

# Taiheiyo Cement Corporation

## Reference Materials of Financial Results for the First Half of Fiscal 2019 (From April 1, 2018 through September 30, 2018)

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November 8, 2018

# 1. Trend in Construction Investments and Domestic Demand of Cement

	Estimate of construction investments  (in nominal terms)  (100 million yen)	Year-on year change  (%)	Domestic Demand  (including imports)  (Thousand tons)	Year-on year change  (%)	Exports  (Thousand tons)	Year-on year change  (%)
Fiscal 2001	661,948	-3.4	71,435	-0.1	7,477	-1.2
Fiscal 2002	612,875	-7.4	67,811	-5.1	7,863	5.2
Fiscal 2003	568,401	-7.3	63,514	-6.3	8,554	8.8
Fiscal 2004	536,880	-5.5	59,687	-6.0	9,879	15.5
Fiscal 2005	528,246	-1.6	57,569	-3.5	10,373	5.0
Fiscal 2006	515,676	-2.4	59,089	2.6	10,273	-1.0
Fiscal 2007	513,281	-0.5	58,985	-0.2	9,592	-6.6
Fiscal 2008	476,961	-7.1	55,506	-5.9	10,017	4.4
Fiscal 2009	481,517	1.0	50,087	-9.8	10,672	6.5
Fiscal 2010	429,649	-10.8	42,732	-14.7	11,054	3.6
Fiscal 2011	419,282	-2.4	41,614	-2.6	9,967	-9.8
Fiscal 2012	432,923	3.3	42,650	2.5	10,006	0.4
Fiscal 2013	452,914	4.6	44,577	4.5	9,632	-3.7
Fiscal 2014	512,984	13.3	47,705	7.0	8,503	-11.7
Fiscal 2015	511,410	-0.3	45,551	-4.5	9,421	10.8
Fiscal 2016	509,828	-0.3	42,668	-6.3	10,583	12.3
Fiscal 2017	(Estimated) 535,700	5.1	41,777	-2.1	11,529	8.9
Fiscal 2018	(Estimated) 560,200	4.6	41,876	0.2	11,808	2.4
Fiscal 2019	(Forecasted) 566,700	1.2	42,500	1.5	12,000	1.6
(For reference)						
First Half of Fiscal 2017			20,206	-4.5		
First Half of Fiscal 2018			20,841	3.1		
First Half of Fiscal 2019			20,770	-0.3		

## [Sources]

Estimate of construction investments:

for Fiscal 2001 to Fiscal 2018, Ministry of Land, Infrastructure, Transport and Tourism

for Fiscal 2019 onwards, Research Institute of Construction and Economy (RICE)

Domestic demand of cement:

for Fiscal 2001 to Fiscal 2018, Japan Cement Association

for Fiscal 2019, our estimate

Export:

for Fiscal 2001 to Fiscal 2019, Japan Cement Association

## 2. Volume of Sales and Shipment Results by Region

Volume of sales of cement by region (excluding imports)

	First Half of Fiscal 2017		First Half of Fiscal 2018		First Half of Fiscal 2019	
	Volume of sales (Thousand tons)	Year-on year change (%)	Volume of sales (Thousand tons)	Year-on year change (%)	Volume of sales (Thousand tons)	Year-on year change (%)
Hokkaido	1,062	2.0	1,136	6.9	1,048	-7.7
Tohoku	2,239	-6.0	2,163	-3.4	2,037	-5.8
Kanto 1	4,470	-7.5	4,749	6.2	4,899	3.2
Kanto 2	1,765	-2.7	1,909	8.2	1,815	-4.9
Hokuriku	931	-8.6	944	1.3	1,131	19.9
Tokai	2,222	-6.1	2,230	0.4	2,414	8.3
Kinki	2,813	-2.1	2,740	-2.6	2,606	-4.9
Shikoku	724	-2.1	752	3.9	712	-5.4
Chugoku	1,179	-4.0	1,237	4.9	1,148	-7.2
Kyushu	2,226	0.9	2,369	6.4	2,410	1.7
Okinawa	430	-10.7	486	13.0	484	-0.5
Domestic Total	20,061	-4.4	20,714	3.3	20,703	-0.1
Exports	5,452	5.5	6,163	13.0	5,262	-14.6
Total	25,513	-2.4	26,878	5.3	25,965	-3.4

Source: Japan Cement Association

Volume of shipment of ready-mixed concrete by region

	First Half of Fiscal 2017		First Half of Fiscal 2018		First Half of Fiscal 2019	
	Volume of shipment (Thousand cubic meters)	Year-on year change (%)	Volume of shipment (Thousand cubic meters)	Year-on year change (%)	Volume of shipment (Thousand cubic meters)	Year-on year change (%)
Hokkaido	1,882	4.4	1,971	4.7	1,826	-7.4
Tohoku	4,334	-12.0	4,266	-1.6	3,951	-7.4
Kanto 1	9,702	-7.2	10,060	3.7	10,684	6.2
Kanto 2	2,885	-5.4	3,047	5.6	2,952	-3.1
Hokuriku	1,944	-4.4	1,977	1.7	2,375	20.1
Tokai	4,700	-8.9	4,650	-1.1	4,755	2.3
Kinki	6,152	-2.4	5,929	-3.6	5,340	-9.9
Chugoku	2,317	-4.0	2,381	2.7	2,164	-9.1
Shikoku	1,569	-7.8	1,655	5.5	1,482	-10.5
Kyushu	5,279	-4.5	5,786	9.6	5,877	1.6
Total	40,765	-6.0	41,722	2.3	41,405	-0.8

Source: National Federation of Ready-Mixed Concrete Industrial Associations

## Financial Results for the First Half of Fiscal 2019

Sales volume of cement (Thousand tons)

	First Half of Fiscal 2018	First Half of Fiscal 2019	Change
Domestic	7,287	7,433	146
Export	2,182	1,845	-337

### Consolidated Statements of Income

(Millions of yen)

Item			First Half of Fiscal 2018	First Half of Fiscal 2019	Change	
Ordinary income and losses	Operating income/loss	Net sales	421,937	438,700	16,763	
		Cost of sales	324,498	342,391	17,893	
		Gross profit	97,439	96,309	-1,129	
		Selling, general and administrative expenses	70,005	68,924	-1,081	
		Operating income	27,433	27,384	-48	
	Non-operating income and expenses	Income	Interest income	313	270	-42
			Dividends income	615	731	115
			Equity in earnings of unconsolidated subsidiaries and affiliates	2,053	1,297	-756
			Other	1,461	1,276	-185
			Total non-operating income	4,445	3,575	-869
		Expenses	Interest expenses	2,394	1,953	-440
			Other	1,415	1,899	484
			Total non-operating expenses	3,809	3,852	43
			Ordinary income		28,069	27,107
Extraordinary income and losses			Income	Gain on disposal of non-current assets	787	374
	Gain on sales of investment securities	76		46	-29	
	Other	39		56	16	
	Total extraordinary income	903		478	-425	
	Losses	Loss on disposal of non-current assets	1,165	1,034	-130	
		Other	273	669	396	
		Total extraordinary losses	1,438	1,704	265	
Income before income taxes and non-controlling interests		27,534	25,881	-1,652		
Income taxes total		9,434	7,484	-1,950		
Profit		18,099	18,397	297		
Profit attributable to non-controlling interests		1,171	1,058	-112		
Profit attributable to owners of parent		16,928	17,338	409		

# Segment Information

## (1) Net sales

(Millions of yen)

		First Half of Fiscal 2018	First Half of Fiscal 2019	Change	Main factors of change	
Cement business	Domestic	203,601	211,189	7,588	Domestic	Increase in domestic cement and solidifying material sales +2.0 bil. yen Decrease in export cement volume -1.4 bil. yen Price difference in domestic cement and solidifying materials +0.4 bil. yen Price difference in export cement +0.7 bil. yen Increase sales from companies producing or selling cement or concrete etc +5.9 bil. yen
	Overseas subsidiaries	96,216	100,673	4,457	Overseas subsidiaries	U.S.A. +\$57 million China -\$3 million Asia and other +\$19 million Effect of foreign exchange -3.8 bil. yen
	Total	299,817	311,863	12,046		
Mineral Resources business		40,096	40,543	447	Increase sales of aggregate and mineral products	
Environmental business		42,499	46,094	3,594	Fuel sales and waste processing remained strong	
Construction Materials business		36,318	36,040	-277	Civil engineering work was sluggish	
Other		35,314	38,662	3,347		
Total		454,046	473,204	19,158		
Elimination		-32,109	-34,503	-2,394		
Consolidated total		421,937	438,700	16,763		

## (2) Operating income

		First Half of Fiscal 2018	First Half of Fiscal 2019	Change	Main factors of change	
Cement business	Domestic	10,448	9,876	-572	Domestic	Increase in domestic cement and solidifying material sales +1.1 bil. yen Decrease in export cement volume -0.6 bil. yen Price difference in domestic cement and solidifying materials +0.3 bil. yen Increase variable cost -1.7 bil. yen Decrease fixed cost +0.4 bil. yen Decrease income from companies producing or selling cement or concrete etc -0.1 bil. yen
	Overseas subsidiaries	6,721	8,138	1,416	Overseas subsidiaries	U.S.A. +\$6 million China +\$6 million Asia and other -\$4 million Goodwill amortization +0.8 bil. yen Effect of foreign exchange -0.3 bil. yen
	Total	17,170	18,014	843		
Mineral Resources business		3,660	3,684	24	Increase sales of mineral products	
Environmental business		3,662	3,409	-253	Increase fixed cost (Repair expenses etc)	
Construction Materials business		1,815	918	-897	Civil engineering work was sluggish, increase cost of material of civil engineering construction	
Other		1,054	1,309	254		
Total		27,364	27,336	-27		
Elimination		69	47	-21		
Consolidated total		27,433	27,384	-48		

### [Reference Information]

Foreign exchange rate First Half of Fiscal 2018 average:¥112.34 per dollar; First Half of Fiscal 2019 average:¥108.67 per dollar; difference: ¥3.67 per dollar  
Exchange rate at the end of Dec.2017: ¥113.00 per dollar; at the end of June 2018; ¥110.54 per dollar; difference: ¥2.46 per dollar

# Consolidated Balance Sheets

(Millions of yen)

	As of 3/31/18	As of 9/30/18	Change
Cash and deposits	53,766	56,193	2,426
Notes and accounts receivable-trade	182,272	178,259	-4,013
Electronically recorded monetary claims-operating	10,989	12,615	1,625
Merchandise and finished goods	29,193	30,588	1,395
Work in process	2,383	2,381	-1
Raw materials and supplies	41,761	42,998	1,237
Other	14,024	13,658	-366
Allowance for doubtful accounts	-1,116	-771	345
<b>Total current assets</b>	<b>333,275</b>	<b>335,923</b>	<b>2,648</b>
Property, plant and equipment			
Buildings and structures	134,456	133,213	-1,243
Machinery, equipment, and vehicles	136,603	132,379	-4,223
Land	158,057	157,729	-327
Other	76,320	90,521	14,201
<b>Total property, plant, and equipment</b>	<b>505,438</b>	<b>513,844</b>	<b>8,406</b>
Intangible assets			
Goodwill	777	348	-428
Other	32,261	30,826	-1,434
<b>Total intangible assets</b>	<b>33,038</b>	<b>31,174</b>	<b>-1,863</b>
Investments and other assets			
Investment securities	86,834	88,536	1,702
Assets for retirement benefits	21,298	21,320	22
Other	48,767	47,486	-1,280
Allowance for doubtful accounts	-8,539	-8,579	-39
<b>Total investments and other assets</b>	<b>148,360</b>	<b>148,765</b>	<b>404</b>
<b>Total noncurrent assets</b>	<b>686,836</b>	<b>693,784</b>	<b>6,947</b>
<b>Total assets</b>	<b>1,020,111</b>	<b>1,029,708</b>	<b>9,596</b>
Notes and accounts payable-trade	91,113	90,867	-245
Electronically recorded obligations-operating	4,670	7,155	2,484
Short-term loans payable	153,181	147,930	-5,250
Commercial papers	-	33,000	33,000
Current portion of bonds	15,035	10,000	-5,035
Income taxes payable	6,416	7,357	941
Provision for bonuses	6,021	6,119	98
Other provision	121	180	59
Other	83,986	83,258	-728
<b>Total current liabilities</b>	<b>360,546</b>	<b>385,871</b>	<b>25,324</b>
Bonds payable	20,000	10,000	-10,000
Long-term loans payable	100,390	86,817	-13,573
Liability for retirement benefits	24,559	24,119	-440
Provision for directors' retirement benefits	520	472	-48
Provision for special repairs	128	75	-52
Other provision	750	756	6
Asset retirement obligations	7,553	7,577	24
Other	73,335	72,078	-1,257
<b>Total noncurrent liabilities</b>	<b>227,238</b>	<b>201,897</b>	<b>-25,341</b>
<b>Total liabilities</b>	<b>587,785</b>	<b>587,768</b>	<b>-16</b>

Capital stock	86,174	86,174	-
Capital surplus	60,339	60,405	66
Retained earnings	260,016	273,638	13,622
Treasury stock	-10,947	-11,069	-121
<b>Total shareholders' equity</b>	<b>395,582</b>	<b>409,149</b>	<b>13,567</b>
Valuation difference on available-for-sale securities	10,941	12,390	1,449
Deferred gains or losses on hedges	1	-	-
Revaluation reserve for land	5,057	5,054	-2
Foreign currency translation adjustments	-16,201	-20,312	-4,111
Retirement benefits liability adjustments	-111	14	126
<b>Total accumulated other comprehensive income</b>	<b>-313</b>	<b>-2,852</b>	<b>-2,538</b>
Non-controlling interests	37,058	35,643	-1,415
<b>Total net assets</b>	<b>432,326</b>	<b>441,940</b>	<b>9,613</b>
<b>Total liabilities and total net assets</b>	<b>1,020,111</b>	<b>1,029,708</b>	<b>9,596</b>

Due to application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting", the consolidated balance sheets as of 3/31/18 have been reclassified.

## Consolidated Statements of Cash Flows

(Millions of yen)

	First Half of Fiscal 2018	First Half of Fiscal 2019	Change
Cash flows from operating activities	48,465	44,085	-4,380
Income before income taxes and non-controlling interests	27,534	25,881	-1,653
Depreciation and amortization	21,328	21,072	-256
Decrease (increase) in notes and accounts receivable-trade	-16,527	313	16,840
Increase (decrease) in notes and accounts payable-trade	7,586	2,681	-4,905
Other	8,544	-5,862	-14,406
Cash flows from investing activities	-23,165	-32,117	-8,952
Purchase of property, plant, and equipment	-23,476	-33,928	-10,452
Proceeds from sale of property, plant, and equipment	1,805	628	-1,177
Purchase of investment securities	-106	-108	-2
Proceeds from sale of investment securities	665	191	-474
Other	-2,053	1,100	3,153
Cash flows from financing activities	-26,521	-8,744	17,777
Increase (decrease) in interest-bearing liabilities	-19,823	61	19,884
Cash dividends paid	-3,707	-3,715	-8
Other	-2,991	-5,090	-2,099
Effect of exchange rate changes on cash and cash equivalents	-636	-522	114
Net increase (decrease) in cash and cash equivalents	-1,858	2,701	4,559
Other	0	0	0
Cash and cash equivalents at beginning of term	51,974	44,976	-6,998
Cash and cash equivalents at end of term	50,115	47,678	-2,437

(Millions of yen)

Increase (decrease) in interest-bearing liabilities	As of 3/31/18	As of 9/30/18	Change
Bonds payable	20,000	10,000	-10,000
Current portion of bonds	15,035	10,000	-5,035
Long-term loans payable	100,390	86,817	-13,573
Short-term loans payable	153,181	147,930	-5,250
Commercial papers	-	33,000	33,000
Total interest-bearing liabilities	288,606	287,748	-858

Year-on-year change	As of 3/31/18	As of 9/30/18	Change
Equity ratio (%)	38.7	39.5	0.8
Equity ratio based on market value (%)	46.9	42.8	-4.1
Equity per share (yen)	3,193.7	3,283.6	89.9
Current ratio (%)	92.4	87.1	-5.3
Net D/E ratio (times)	0.6	0.6	0.0

Year-on-year change	First Half of Fiscal 2018	First Half of Fiscal 2019	Change
Earnings per share (yen)	136.87	140.11	3.24



## Forecast of Fiscal 2019

[Preconditions]

- Domestic demand: Fiscal 2019 42.5 million tons
- Foreign exchange rate : 110.00 yen per dollar (2.2 yen stronger than Fiscal 2018)

(100 million yen)

		Fiscal 2018 (actual)	Fiscal 2019 (forecast)	Change
Net sales	Cement business (domestic)	4,085	4,230	145
	Overseas subsidiaries	2,034	2,080	46
	Cement business (total)	6,119	6,310	191
	Mineral Resources business	814	850	36
	Environmental business	902	910	8
	Construction Materials business	770	800	30
	Other	790	860	70
	Total	9,396	9,730	334
	Elimination	-685	-730	-45
		8,711	9,000	289
Operating income	Cement business (domestic)	255	220	-35
	Overseas subsidiaries	151	200	49
	Cement business (total)	406	420	14
	Mineral Resources business	80	84	4
	Environmental business	74	69	-5
	Construction Materials business	47	54	7
	Other	39	50	11
	Total	648	677	29
	Elimination	2	3	1
		651	680	29
Ordinary income		643	660	17
Extraordinary income or losses		-57	-50	7
Income before income taxes and non-controlling interests		586	610	24
Profit attributable to owners of parent		385	420	35

Sales volume of cement (Thousand tons)

	Fiscal 2018 (actual)	Fiscal 2019 (forecast)	Change
Domestic	14,729	15,160	431
Export	4,238	3,978	-260

Main factors of changes in Net sales [Cement]

Domestic

Increase in domestic cement and solidifying materials + 5.2 bil. yen  
 Decrease in export cement volume -1.0 bil. yen  
 Price difference in domestic cement and solidifying materials +2.5 bil. yen  
 Price difference in export cement +0.8 bil. yen  
 Increase income from companies producing or selling cement or ready-mixed concrete etc. +7.0 bil. yen

Overseas subsidiaries

U. S. A. + \$82 million  
 China - \$30 million  
 Asia and other + \$32 million  
 Effect of foreign exchange - 4.8 bil.yen

Main factors of changes in Operating income [Cement]

Domestic

Increase in sales of domestic cement and solidifying materials +2.9 bil. yen  
 Decrease in export cement volume -0.4 bil. yen  
 Price difference in domestic cements and solidifying materials +2.0 bil. yen  
 Decrease in net export revenue -0.1 bil. yen  
 Increase variable cost -4.8 bil. yen  
 Increase fixed cost -1.8 bil. yen  
 Decrease income from companies producing or selling cement or ready-mixed concrete etc. -1.3 bil. yen

Overseas subsidiaries

U. S. A. + \$30 million  
 Goodwill amortization + 2.0 bil. yen  
 China + \$7 million  
 Asia and other - \$7 million  
 Effect of foreign exchange - 0.4 bil.yen

[Reference information]

**1. Status of the Consolidated Group**

(No. of companies)

	As of 3/31/15	As of 3/31/16	As of 3/31/17	As of 3/31/18	As of 9/30/18
Consolidated subsidiaries	131	121	125	123	121
Equity method subsidiaries	11	9	8	7	6
Equity method affiliates	37	40	38	38	38
Total of companies within the scope of consolidation	179	170	171	168	165
Subsidiaries outside the scope of consolidation	86	68	78	72	72
Affiliates outside the scope of consolidation	63	62	66	67	66
Total of companies outside the scope of consolidation	149	130	144	139	138
Total	328	300	315	307	303

**2. Change in Interest-bearing Debt**

(100 million yen)

	As of 3/31/15	As of 3/31/16	As of 3/31/17	As of 3/31/18	As of 9/30/18	As of 3/31/19 (forecast)
The Company	2,292	2,533	2,111	1,754	1,771	1,780
Consolidated subsidiaries	1,699	1,411	1,298	1,132	1,106	1,070
Whole group	3,991	3,944	3,409	2,886	2,877	2,850

**3. Change in Number of Personnel**

(No. of persons)

	As of 3/31/15	As of 3/31/16	As of 3/31/17	As of 3/31/18	As of 9/30/18
The Company	2,296	2,289	2,242	2,308	2,370
Consolidated subsidiaries	10,763	10,285	10,766	10,747	10,828
Whole group	13,059	12,574	13,008	13,055	13,198

**4. Change in Capital Investment**

(100 million yen)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	First Half of Fiscal 2019	Fiscal 2019 (forecast)
The Company	198	224	199	208	112	271
Consolidated subsidiaries	223	216	344	372	230	424
Whole group	421	440	543	580	342	695

**5. Change in Depreciation Expenses**

(100 million yen)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	First Half of Fiscal 2019	Fiscal 2019 (forecast)
The Company	180	176	180	178	85	178
Consolidated subsidiaries	244	263	264	262	125	281
Whole group	424	439	444	440	210	459

**6. Change in Experiment and Research Expenses**

(100 million yen)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	First Half of Fiscal 2019	Fiscal 2019 (forecast)
The Company	37	36	37	36	16	39
Consolidated subsidiaries	7	6	8	8	4	7
Whole group	44	42	45	44	20	46

**7. Cement sales in Overseas Subsidiaries (Sum of the sales of the consolidated subsidiaries)**

(10 thousand tons)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	First Half of Fiscal 2019	Fiscal 2019 (forecast)
U.S.A.	343	411	496	565	295	604
Asia	1,091	1,017	1,023	1,061	533	1,076
Other regions	20	16	15	12	5	11

**8. Overview of Businesses in the U.S. (Taiheiyo Cement U.S.A., Inc. on a consolidated basis)**

(\$ thousands)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	First Half of Fiscal 2019	Fiscal 2019 (forecast)
Net Sales	803,910	917,753	1,048,453	1,224,641	641,084	1,307,000
Operating income	34,525	22,555	56,074	97,672	52,396	128,000
Net income	9,236	2,328	24,799	37,524	36,611	86,000