

Outline of Consolidated Financial Results of Taiheiyo Cement Corporation for the Second Quarter of Fiscal 2018 ended March 31, 2018

November 9, 2017

Company: Taiheiyo Cement Corporation
Stock code: 5233
URL: <http://www.taiheiyo-cement.co.jp/>

Fiscal 2017 2Q: April 1, 2016- September 30, 2016
Fiscal 2017: April 1, 2016- March 31, 2017
Fiscal 2018 2Q: April 1, 2017- September 30, 2017
Fiscal 2018: April 1, 2017- March 31, 2018

The accompanying consolidated financial results are not intended to present the financial results in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(All yen figures are rounded down to the nearest one million yen.)

1. Consolidated Financial Results for the Second Quarter of Fiscal 2018(April 1, 2017 through September 30, 2017)

(1) Operating Results

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
2Q FY3/18	421,937	11.9	27,433	27.8	28,069	34.9	16,928	(59.8)
2Q FY3/17	376,929	(9.2)	21,468	(15.0)	20,809	(21.2)	42,099	166.4

*Comprehensive income : Fiscal 2018 2Q 13,515 Fiscal 2017 2Q 18,507

	EPS	Diluted EPS
	Yen	Yen
2Q FY3/18	136.87	—
2Q FY3/17	340.28	—

The Company finalized provisional accounting treatment related to the business combination in the Third Quarter of Fiscal 2017 ended March 31, 2017. The consolidated financial statements for the Second Quarter of Fiscal 2017 ended March 31, 2017 reflects the finalized provisional accounting treatment.

The Company has implemented the share consolidation of common stocks in a rate of one share for every ten shares effective on October 1, 2017. Accordingly, EPS is calculated on the assumption that the share consolidation was implemented at the beginning of the previous fiscal year.

(2) Financial Position

	Total assets	Total net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
2Q FY3/18	1,021,290	408,397	36.4
FY3/17	1,015,415	400,034	35.6

*Equity : Fiscal 2018 2Q 372,166 Fiscal 2017 361,819

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
FY3/17	—	3.00	—	3.00	6.00
FY3/18	—	3.00	—	—	—
FY3/18(forecast)	—	—	—	30.00	—

The Company has implemented the share consolidation of common stocks in a rate of one share for every ten shares effective on October 1, 2017. Therefore, the forecast amount of year-end dividends per share for FY2018 presented above reflects the impact of the consolidation of share and the amount of dividends for the full year is not presented (indicated by “-”). The forecast amount of year-end dividends per share for FY2018 without reflecting the impact of the consolidation of shares is ¥3 and the amount of dividends per share for full year of FY2018 is ¥6.

3. Consolidated Results Forecast for the Fiscal 2018(April 1, 2017 through March 31, 2018)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		EPS
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
FY3/18	865,000	8.3	67,000	6.0	65,000	8.7	38,000	(20.2)	307.11

The Company has implemented the share consolidation of common stocks in a rate of one share for every ten shares effective on October 1, 2017. The forecast of EPS for full year of FY2018 reflects the impact of consolidation of shares.

This forecast is based on the information available at the date of publication of this material and assumptions at the same date with respect to the various factors which might have impact on the future financial results. Actual results may differ materially from this forecast due to various factors.

Consolidated Balance Sheets

All yen figures are rounded down to the nearest one million yen.
(Millions of Yen)

Item	FY3/17 (As of 3/31/17)	2Q FY3/18 (As of 9/30/17)
Assets		
Current assets		
Cash and deposits	60,516	58,628
Notes and accounts receivable-trade	171,946	187,489
Merchandise and finished goods	31,835	29,650
Work in process	1,708	2,578
Raw materials and supplies	42,422	42,510
Other	25,591	23,168
Allowance for doubtful accounts	(1,125)	(1,116)
Total current assets	332,895	342,910
Noncurrent assets		
A. Property, plant and equipment		
Buildings and structures, net	136,454	133,775
Machinery, equipment, and vehicles, net	135,380	129,933
Land	160,571	159,063
Other, net	64,744	72,139
Total property, plant and equipment	497,151	494,912
B. Intangible assets		
Goodwill	3,409	1,962
Other	34,250	33,106
Total intangible assets	37,660	35,069
C. Investments and other assets		
Investment securities	84,781	86,668
Asset for retirement benefits	17,352	16,349
Other	53,908	53,787
Allowance for doubtful accounts	(8,333)	(8,407)
Total investments and other assets	147,708	148,397
Total noncurrent assets	682,520	678,379
Total assets	1,015,415	1,021,290

All yen figures are rounded down to the nearest one million yen.
(Millions of Yen)

Item	FY3/17 (As of 3/31/17)	2Q FY3/18 (As of 9/30/17)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	79,676	86,728
Short-term loans payable	134,428	147,108
Commercial Paper	—	7,000
Current portion of bonds	11,120	16,070
Income taxes payable	5,914	9,105
Provision for bonuses	5,742	5,880
Other provision	410	323
Other	71,618	85,982
Total current liabilities	308,910	358,197
Noncurrent liabilities		
Bonds payable	35,035	20,000
Long-term loans payable	160,346	129,019
Liability for retirement benefits	24,217	23,731
Provision for directors' retirement benefits	568	467
Provision for special repairs	121	105
Other provision	981	833
Asset retirement obligations	7,520	7,508
Other	77,677	73,029
Total noncurrent liabilities	306,469	254,695
Total liabilities	615,380	612,892
Net assets		
Shareholders' equity		
Capital stock	86,174	86,174
Capital surplus	59,548	60,272
Retained earnings	228,914	242,135
Treasury stock	(10,911)	(10,870)
Total shareholders' equity	363,725	377,712
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,830	10,726
Deferred gains or losses on hedges	48	76
Revaluation reserve for land	5,065	5,065
Foreign currency translation adjustment	(12,862)	(17,685)
Retirement benefits liability adjustments	(3,987)	(3,727)
Total accumulated other comprehensive income	(1,906)	(5,545)
Non-controlling interests	38,215	36,231
Total net assets	400,034	408,397
Total liabilities and net assets	1,015,415	1,021,290

Consolidated Statements of Income

All yen figures are rounded down to the nearest one million yen.
(Millions of Yen)

Item	2Q FY3/17 (4/1/16- 9/30/16)	2Q FY3/18 (4/1/17- 9/30/17)
Net sales	376,929	421,937
Cost of sales	289,657	324,498
Gross profit	87,272	97,439
Selling, general and administrative expenses	65,803	70,005
Operating income	21,468	27,433
Non-operating income		
Interest income	265	313
Dividends income	507	615
Equity in earnings of unconsolidated subsidiaries and affiliates	1,966	2,053
Other	1,246	1,461
Total non-operating income	3,984	4,445
Non-operating expenses		
Interest expenses	2,566	2,394
Other	2,077	1,415
Total non-operating expenses	4,644	3,809
Ordinary income	20,809	28,069
Extraordinary income		
Gain on disposal of property, plant, and equipment	329	787
Gain on sales of investment securities	3,966	76
Gain on bargain purchase	16,874	—
Other	21	39
Total extraordinary income	21,191	903
Extraordinary loss		
Loss on disposal of property, plant, and equipment	787	1,165
Loss on step acquisitions	3,034	—
Other	267	273
Total extraordinary losses	4,089	1,438
Income before income taxes and non-controlling interests	37,911	27,534
Income taxes-current	(5,164)	9,434
Profit	43,075	18,099
Profit attributable to non-controlling interests	975	1,171
Profit attributable to owners of parent	42,099	16,928

Consolidated Statements of Comprehensive Income

All yen figures are rounded down to the nearest one million yen.
(Millions of Yen)

	2Q FY3/17 (4/1/16- 9/30/16)	2Q FY3/18 (4/1/17- 9/30/17)
Profit	43,075	18,099
Other comprehensive income		
Valuation difference on available-for-sale securities	524	857
Deferred gains or losses on hedges	105	69
Foreign currency translation adjustment	(26,113)	(5,833)
Retirement benefits liability adjustments	2,177	379
Share of other comprehensive income of associates accounted for using equity method	(1,260)	(57)
Total other comprehensive income	(24,568)	(4,584)
Comprehensive income	18,507	13,515
Comprehensive income attributable to :		
Owners of parent	21,699	13,289
Non-controlling interests	(3,192)	226

Consolidated Statements of Cash Flows

All yen figures are rounded down to the nearest one million yen.

(Millions of Yen)

	2Q FY3/17 (4/1/16- 9/30/16)	2Q FY3/18 (4/1/17- 9/30/17)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	37,911	27,534
Depreciation and amortization	21,597	21,328
Amortization of goodwill	1,298	1,271
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(1,966)	(2,053)
Loss(gain) on valuation of investment securities	15	25
Changes in asset and liability for retirement benefits	1,736	1,165
Increase(decrease) in provision for directors' retirement benefits	(39)	(100)
Increase(decrease) in provision for bonuses	69	137
Increase(decrease) in allowance for doubtful accounts	(62)	76
Increase(decrease) in other provision	(589)	(251)
Interest and dividends income	(772)	(929)
Interest expenses	2,566	2,394
Loss(gain) on sales of investment securities	(3,950)	(76)
Loss(gain) on disposal of property, plant, and equipment	458	377
Decrease (increase) in notes and accounts receivable-trade	6,849	(16,527)
Decrease (increase) in inventories	(995)	(482)
Increase (decrease) in notes and accounts payable-trade	(8,293)	7,586
Loss (gain) on step acquisitions	3,034	—
Gain on bargain purchase	(16,874)	—
Other, net	4,167	13,615
Subtotal	46,160	55,090
Interest and dividends income received	1,154	1,648
Interest expenses paid	(2,661)	(2,511)
Income taxes paid	(8,207)	(5,762)
Cash flows from operating activities	36,446	48,465
Cash flows from investing activities		
Decrease(Increase) in time deposits	457	(214)
Purchase of property, plant, and equipment	(20,042)	(23,476)
Proceeds from sales of property, plant, and equipment	731	1,805
Purchase of investment securities	(507)	(106)
Proceeds from sales of investment securities	40,718	665
Payments of loans receivable	(2,781)	(1,587)
Collections of loans receivable	1,876	1,774
Other, net	(537)	(2,026)
Cash flows from investing activities	19,914	(23,165)

Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(8,218)	(535)
Increase (decrease) in commercial papers	—	7,000
Proceeds from long-term loans payable	11,026	6,236
Repayment of long-term loans payable	(26,776)	(22,439)
Redemption of bonds	(365)	(10,085)
Proceeds from share issuance to non-controlling shareholders	1,400	—
Purchase of treasury stock	(36)	(24)
Proceeds from sales of treasury stock	1	1,121
Cash dividend paid	(3,690)	(3,707)
Dividends paid to non-controlling interests	(500)	(1,359)
Other, net	(2,775)	(2,728)
Cash flows from financing activities	(29,934)	(26,521)
Effect of exchange rate changes on cash and cash equivalents	(3,013)	(636)
Net increase(decrease) in cash and cash equivalents	23,412	(1,858)
Cash and cash equivalents at beginning of period	50,072	51,974
Increase in cash and cash equivalents by share exchanges	1,108	—
Increase in cash and cash equivalents resulting from merger of subsidiaries	43	—
Cash and cash equivalents at end of the period	74,637	50,115

Consolidated Segment Information

All yen figures are rounded down to the nearest one million yen.
(Millions of Yen)

	2Q FY3/17 (4/1/16 – 9/30/16)								
	Reportable Segments					Other	Total	Adjustment	Consolidated Total
	Cement Business	Mineral Resources Business	Environmental Business	Construction Materials Business	Total				
Net sales									
Sales to outside customers	262,593	28,369	32,680	30,065	353,708	23,220	376,929	—	376,929
Inter-segment sales	4,437	10,122	2,587	2,015	19,161	10,212	29,374	(29,374)	—
Total	267,030	38,491	35,267	32,080	372,870	33,433	406,303	(29,374)	376,929
Segment income(loss)	12,369	3,360	3,464	1,387	20,582	1,026	21,608	(139)	21,468

	2Q FY3/18 (4/1/17 – 9/30/17)								
	Reportable Segments					Other	Total	Adjustment	Consolidated Total
	Cement Business	Mineral Resources Business	Environmental Business	Construction Materials Business	Total				
Net sales									
Sales to outside customers	294,057	28,588	39,520	34,372	396,538	25,398	421,937	—	421,937
Inter-segment sales	5,759	11,508	2,979	1,946	22,193	9,915	32,109	(32,109)	—
Total	299,817	40,096	42,499	36,318	418,731	35,314	454,046	(32,109)	421,937
Segment income(loss)	17,170	3,660	3,662	1,815	26,309	1,054	27,364	69	27,433