment profit (loss) | $376,097 | $74,260 | $59,593 | $45,047 | $554,999 | $41,971 | $596,970 | $(2,205) | $594,765 |
| Segment assets | $5,836,985 | $915,475 | $191,841 | $728,112 | $7,672,415 | $1,959,297 | $9,631,713 | $(311,698) | $9,320,015 |
| The Others | | | | | | | | | |
| Depreciation | $279,517 | $38,561 | $6,053 | $21,675 | $345,807 | $47,379 | $393,187 | $3,324 | $396,511 |
| Amortization of goodwill | $4,423 | $- | $- | $- | $4,423 | $- | $4,423 | $- | $4,423 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | $4,582 | $365 | $103 | $13,351 | $18,403 | $2,277 | $20,680 | $(58) | $20,621 |
| Impairment loss | $354 | $3,188 | $- | $928 | $4,471 | $5,450 | $9,921 | $- | $9,921 |
| Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method | $154,479 | $- | $2,536 | $136,646 | $293,662 | $141,301 | $434,964 | $3,940 | $438,905 |
| Increase for property, plant, equipment, and intangible assets | $347,396 | $92,319 | $16,690 | $32,672 | $489,077 | $107,213 | $596,291 | $14,544 | $610,835 |

[Geographic Segments]

(Millions of yen)

| | Japan | U.S.A. | Other | Total |
|---|---|---|---|---|
| Net sales | 687,422 | 143,663 | 84,985 | 916,071 |
| Non-current assets | 371,335 | 103,813 | 45,790 | 520,939 |

## Taiheiyo Cement Group Network

### DOMESTIC NETWORK

Taiheiyo Cement's facilities include the head office, 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 BUSINESSES**
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, 2019)

| | |
|---|---|
| **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<br>Issued: 127,140,278 (including 4,421,453 shares of treasury stock) |
| **No. of Stockholders** | 53,116 |
| **Agent of Record** | Sumitomo Mitsui Trust Bank, Ltd. |

| **Major Stockholders** | Shares Owned (in thousands) | Holding (%)* |
|---|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 10,431 | 8.5 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 8,788 | 7.1 |
| JP MORGAN CHASE BANK 385632 | 3,135 | 2.5 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 2,673 | 2.1 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 2,478 | 2.0 |
| Mizuho Bank, Ltd. | 2,375 | 1.9 |
| JP MORGAN CHASE BANK 385167 | 1,989 | 1.6 |
| STATE STREET BANK WEST CLIENT - TREATY 505234 | 1,930 | 1.5 |
| JP MORGAN CHASE BANK 385151 | 1,893 | 1.5 |
| GOVERNMENT OF NORWAY | 1,879 | 1.5 |

* Excludes treasury stocks.