

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

February 8, 2018

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

Fiscal 2017 3Q: April 1, 2016- December 31, 2016
Fiscal 2017: April 1, 2016- March 31, 2017
Fiscal 2018 3Q: April 1, 2017- December 31, 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 Third Quarter of Fiscal 2018(April 1, 2017 through December 31, 2018)

(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 | % |
| 3Q FY3/18 | 653,058 | 10.3 | 48,683 | 10.1 | 49,635 | 12.7 | 32,531 | (43.0) |
| 3Q FY3/17 | 592,207 | (5.5) | 44,234 | 2.2 | 44,060 | 3.7 | 57,117 | 114.9 |

*Comprehensive income : Fiscal 2018 3Q 33,498(-4.2%) Fiscal 2017 3Q 34,979(59.4%)

| | EPS | Diluted EPS |
|-----------|--------|-------------|
| | Yen | Yen |
| 3Q FY3/18 | 262.97 | — |
| 3Q FY3/17 | 460.13 | — |

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 | % |
| 3Q FY3/18 | 1,039,934 | 424,596 | 37.3 |
| FY3/17 | 1,015,415 | 400,034 | 35.6 |

*Equity : Fiscal 2018 3Q 387,536 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) | 3Q FY3/18 (As of 12/31/17) |
|---|---------------------------|-------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 60,516 | 62,155 |
| Notes and accounts receivable-trade | 171,946 | 196,555 |
| Merchandise and finished goods | 31,835 | 28,751 |
| Work in process | 1,708 | 3,295 |
| Raw materials and supplies | 42,422 | 42,015 |
| Other | 25,591 | 25,980 |
| Allowance for doubtful accounts | (1,125) | (1,117) |
| Total current assets | 332,895 | 357,635 |
| Noncurrent assets | | |
| A. Property, plant and equipment | | |
| Buildings and structures, net | 136,454 | 133,536 |
| Machinery, equipment, and vehicles, net | 135,380 | 133,063 |
| Land | 160,571 | 158,719 |
| Other, net | 64,744 | 76,062 |
| Total property, plant and equipment | 497,151 | 501,382 |
| B. Intangible assets | | |
| Goodwill | 3,409 | 1,387 |
| Other | 34,250 | 32,594 |
| Total intangible assets | 37,660 | 33,982 |
| C. Investments and other assets | | |
| Investment securities | 84,781 | 91,160 |
| Asset for retirement benefits | 17,352 | 15,962 |
| Other | 53,908 | 48,198 |
| Allowance for doubtful accounts | (8,333) | (8,385) |
| Total investments and other assets | 147,708 | 146,934 |
| Total noncurrent assets | 682,520 | 682,298 |
| Total assets | 1,015,415 | 1,039,934 |

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

| Item | FY3/17 (As of 3/31/17) | 3Q FY3/18 (As of 12/31/17) |
|---|---------------------------|-------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 79,676 | 99,574 |
| Short-term loans payable | 134,428 | 160,654 |
| Commercial Paper | — | 11,000 |
| Current portion of bonds | 11,120 | 16,045 |
| Income taxes payable | 5,914 | 10,819 |
| Provision for bonuses | 5,742 | 3,171 |
| Other provision | 410 | 333 |
| Other | 71,618 | 78,463 |
| Total current liabilities | 308,910 | 380,061 |
| Noncurrent liabilities | | |
| Bonds payable | 35,035 | 20,000 |
| Long-term loans payable | 160,346 | 109,726 |
| Liability for retirement benefits | 24,217 | 23,525 |
| Provision for directors' retirement benefits | 568 | 484 |
| Provision for special repairs | 121 | 117 |
| Other provision | 981 | 836 |
| Asset retirement obligations | 7,520 | 7,537 |
| Other | 77,677 | 73,048 |
| Total noncurrent liabilities | 306,469 | 235,276 |
| Total liabilities | 615,380 | 615,337 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 86,174 | 86,174 |
| Capital surplus | 59,548 | 60,305 |
| Retained earnings | 228,914 | 254,021 |
| Treasury stock | (10,911) | (10,932) |
| Total shareholders' equity | 363,725 | 389,569 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 9,830 | 13,190 |
| Deferred gains or losses on hedges | 48 | 87 |
| Revaluation reserve for land | 5,065 | 5,057 |
| Foreign currency translation adjustment | (12,862) | (16,871) |
| Retirement benefits liability adjustments | (3,987) | (3,495) |
| Total accumulated other comprehensive income | (1,906) | (2,032) |
| Non-controlling interests | 38,215 | 37,059 |
| Total net assets | 400,034 | 424,596 |
| Total liabilities and net assets | 1,015,415 | 1,039,934 |

Consolidated Statements of Income

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

| Item | 3Q FY3/17 (4/1/16- 12/31/16) | 3Q FY3/18 (4/1/17- 12/31/17) |
|--|------------------------------------|------------------------------------|
| Net sales | 592,207 | 653,058 |
| Cost of sales | 447,152 | 498,415 |
| Gross profit | 145,054 | 154,642 |
| Selling, general and administrative expenses | 100,820 | 105,959 |
| Operating income | 44,234 | 48,683 |
| Non-operating income | | |
| Interest income | 408 | 406 |
| Dividends income | 621 | 813 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | 3,201 | 3,096 |
| Other | 1,820 | 2,191 |
| Total non-operating income | 6,052 | 6,508 |
| Non-operating expenses | | |
| Interest expenses | 3,789 | 3,529 |
| Other | 2,436 | 2,026 |
| Total non-operating expenses | 6,226 | 5,555 |
| Ordinary income | 44,060 | 49,635 |
| Extraordinary income | | |
| Gain on disposal of property, plant, and equipment | 426 | 1,176 |
| Gain on sales of investment securities | 3,971 | 92 |
| Gain on bargain purchase | 16,874 | — |
| Other | 33 | 100 |
| Total extraordinary income | 21,305 | 1,369 |
| Extraordinary loss | | |
| Loss on disposal of property, plant, and equipment | 1,495 | 1,784 |
| Loss on step acquisitions | 3,034 | — |
| Other | 304 | 248 |
| Total extraordinary losses | 4,835 | 2,032 |
| Income before income taxes and non-controlling interests | 60,531 | 48,972 |
| Income taxes-current | 1,533 | 14,598 |
| Profit | 58,997 | 34,373 |
| Profit attributable to non-controlling interests | 1,879 | 1,842 |
| Profit attributable to owners of parent | 57,117 | 32,531 |

Consolidated Statements of Comprehensive Income

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

| | 3Q FY3/17 (4/1/16- 12/31/16) | 3Q FY3/18 (4/1/17- 12/31/17) |
|---|------------------------------------|------------------------------------|
| Profit | 58,997 | 34,373 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,985 | 3,478 |
| Deferred gains or losses on hedges | 189 | 81 |
| Foreign currency translation adjustment | (28,781) | (5,089) |
| Retirement benefits liability adjustments | 3,052 | 607 |
| Share of other comprehensive income of associates accounted for using equity method | (1,463) | 46 |
| Total other comprehensive income | (24,018) | (874) |
| Comprehensive income | 34,979 | 33,498 |
| Comprehensive income attributable to : | | |
| Owners of parent | 37,439 | 32,405 |
| Non-controlling interests | (2,460) | 1,093 |

Consolidated Segment Information

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

| | 3Q FY3/17 (4/1/16 – 12/31/16) | | | | | | | | |
|----------------------------|-------------------------------|----------------------------|------------------------|---------------------------------|---------|--------|---------|------------|--------------------|
| | Reportable Segments | | | | | Other | Total | Adjustment | Consolidated Total |
| | Cement Business | Mineral Resources Business | Environmental Business | Construction Materials Business | Total | | | | |
| Net sales | | | | | | | | | |
| Sales to outside customers | 410,242 | 43,785 | 51,451 | 49,122 | 554,601 | 37,605 | 592,207 | — | 592,207 |
| Inter-segment sales | 7,969 | 16,107 | 5,229 | 3,079 | 32,384 | 15,649 | 48,034 | (48,034) | — |
| Total | 418,211 | 59,892 | 56,680 | 52,201 | 586,986 | 53,255 | 640,241 | (48,034) | 592,207 |
| Segment income(loss) | 27,371 | 6,036 | 5,494 | 3,420 | 42,323 | 2,041 | 44,364 | (129) | 44,234 |

| | 3Q FY3/18 (4/1/17 – 12/31/17) | | | | | | | | |
|----------------------------|-------------------------------|----------------------------|------------------------|---------------------------------|---------|--------|---------|------------|--------------------|
| | Reportable Segments | | | | | Other | Total | Adjustment | Consolidated Total |
| | Cement Business | Mineral Resources Business | Environmental Business | Construction Materials Business | Total | | | | |
| Net sales | | | | | | | | | |
| Sales to outside customers | 454,226 | 43,935 | 61,908 | 54,059 | 614,130 | 38,928 | 653,058 | — | 653,058 |
| Inter-segment sales | 7,930 | 17,828 | 5,182 | 3,012 | 33,955 | 15,898 | 49,853 | (49,853) | — |
| Total | 462,157 | 61,763 | 67,091 | 57,072 | 648,085 | 54,827 | 702,912 | (49,853) | 653,058 |
| Segment income(loss) | 31,248 | 6,104 | 5,579 | 3,469 | 46,401 | 2,199 | 48,601 | 81 | 48,683 |