SUSTAINABILITY

CORPORATE PROFILE

The Taiheiyo Cement Group aspires to leadership in pioneering a sustainable future for our planet. Committed to doing business in ways that contribute to economic development, we are environmentally efficient, and make a positive difference to society, working to be a leader of our industry in the Pacific Rim region.

In line with this, we aim to maximize our corporate value by efficiently using managerial resources in an integrated fashion to minimize costs and risks as we strengthen our overall earnings capacity and financial structure.

We are simultaneously committed to fulfilling our corporate social responsibilities and the cement industry’s mission of ensuring plentiful supplies of cement and concrete, both materials that are indispensable for building and maintaining social infrastructure that secures the safety and assets of the population. We are also committed to helping protect the environment and advancing a new socioeconomic order built on closed loop materials sourcing by putting our cement plants and home-grown recycling capabilities and technologies to work to reduce, recycle, and reuse large volumes of waste material and by-products.

SALES COMPOSITION BY GEOGRAPHIC SEGMENT

1. Domestically
2. Other

Japan
83.8%
U.S.A
5.7%
Other
10.5%

FINANCIAL HIGHLIGHTS

Corporate Profile / Contents / Financial Highlights
1. Taiheiyo Cement Group Main Business Locations
2. To Our Stakeholders
3. Special Feature
4. Financial Data
5. Consolidated Balance Sheets
6. Consolidated Statements of Comprehensive Income
7. Consolidated Statements of Changes in Net Assets
8. Consolidated Statements of Cash Flows
9. Notes to the Consolidated Financial Statements
10. Independent Auditor’s Report
11. Domestic Main Business Locations
12. UNCONSOLIDATED

CONSOLIDATED

2013
2012
2013

For the year:

Net Sales
¥ 747,616
¥ 727,849
¥ 7,949,142

Operating Income
40,659
29,185
432,319

Income before Income Taxes and Minority Interests
26,995
15,778
287,030

Net Income
11,329
7,845
120,463

At year-end:

Net Assets
219,826
196,144
2,337,334

Total Assets
982,473
982,231
10,446,284

Yen
U.S. dollar

Net Income per Share
9.22
7.16
0.09

Dividends per Share
4.00
4.00
0.04

UNCONSOLIDATED

2013
2012
2013

For the year:

Net Sales
¥ 300,359
¥ 273,184
$ 3,193,615

Operating Income
31,970
23,584
339,933

Income before Income Taxes and Minority Interests
25,056
23,922
266,419

Net Income
15,102
17,029
160,584

At year-end:

Net Assets
180,080
168,629
1,914,733

Total Assets
562,561
570,787
5,981,520

Yen
U.S. dollar

Net Income per Share
12.22
15.43
0.13

Dividends per Share
4.00
4.00
0.04

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Meanwhile, recovery in the U.S. continues at a modest pace but the investment, but with demand heavy, labor shortages and tight construction-

In the private sector we are hopeful of a recovery in housing and fixed-asset public works to mitigate the effects of natural disasters are set to take off.

demand is forecast to increase as, in addition to ongoing reconstruction work,

Now for a look at the Taiheiyo Cement Group’s immediate business domestic economy will have to be watched closely.

Europe and the potential for energy-price increases. The future of the downside risks also remain, foremost among them debt uncertainties in

The Japanese economy is expected to continue recovering as the export indicators, such as tangible assets, recovered; but the pace of China’s consumer confidence and other causes for concern remained. The situation merits continued careful monitoring going forward. Some Chinese economic

As a result, we posted a consolidated net income of ¥11,329 million in FY 2014, is positioned as the important bridging-year for achieving the Paris goals, and during it we will work energetically on its management challenges.

1. Fulfilling our social mission

Maximizing our contribution to post-earthquake reconstruction. As a cement company we are well-positioned to contribute to re-construction projects which are now gathering strength. We will put our underlying strengths to use and work as a group to help secure the stable supply of material. As we work to expedite waste and debris from the disaster and various other reconstruction projects by bringing to bear the strengths of the entire Taiheiyo Cement Group and its business partners.

2. Pursuing our core business

Ensuring the sustainability of our domestic cement business and fulfilling our obligations as a supplier of critical infrastructure. We are conscious that cement and concrete are crucial in the building of social infrastructure, which entails a responsibility for ensuring the safety and security of the public and protecting their property. With this awareness we will actively pursue our core business and work to ensure the secure supply of products with a sense of responsibility and pride in our position as a part of the infrastructure-building industry.

Our domestic cement business is also our largest revenue base. We will continue to work to maximize revenues from this “renewable” business with focus on creating new value from waste (i.e., recycling) in response to environmental changes. To maximize revenues we will enhance cost competitiveness, ensure appropriate revenue levels, and maximize the scale of our waste-recycling and processing business.

3. Expanding growth areas

(1) Moving ahead in the materials business

We will use our abundant resources and technological and developmental capabilities based on accumulated, experience-backed knowledge to move ahead in materials businesses through our Mineral Resources Business and Environmental Business Development departments.

(2) Forging ahead with further overseas business expansion

While working to restore and expand the revenue-generating abilities of our existing businesses, we will also leverage the Group’s experience-backed capabilities in technological, R&D, engineering, consulting and foreign business management areas to forge ahead with business development in a style unique to our Group thereby creating a certain presence for the Group.

4. Strengthening our fiscal structure

In addition to expanding revenues as a matter of course, we will also move ahead with the sale of some of our assets and businesses in an effort to improve our financial position while also steadily reducing our interest-bearing debts. All this will contribute to enhancing financial stability.

5. Moving ahead to achieve more-efficient Group management

We will reorganize Group businesses and work to achieve more-efficient Group management so that we can grow and thrive uninterrupted as an organization as well as deliver greater corporate value in each of our business areas.

6. Pressing ahead in R&D

We will press ahead with the development of technologies to achieve sustainable development in our mainstay businesses and expansion in growth areas.

In closing, please allow me to express my appreciation to all our stakeholders for standing by and behind us as we work toward achieving our goals.

Shuji Fukuda
President and Representative Director
At Taiheiyo Cement Corporation we have been planning to make a serious entry into the water treatment business through the consolidation of technologies owned by Group companies. As part of this process we launched the Aqua Business Group under the Environmental Business Development Department in October 2012.

As the global population increases we will face the need for increased food production for which water is necessary. According to estimates the world will face water shortages around the year 2025. To that extent that demand for clean, safe water and water for agricultural uses arises, we foresee business opportunities in the water-related market.

Through the Aqua Business Group, in addition to bringing together and further working technologies owned by the Group, we will actively introduce other technologies relevant to water treatment as well as form business partnerships. We also hope to develop and market revolutionary new products to meet water resource needs which are expected to expand on a global scale in the medium, to long term, thereby contributing to new business creation—one of our growth strategies.

As a first step Taiheiyo Cement recently acquired an aquarium business (a business that sells aquarium filters for ornamental fish) from CLION Co., Ltd., one of our affiliates. The cleansing technologies at the core of this business—Biological Oxygen Demand (BOD), Chemical Oxygen Demand (COD), nitrogen, phosphorus and ammonia removal among others—are indispensable in water treatment. In the coming years, in addition to continuing with the business operations of the Aqua Business Group, we will work to further develop these technologies, strengthen the business, improve profitability and integrate technologies possessed within the Group with the aim of expanding the scale of our business and further developing it.
Cement Business
Sales and Profits Improve in Japan, Earnings Improve Abroad
In FY 2013, as a result of restoration and reconstruction work in the wake of the March 2011 Tohoku earthquake as well as greater private-sector construction investment in urban areas, domestic cement demand grew by 4.5% year-on-year to 44.57 million tons. Of this, 0.82 million tons was imported cement, an increase of 11.3% year-on-year. Meanwhile, total exports fell 3.7% year-on-year to 9.63 million tons.
The Taiheiyo Cement Group’s domestic cement sales by volume, including consignment sales, increased 5.4% year-on-year to 15.44 million tons, while exports decreased 1.2% year-on-year to 3.23 million tons. As a result, domestic cement sales increased ¥13,142 million year-on-year to ¥380,403 million. Operating income increased by ¥7,914 million to ¥28,821 million, in addition to an increase in sales volume, there was a decrease in variable costs.

Mineral Resources Business
Reconstruction Demand Drives Sales, Profit Improvements
For our aggregates business shipments to the Tohoku and other regions increased due to restoration/reconstruction demand in the wake of the Tohoku earthquake, resulting in a year-on-year increase in sales volume. Uraka steel production went into a decline during the second half of the year but remained level with the previous year on a whole-year basis. Our shipment of limestone (mineral products business) to the iron and steel industry therefore followed a similar pattern, posting a similar sales volume as the previous year.

Environmental Business
Strong Performance of Last Year Continues
With an increase in the utilization of coal-fired power generation plants we were able to report strong performance in our coal ash disposal business and strong sales of desulfurizing agents. Also, thanks to various other efforts such as promoting disaster waste processing at the Ofunato Plant, we were able to achieve a year-on-year increase in sales for the Environmental Business as a whole.

Sales ¥79,035 million
(up ¥13,701 million year-on-year)
Operating Income ¥7,228 million
(up ¥690 million year-on-year)

Construction Materials Business
Sales and Profits Improve on Robust Performance
As delays in ground improvement project starts cleared up, sales grew for our Construction Materials Business. Other construction material and engineering works businesses also performed more or less stably, resulting in an increase in both sales and profits.

Sales ¥85,262 million
(up ¥442 million year-on-year)
Operating Income ¥1,247 million
(up ¥411 million year-on-year)

Ceramics & Electronics Business
Lower Revenues, Profits on Closure of Overseas Locations
In our ceramics business sales of products used in both semiconductor and LCD manufacturing equipment declined as customers reined in fixed investment. Our electronics business was affected by the closure of several overseas locations during the previous year so sales in this business segment declined, resulting in a deterioration in profits.

Sales ¥12,347 million
(down ¥15,137 million year-on-year)
Operating Loss ¥1,356 million
(down ¥869 million year-on-year)

Other Business
Tarnaround in Sales and Profits
Other Business includes our interests in real estate, engineering, data processing, finance, transportation and warehousing, and sports facilities. Strong performance in our transportation and warehousing business led to a turnaround in sales and profits. However, in financial services, sales fell due to a decline in the previous year, resulting in an improvement in profits as well.

Sales ¥69,702 million
(up ¥1,528 million year-on-year)
Operating Income ¥3,260 million
(up ¥1,138 million year-on-year)
Our Priority: Ensure Sufficient Supplies of Product for Post-Disaster Reconstruction

Domestic Cement Business

Working as a Group, Leveraging Strengths to Meet Expanding Demand

Our most important tasks for FY 2014 are to ensure stable supplies of product to the market and to charge equitable prices for these products. It is not exaggerate when I say that we will be changing our entire approach to the cement industry. Our April–June quarter exceeded forecasts. Should this continue, demand could well exceed the forecast for the April–June quarter. In fact, real demand is expected to be over 46 billion tons. Several kinds of adjustments will be necessary to be able to cope with this increased demand, but, as mentioned before, real demand is expected to be over 46 billion tons. We must improve the social status of the cement industry to achieve this goal. We will also work to breathe new life into distribution outlets. We have several kinds of differences in form and function—there is a strength of our distribution network. In some areas they can do with strong management; in others, dealers are in need of new management. These are all places where our support is needed to help transfer know-how from older to younger generations. By resolving these issues we will be able to revitalize the industry as a whole.

Enhancing Human Resource Development; Raising the Cement Industry’s Public Standing

We need to market our products in such a way that customers and dealers will be able to charge equitable prices. One of our Group strengths—few other cement manufacturers are positioned to sell aggregates in the quantities we do. Our Group companies deal in other needed products too. In the ready-mixed concrete business our priority is to strengthen our distribution-related functions. We have improved considerably nationwide and we are working steadily to strengthen our distribution-related functions. The Taiheiyo Cement Group has been working in unity to contribute to the reconstruction of the Tohoku region. We will create a catalog called Taiheiyo Navi to compile information about the whole range of our products and bring out the Group’s synergies. Ready-mixed concrete market conditions have improved considerably nationwide and we are working steadily to strengthen our distribution-related functions.

Going forward we will continue to make comprehensive efforts, including human resource development, to strengthen both the business and our revenue base.
Our basic policies during FY 2014 will be (1) to achieve our consolidated operating income target, (2) to strengthen the financial structure of our affiliated companies, and (3) to expand demand in emerging Asian economies, (4) to expand sales of fluorescent material ChiccaLight by strengthening the financial structure of our affiliated companies.

Specifically speaking, our first task will be to strengthen the fundamental earning capacity of core current businesses and to maximize our ability to cope with reconstruction demand. In particular, we will partner with Group companies located in the Tohoku region, which is facing a growing shortage of aggregates, to build a structure for ensuring stable, ample supplies. We have already maximized our supply of limestone from the Tohoku region from the Goro Mine in Hokkaido. To respond to the further increase in construction demand going forward we will work to build a more efficient domestic distribution system and rethink our sales strategies for each production base.

Our second task will be to promote growth strategies. Here, we will start by expanding sales of Sanyo Taiheiyo Lime K.K. products to improve earnings, especially by selling product to use in improving soil quality in the Tohoku region, the iron and steel industry, and other segments of important demand going forward. We will also embark on an overseas business expansion, planning to promote growth strategies. We plan to move our overseas office from Bangkok to the Tosa Office Ash Center to handle the procurement and sale of coconut shells, inaugurated the Tosa Office Ash Center Business in June of 2014.

Our third priority policy is to utilize idle facilities. We have set itself an independent sales target of ¥100 billion in sales during the final year of the Plan, which means the aggregates and soil-related businesses have been leading growth with operating income continuing to exceed our original forecasts. Going forward, we predict an increase in the volume of gypsum due to improving business performance.

Our fourth priority policy is to contribute to creating a low-carbon society and help preserve the earth’s environment. As far as progress with the Medium-Term Management Plan we can consider our target achievable. We will, therefore, work to expand the application of our environmental technologies such as Eco-Cement and Applied KIP (AKP) Systems. We are also expecting progress in the NRD of new environmental technologies. Specifically speaking, our first task will be to strengthen the fundamental earning capacity of current core businesses, and we hope to continue our efforts to contribute to promoting new businesses, and we hope to continue our efforts to contribute to creating a low-carbon society and help preserve the earth’s environment.

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Understanding Local Conditions and Leveraging Managerial Resources to Achieve Unique Overseas Business Expansion

International Business

Firmly Establishing Existing Businesses; Creating a Business Structure to Facilitate New Business Development

The profitability of our international business is gradually improving. In FY 2014 our main tasks will be to achieve income targets and secure the foundations for growth, thereby laying a solid basis for achieving the goals of the 14 Medium-Term Management Plan.

One priority is to firmly establish our position in existing businesses. We hope to cope with local economic conditions in our various overseas markets—the U.S., China, the Philippines, Vietnam—and steadily work toward achieving goals in each market.

Early this year we reorganized our International Business Division and are now promoting efforts aimed at future growth. As part of an investigation into the direction of future overseas business strategies it was suggested that we could achieve a unique style of international development by combining our various business resources (cement, mineral resources, environmental technologies and others) to our advantage. We have taken that suggestion into consideration and are presently working to build a new business structure with the cooperation of the related departments.

“Safety” will also be one of our priority areas of work as it is a global concern—one shared by people everywhere. Our Engineering & Technology Department recently conducted a safety inspection of all our offices. Based on the results we will formulate measures to deal with any safety concerns as well as work to raise safety consciousness.

Moving Ahead with Overseas Business Expansion; Developing Human Resources with Focus on Future Trends

This section discusses our business situation by region. Business in the U.S. is still subpar and we believe the situation will continue to merit close monitoring in FY 2014. Having said that, demand is gradually recovering, and it has become possible to see a roadmap for turning profitable in FY 2015.

Our three plants in China each face a different situation, but in general, demand is weak and competition has intensified in some areas. We are making cost-reduction and other efforts toward strengthening the business foundations of each plant. We are in the process of ratifying the establishment of a cement joint venture with a local partner in Xinjiang in Uyghur Province.

Domestic demand in Vietnam has slowed somewhat but we have been able to make up for it through exports and are currently working to maximize production.

Demand remains level in South Korea, but, thanks to the price increase we implemented last year, business turned profitable this year. In the coming years we will work to strengthen our earnings structure, including by further improving prices, thereby ensuring steady profits.

In the Philippines demand is strong, and we will work to further strengthen it. Business performance is strong also in Papua New Guinea and Singapore.

Meanwhile, the rising domestic demand in Japan forces us to exercise restraint when it comes to exports. We hope, rather, to wisely utilize the strengths of Group companies to cope with the increasing demand in some regions.

We expect our international operations to become a major pillar of the company’s business going forward. International business operations have, therefore, been positioned as an important area when it comes to human resource training, and this has been reflected in the revised training program of our Human Resources Department. A capable staff cannot be developed overnight. Our strategy will be to anticipate future trends and train our people to be able to work in the global arena by channeling more effort into training employees through both their careers in Japan and postings abroad.
## Consolidated Balance Sheets

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2013

### 2012 2013 2013 (Millions of yen) (Thousands of U.S. dollars)

#### Current assets:

- **Cash and deposits** (Notes 6, 7 and 10) ¥ 64,505 ¥ 59,379 $ 631,358
- **Notes and accounts receivable – trade** (Notes 6 and 10) 167,838 175,204 1,854,438
- **Less: allowance for doubtful accounts** (3,740) (1,587) (16,878)
- **Total** 201,823 217,714 2,016,777

- **Merchandise and finished goods** (Note 15) 26,155 25,920 275,602
- **Work in process** (Note 15) 4,773 4,788 50,917
- **Raw materials and supplies** (Note 15) 37,145 36,455 387,618
- **Deferred tax assets** (Note 18) 12,756 10,444 111,048
- **Other** 23,290 20,969 222,960
- **Total** 334,496 330,706 3,516,281

#### Investments and other assets:

- **Investment securities** (Notes 6, 8 and 10) 78,574 85,128 905,143
- **Long-term loans receivable** 1,144 1,086 11,547
- **Other** (Note 10) 47,475 49,674 528,166
- **Less: allowance for doubtful accounts** (5,730) (6,713) (71,377)
- **Total** 121,463 129,175 1,373,479

#### Property, plant and equipment (Notes 10 and 20):

- **Buildings and structures** 472,796 473,852 5,038,308
- **Machinery, equipment and vehicles** 791,007 796,385 8,467,687
- **Other** (Note 10) 82,832 82,383 875,955
- **Less: accumulated depreciation** (1,047,461) (1,056,863) (11,237,254)
- **Total** 132,866 133,544 1,454,919

- **Land (Notes 10 and 14)** 151,195 152,625 1,622,815
- **Construction in progress** 10,679 9,104 96,807
- **Goodwill and other intangible assets** 41,960 41,578 442,093
- **Deferred tax assets** (Note 18) 22,521 23,522 250,109
- **Total** 461,789 457,489 4,864,320

#### Goodwill and other intangible assets:

- **Capital stock**:
  - Authorized: 1,977,308,000 shares
  - Issued: 1,237,800,586 shares in 2012 and 1,237,800,586 shares in 2013
- **Capital surplus** 50,636 50,636 538,400
- **Retained earnings** 85,041 91,174 969,428
- **Treasury stock** (9,480,568 shares in 2012 and 9,543,868 shares in 2013) (916) (934) (9,932)
- **Accumulated other comprehensive income**:
  - **Revaluation reserve for land** (Note 14) 4,710 4,563 48,517
  - **Valuation difference on available-for-sale securities** 985 3,168 33,686
  - **Deferred gains or losses on hedges** 20 78 830
  - **Adjustments for employee retirement benefit of overseas subsidiary** (3,358) (3,793) (40,332)
  - **Foreign currency translation adjustments** (53,678) (39,640) (421,482)
- **Total** 361,962 360,357 3,610,231

#### Net assets (Note 13):

- **Shareholders’ equity**:
  - **Capital stock**:
    - Authorized: 1,977,308,000 shares issued in 2012 and 1,237,800,586 shares in 2013
    - Issued: 1,237,800,586 shares in 2012 and 1,237,800,586 shares in 2013
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    - **Foreign currency translation adjustments** (53,678) (39,640) (421,482)
  - **Total** 361,962 360,357 3,610,231

- **Minority interests** 26,885 28,093 289,764
- **Total net assets** 388,847 388,450 3,899,995

#### Total liabilities and net assets

- **Total liabilities** ¥ 982,231 ¥ 982,473 $ 10,446,284

The accompanying notes are an integral part of these statements.

### Financial Section

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2013

#### Current liabilities:

- **Short-term loans payable** (Notes 6, 9 and 10) ¥ 209,218 ¥ 187,701 $ 2,096,701
- **Current portion of long-term loans payable** (Notes 9 and 10) 14,792 17,685 186,040
- **Notes and accounts payable – trade** (Notes 6 and 10) 22,598 25,914 275,602
- **Income taxes payable** (Note 18) 4,729 4,963 49,507
- **Deferred tax liabilities** (Note 18) 671 692 6,937
- **Other** (Note 10) 74,062 75,449 803,883
- **Total** 337,907 300,054 3,190,375

#### Contingent liabilities (Note 12):

- **Net assets (Note 13):**
  - **Shareholders’ equity**:
    - **Capital stock**:
      - Authorized: 1,977,308,000 shares issued in 2012 and 1,237,800,586 shares in 2013
      - Issued: 1,237,800,586 shares in 2012 and 1,237,800,586 shares in 2013
    - **Capital surplus** 50,636 50,636 538,400
    - **Retained earnings** 85,041 91,174 969,428
    - **Treasury stock** (9,480,568 shares in 2012 and 9,543,868 shares in 2013) (916) (934) (9,932)
    - **Accumulated other comprehensive income**:
      - **Revaluation reserve for land** (Note 14) 4,710 4,563 48,517
      - **Valuation difference on available-for-sale securities** 985 3,168 33,686
      - **Deferred gains or losses on hedges** 20 78 830
      - **Adjustments for employee retirement benefit of overseas subsidiary** (3,358) (3,793) (40,332)
      - **Foreign currency translation adjustments** (53,678) (39,640) (421,482)
    - **Total** 361,962 360,357 3,610,231

- **Minority interests** 26,885 28,093 289,764
- **Total net assets** 388,847 388,450 3,899,995

The accompanying notes are an integral part of these statements.
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<th>2012</th>
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<th>2014</th>
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<td>¥ 3,025</td>
<td>¥ 3,025</td>
<td>¥ 3,025</td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>¥ 12</td>
<td>¥ 12</td>
<td>¥ 12</td>
</tr>
<tr>
<td>Reversal of revaluation reserve for land</td>
<td>¥ 4,914</td>
<td>¥ 4,914</td>
<td>¥ 4,914</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>¥ 19</td>
<td>¥ 19</td>
<td>¥ 19</td>
</tr>
<tr>
<td>Change in scope of consolidation</td>
<td>¥ 0</td>
<td>¥ 1</td>
<td>¥ 1</td>
</tr>
<tr>
<td>Decrease of affiliates accounted for by equity method</td>
<td>¥ 4,380</td>
<td>¥ 5,901</td>
<td>¥ 62,747</td>
</tr>
<tr>
<td>Net changes in other than shareholders’ equity</td>
<td>¥ 2,403</td>
<td>¥ 5,901</td>
<td>¥ 62,747</td>
</tr>
<tr>
<td>Net income</td>
<td>¥ 8,582</td>
<td>¥ 12,323</td>
<td>¥ 131,035</td>
</tr>
<tr>
<td>Basic per share</td>
<td>¥ 4.00</td>
<td>¥ 4.00</td>
<td>¥ 0.04</td>
</tr>
</tbody>
</table>

**Consolidated Statements of Comprehensive Income**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>¥ 8,132</td>
<td>¥ 5,133</td>
<td>¥ 3,038</td>
</tr>
<tr>
<td>Dividends</td>
<td>¥ 7,845</td>
<td>¥ 11,329</td>
<td>¥ 120,463</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>¥ 916,259</td>
<td>¥ 538,400</td>
<td>¥ 904,210</td>
</tr>
<tr>
<td>Common stock</td>
<td>¥ 69,499</td>
<td>¥ 33,962</td>
<td>¥ 82,952</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>¥ 86,174</td>
<td>¥ 50,636</td>
<td>¥ 85,041</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>¥ 16,675</td>
<td>¥ 16,675</td>
<td>¥ 33,350</td>
</tr>
<tr>
<td>Issuance of new stock</td>
<td>¥ 3,025</td>
<td>¥ 3,025</td>
<td>¥ 3,025</td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>¥ 12</td>
<td>¥ 12</td>
<td>¥ 12</td>
</tr>
<tr>
<td>Reversal of revaluation reserve for land</td>
<td>¥ 4,914</td>
<td>¥ 4,914</td>
<td>¥ 4,914</td>
</tr>
<tr>
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<td>¥ 19</td>
<td>¥ 19</td>
<td>¥ 19</td>
</tr>
<tr>
<td>Change in scope of consolidation</td>
<td>¥ 0</td>
<td>¥ 1</td>
<td>¥ 1</td>
</tr>
<tr>
<td>Decrease of affiliates accounted for by equity method</td>
<td>¥ 4,380</td>
<td>¥ 5,901</td>
<td>¥ 62,747</td>
</tr>
<tr>
<td>Net changes in other than shareholders’ equity</td>
<td>¥ 2,403</td>
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<td>¥ 62,747</td>
</tr>
<tr>
<td>Net income</td>
<td>¥ 8,582</td>
<td>¥ 12,323</td>
<td>¥ 131,035</td>
</tr>
<tr>
<td>Basic per share</td>
<td>¥ 4.00</td>
<td>¥ 4.00</td>
<td>¥ 0.04</td>
</tr>
</tbody>
</table>
FINANCIAL SECTION

Consolidated Statements of Cash Flows
Taiheiyo Cement Corporation and Subsidiaries for the Year ended 31st March, 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>2012/2013 (¥)</th>
<th>2013/2014 (¥)</th>
<th>2014/2015 (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>¥ (17,252)</td>
<td>¥ (16,441)</td>
<td>¥ (174,811)</td>
</tr>
<tr>
<td>Increase (decrease) in allowances for doubtful accounts</td>
<td>680</td>
<td>63</td>
<td>674</td>
</tr>
<tr>
<td>Cash used in financing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in provisions for retirement benefits and directors' retirement benefits</td>
<td>750</td>
<td>11</td>
<td>123</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>(23,972)</td>
<td>(24,983)</td>
<td>(265,635)</td>
</tr>
<tr>
<td>Collections of loans receivable</td>
<td>1,970</td>
<td>1,776</td>
<td>18,884</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>(12)</td>
<td>(18)</td>
<td>(192)</td>
</tr>
<tr>
<td>Proceeds from issuance of common stock</td>
<td>600</td>
<td>21,800</td>
<td>231,791</td>
</tr>
<tr>
<td>Decrease in cash and cash equivalents resulting from change of unconsolidated subsidiaries</td>
<td>(1,521)</td>
<td>(5,129)</td>
<td>(54,544)</td>
</tr>
<tr>
<td>Proceeds from sales of treasury stock</td>
<td>(466)</td>
<td>(559)</td>
<td>(5,948)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year (Note 7)</td>
<td>¥ 59,785</td>
<td>¥ 54,408</td>
<td>$ 578,503</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>(19,227)</td>
<td>(51,792)</td>
<td>(550,691)</td>
</tr>
<tr>
<td>Cash and cash equivalents used in investing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of investment securities</td>
<td>5,347</td>
<td>(3,262)</td>
<td>(34,687)</td>
</tr>
<tr>
<td>Purchase of treasury stocks</td>
<td>(12,000)</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Gain (loss) on sales of investment securities</td>
<td>−</td>
<td>(11,940)</td>
<td>−</td>
</tr>
<tr>
<td>Decrease in cash and cash equivalents resulting from investment activities</td>
<td>(20,371)</td>
<td>(30,446)</td>
<td>(323,721)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>48,340</td>
<td>74,629</td>
<td>793,513</td>
</tr>
<tr>
<td>Other, net</td>
<td>(7,435)</td>
<td>(2,208)</td>
<td>(23,483)</td>
</tr>
<tr>
<td>Decrease in time deposits</td>
<td>1,315</td>
<td>(195)</td>
<td>(2,081)</td>
</tr>
<tr>
<td>Other, net</td>
<td>5,067</td>
<td>13,240</td>
<td>(26,647)</td>
</tr>
<tr>
<td>Increase in allowance for doubtful accounts</td>
<td>(76)</td>
<td>8,112</td>
<td>−</td>
</tr>
<tr>
<td>Other, net</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in short-term loans payable</td>
<td>600</td>
<td>21,800</td>
<td>231,791</td>
</tr>
<tr>
<td>Increase in allowance for doubtful accounts</td>
<td>(78)</td>
<td>8,112</td>
<td>−</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>(23,972)</td>
<td>(24,983)</td>
<td>(265,635)</td>
</tr>
<tr>
<td>Decrease in cash and cash equivalents resulting from change of unconsolidated subsidiaries (collectively, the &quot;Companies&quot;)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>(23,972)</td>
<td>(24,983)</td>
<td>(265,635)</td>
</tr>
<tr>
<td>Decrease in cash and cash equivalents resulting from change of unconsolidated subsidiaries and affiliates (Note 5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>(23,972)</td>
<td>(24,983)</td>
<td>(265,635)</td>
</tr>
<tr>
<td>Revenue from sales of property, plant and equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
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<td></td>
<td></td>
</tr>
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<td>Proceeds from sale of property, plant and equipment</td>
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<td>(30,446)</td>
<td>(323,721)</td>
</tr>
</tbody>
</table>

FINANCIAL SECTION

Notes to the Consolidated Financial Statements
Taiheiyo Cement Corporation and Subsidiaries for the Year ended 31st March, 2013

(2) Investments in Unconsolidated Subsidiaries and Affiliates
For the year ended 31st March, 2013, the Company had 108 affiliates (10 for the year ended 31st March, 2012), of which 38 affiliates (138 for the year ended 31st March, 2012) were accounted for by the equity method, as are 14 unconsolidated subsidiaries (14 for the year ended 31st March, 2012). The unconsolidated subsidiaries and affiliates, to which the equity method was applied, included:...
3. Consolidation Principles
For consolidation purposes, all significant inter-company transactions have been eliminated and unrealized profit or loss arising from inter-company transactions have been excluded.

Where the year-end dates of consolidated subsidiaries and unconsolidated subsidiaries and affiliates differ from those of the Company, the year-end dates are adjusted to that of the Company.

Adjustment entries which took place between such different year-end dates are made to the extent necessary.

4. Summary of Significant Accounting Policies (Excluding Lease Assets)

Property, plant and equipment are stated at cost. Depreciation is computed generally based on the straight-line method for the Company and its domestic consolidated subsidiaries at rates based on the estimated useful lives of the assets. The depreciable lives of buildings, including leasehold improvements, purchased on or after 1st April, 1998 is computed based on the straight-line method. Depreciation of property and equipment held by the subsidiaries in foreign countries is calculated by the straight-line method in accordance with accounting standards generally accepted in the respective countries. The difference between the purchase cost of an asset and the estimated useful life is recognized as depreciation in the year of acquisition and thereafter, the difference is amortized over the relevant estimated effective periods.

(a) Inventories
Inventories are consolidated financial statements are outlined below:

4. Summary of Significant Accounting Policies

Inventories are stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

Inventories sold to customers in the current year are charged to income for the year unless such difference is material.

(b) Securities
Securities are classified in accordance with Japanese accounting standards into four categories, namely, trading securities, held-to-maturity debt securities, shares in equity of subsidiaries and affiliates, and available-for-sale securities.

Trading securities and certain financial instruments that meet strict conditions are categorized as current assets, and all other securities other than those in inventories and trading securities are classified as available-for-sale securities.

The difference between the cost and the fair market value of securities is charged to income as necessary adjustments have been made for any significant differences. The difference is material and the effect is ability to be ascertained is determined over the relevant estimated effective periods.

5. Financial Instruments

(a) Derivatives
All financial contracts except for derivatives that are designated as “hedging instruments” (see (c) Hedge Accounting below), are stated in the accompanying consolidated balance sheets, as the case may be. Any differences between the carrying amounts and the tax base of assets and liabilities.

(b) Hedging Activities
Financial contracts designated as hedging instruments are deferred as gains or losses arising from changes in fair value of the hedging instruments in order to reduce the exposure to the risk of interest rate and foreign exchange fluctuations. Thus, the corresponding gains or losses are deferred to the accumulated gains or losses in the balance sheet and the related hedged items from the commencement of the period.

Gains or losses arising from changes in fair value of the hedging instruments are limited to, at maximum, the amount of the hedged item. Effectiveness of hedging activities is evaluated by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the period.

The Company has a policy to utilize the above hedging instruments for the purpose of hedging the risk of interest rate and foreign exchange fluctuations. Thus, the corresponding gains or losses are deferred to the accumulated gains or losses in the balance sheet and the related hedged items from the commencement of the period.

The difference in the debits and credits in the balance sheets resulting from the translation in the above manner is shown as “Foreign currency translation adjustments” accumulated in the comprehensive income of the accompanying consolidated balance sheets, not of the amount attributable to minority interests in consolidated subsidiaries.

(b) Receivables and payables denominated in foreign currency items are translated into Japanese yen at the exchange rates at the balance sheet date. Gains or losses arising from the translation of receivables and payables are credited or charged to income as income.

(c) Cash and Cash Equivalents
Cash and cash equivalents in the consolidated statement of financial position classified as cash or on hand, bank deposits readily available, and short-term investments with a maturity of three months or less when purchased.

(d) Income Taxes
Income taxes are provided for the recognition of certain accrued expenses in the consolidated financial statements.

(e) Retirement Benefits to Employees
The Company has a policy to utilize the above hedging instruments for the purpose of hedging the risk of interest rate and foreign exchange fluctuations. Thus, the corresponding gains or losses are deferred to the accumulated gains or losses in the balance sheet and the related hedged items from the commencement of the period.

The difference in the debits and credits in the balance sheets resulting from the translation in the above manner is shown as “Foreign currency translation adjustments” accumulated in the comprehensive income of the accompanying consolidated balance sheets, not of the amount attributable to minority interests in consolidated subsidiaries.

The estimated uncollectible amounts of doubtful receivables, in addition to a general provision computed by applying past credit loss experiences. Consolidated comprehensive subsidiaries mainly provide for such allowance at the estimated amounts due from customers.

(d) Provision for retirement benefits (Retirement benefits to employees)
Employees are generally entitled to lump-sum retirement and we apply to shareholders at the annual general meeting.

The consolidated subsidiaries recognize 100% of the estimated uncollectible amounts of doubtful receivables, primarily provide for such allowance at the estimated amounts due from customers.

The estimated uncollectible amounts of doubtful receivables, in addition to a general provision computed by applying past credit loss experiences. Consolidated comprehensive subsidiaries mainly provide for such allowance at the estimated amounts due from customers.

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FINANCIAL SECTION

Notes to the Consolidated Financial Statements

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2013

(1) Provisions for losses on loans

Domestic consolidated subsidiaries in which the Company holds more than 50% of the voting rights are treated as wholly owned subsidiaries and the Company is treated as the sole owner of consolidated subsidiaries. The branches held by the consolidated subsidiaries are treated as branches of the Company. For branches held by the Company, the Company is treated as the sole owner of the branches. Domestic and foreign branches held by the Company are treated as branches of the Company. Foreign branches held by the consolidated subsidiaries are treated as branches of the consolidated subsidiaries.

(2) Provisions for losses on inventories

The inventories held by the consolidated subsidiaries are treated as inventories of the Company. The inventories held by the branches of the Company are treated as inventories of the branches.

(3) Provisions for losses on receivables

The receivables held by the consolidated subsidiaries are treated as receivables of the Company. The receivables held by the branches of the Company are treated as receivables of the branches.

(4) Provisions for losses on investments

The investments held by the consolidated subsidiaries are treated as investments of the Company. The investments held by the branches of the Company are treated as investments of the branches.

(5) Provisions for losses on property, plant and equipment

The property, plant and equipment held by the consolidated subsidiaries are treated as property, plant and equipment of the Company. The property, plant and equipment held by the branches of the Company are treated as property, plant and equipment of the branches.

(6) Provisions for losses on goodwill

The goodwill held by the consolidated subsidiaries is treated as goodwill of the Company. The goodwill held by the branches of the Company is treated as goodwill of the branches.

(7) Provisions for losses on long-term loans

The long-term loans held by the consolidated subsidiaries are treated as long-term loans of the Company. The long-term loans held by the branches of the Company are treated as long-term loans of the branches.

(8) Provisions for losses on trade receivables

The trade receivables held by the consolidated subsidiaries are treated as trade receivables of the Company. The trade receivables held by the branches of the Company are treated as trade receivables of the branches.

(9) Provisions for losses on trade payables

The trade payables held by the consolidated subsidiaries are treated as trade payables of the Company. The trade payables held by the branches of the Company are treated as trade payables of the branches.

(10) Method and Period of Amortization of Goodwill

Goodwill is amortized over the estimated useful lives in cases that the amount of goodwill is material. The estimated useful lives in cases that the amount of goodwill is immaterial is insignificant.

(11) Appropriation of Retained Earnings

The shares of the Company held by consolidated subsidiaries are recognized as treasury stock after netting off the amounts attributable to minority interests. With respect to the shares held by affiliates to which the equity method is applied, the amounts attributable to the Companies are also recorded in the accompanying consolidated balance sheet, and dividends (distributions) received from such companies are charged to additional paid-in capital.

(12) Accounting for Treasury Stock

The shares of the Company held by consolidated subsidiaries are recognized as treasury stock after netting off the amounts attributable to minority interests. With respect to the shares held by affiliates to which the equity method is applied, the amounts attributable to the Companies are also recorded in the accompanying consolidated balance sheet, and dividends (distributions) received from such companies are charged to additional paid-in capital.

(13) Share Information

Net income per share is computed based on the weighted average number of common shares outstanding during the respective periods.

(14) Revenues and Costs of Construction

Revenues and cost of construction contracts that commenced on or after 1 April, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The completion percentage is calculated at the end of the reporting period based on the effective approximate ratio of exchange payout at 31st March, 2013. The revenue recognized from the completion of each contract is included in (i) construction income, (ii) gain (loss) on disposal of construction contracts, (iii) interest, and (iv) the provision for income taxes.

(15) Accounting Standards Not Yet Adopted

Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) No. 28) and GAAS Guidance on Standard Accounting of Retirement Benefits (ASBJ Guidance No. 25) are to be applied from 31 March, 2014.

(a) Option (i) Revenue

Under the revised accounting standard, actual gains and losses attributable to changes in fair value of financial instruments will be recognized in the statement of income, and the amounts attributable to the Companies are also recorded in the accompanying consolidated balance sheet, and dividends (distributions) received from such companies are charged to additional paid-in capital. Allocation of the amount attributable to the Companies is as follows:

(i) 2013

<table>
<thead>
<tr>
<th>Account</th>
<th>Domestic Consolidated Subsidiary</th>
<th>Branches of the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>¥ 85,010</td>
<td>¥ –</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>¥ 903,883</td>
<td>¥ 903,883</td>
</tr>
<tr>
<td>Other receivables</td>
<td>¥ 26,995</td>
<td>¥ –</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>¥ 85,010</td>
<td>¥ –</td>
</tr>
<tr>
<td>Other payables</td>
<td>¥ –</td>
<td>¥ –</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 1,014,914</td>
<td>¥ 903,883</td>
</tr>
</tbody>
</table>

(b) Option (ii) Long-term Loans

Under the revised accounting standard, changes in fair value attributable to long-term loans payable and long-term loans receivable will be recognized in the statement of income. The amount attributable to the Companies is as follows:

(i) 2013

<table>
<thead>
<tr>
<th>Account</th>
<th>Domestic Consolidated Subsidiary</th>
<th>Branches of the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
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</tr>
<tr>
<td>Other payables</td>
<td>¥ –</td>
<td>¥ –</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 1,014,914</td>
<td>¥ 903,883</td>
</tr>
</tbody>
</table>

Total assets $ 3,057,773 $ 2,932,543 $ (125,230)

Total liabilities $ 2,655,521 $ 2,527,978 $ (127,543)

Total shareholders' equity $ 402,252 $ 374,565 $ (27,687)

Total assets ¥ 287,583 ¥ 275,805 ¥ (11,777)

Net income ¥ 23,526 ¥ 20,841 ¥ (2,685)

Net income per share ¥ 1.02 ¥ 0.90 ¥ (0.12)

(16) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In consideration of plans for capital investment, the Company is making efforts to identify and mitigate the risks of bad debts from customers who are having financial difficulties.

(2) Risk Management for Financial Instruments

Management generally measures and limits the exposure of the Companies to market risk. The risk exposure of the Companies is measured using market risk models and is assessed at the divisional level. The market risk exposure measured using formalized market risk models includes foreign currency exchange risk, interest rate risk, and credit risk.

Notes and accounts receivable – trade are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from transactions with related parties denominated in foreign currencies. Marketable securities and investment securities are exposed to market risk. These securities are the shares of common stock of other companies with which the Companies have business relationships, or affiliated companies. The Companies are also exposed to foreign currency exchange risk arising from transactions with other companies with which it has business relationships. Scenario analysis conducted on foreign currency translation exposure indicates that the Companies have foreign currency exposure due to dollar sales to customers and due to dollar transactions with related parties and affiliated companies.

(3) Market Risk

The market risk involved in derivative transactions.

(i) Management of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others) in order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Companies may enter into interest rate swap transactions. For a part of purchasing raw materials, in order to mitigate the price volatility risk for raw materials, the companies may also enter into raw materials swap transactions. For investment securities, the Companies periodically review the market risk involved in derivative transactions and the financial position of the issuers. In conducting derivatives transactions, the charge-in of each derivative transaction follows the internal policies, which set the delegation of authority and maximum upper limit on positions.

(ii) Management of liquidity risk (the risk that the Companies may not be able to meet its obligations on scheduled due dates)

Trade receivables and trade payables are exposed to liquidity risk. Based on the report from each division, the Companies prepare and update its cash plans on a timely basis to manage liquidity risk.

(iii) Management of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Companies for managing credit risk arising from receivables, each related division monitors creditworthiness of its main customers periodically, and monitors due dates and outstanding amounts. In addition, the Companies are making efforts to identify and mitigate the risks of bad debts from customers who are having financial difficulties.

The fair values of certain financial instruments are estimated using quoted market price, if available. When there is no quoted market price, the fair value is estimated using the present value of future cash flows. The fair value is estimated using discounting principle on bank borrowings. The Companies use derivatives for the purpose of reducing risk and do not enter into derivatives for speculative or trading purposes.

At the balance sheet date, the carrying values of the financial assets represent the maximum credit risk exposures of the Companies.

(iv) Management of derivative risk

The Companies enter into derivative financial instruments as part of its overall risk management strategy. Those derivatives are used to manage the following risks:

(a) Market risk

In consideration of plans for capital investment, the Company is making efforts to identify and mitigate the risks of bad debts from customers who are having financial difficulties.

(b) Credit risk

The fair values of certain financial instruments are estimated using quoted market price, if available. When there is no quoted market price, the fair value is estimated using the present value of future cash flows. The fair value is estimated using discounting principle on bank borrowings. The Companies use derivatives for the purpose of reducing risk and do not enter into derivatives for speculative or trading purposes.

(v) Counterparty risk

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price, the fair value is estimated using the present value of future cash flows. The fair value is estimated using discounting principle on bank borrowings. The Companies use derivatives for the purpose of reducing risk and do not enter into derivatives for speculative or trading purposes.

(vi) Counterparty risk

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price, the fair value is estimated using the present value of future cash flows. The fair value is estimated using discounting principle on bank borrowings. The Companies use derivatives for the purpose of reducing risk and do not enter into derivatives for speculative or trading purposes.

(vii) Other risks

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price, the fair value is estimated using the present value of future cash flows. The fair value is estimated using discounting principle on bank borrowings. The Companies use derivatives for the purpose of reducing risk and do not enter into derivatives for speculative or trading purposes.
8. Investment Securities

Investments securities shown in the accompanying consolidated balance sheets as at 31st March, 2012 and 2013 comprises:

- Cash and deposits
- Equities
- Bond
- Corporate bond
- Other Investment securities
- Derivatives

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Note 4 The redemption schedule for long-term debt and so on

<table>
<thead>
<tr>
<th>Year ending 31st March, Total</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due within one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due after one year through five years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due after five years through ten years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term bank loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due within one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due after one year through five years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due after five years through ten years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other property, plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due within one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due after one year through five years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due after five years through ten years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due within one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due after one year through five years</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 8

Gains and losses incurred from the sale of other securities included in the accompanying consolidated statements of income for the years ended 31st March, 2012 and 2013 were as follows:

- Carried forward from prior year
- Losses on sales
- Net gains

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11. Provision for Retirement Benefits

The Company and its domestic subsidiaries have unfunded defined benefit plans, and contributing and/or noncontributory defined benefit plans.

The Companies contribute certain assets to a retirement benefit trust.

Provision for retirement benefits for 2012 and 2013 were analyzed as follows:

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Note 12

Prepaid pension costs incurred for the years ended 31st March, 2012 and 2013 were as follows:

- Amortization of actuarial loss
- Recognized portion of unrecognized actuarial differences
- Projected benefits

Amounts recognized in the consolidated balance sheets

- Projected benefits
- Recognized portion of unrecognized actuarial differences
- Projected benefit obligations

Notes related to retirement benefits and amounts recognized in the consolidated balance sheets as of 31 March, 2012 and 2013 were as follows:

- Bond interest and dividend
- Amortization of unrecognized differences
- Retirement benefit plans

Note 13

Assumptions used in the calculation of the above information were as follows:

- Investment rate
- Interest rate
- Inflation rate
- Economic growth rate
- Expected rate of return on plan assets
- Expected rate of increase in future compensation levels

Note 14

12. Financial Statements

The consolidated financial statements for the year ended 31st March, 2013, were prepared in accordance with the generally accepted accounting principles in Japan, and the principles of International Financial Reporting Standards (IFRSs) as adopted by Japan.
12. Contingent Liabilities

(1) As of 31st March, 2013, the Companies were contingently liable for notes and amounts recorded in the aggregate amount of $99,051,000 (¥12,413,000 as of 31st March, 2012), notes evidenced by paychecks in the aggregate amount of ¥9,320,000 (¥12,403,000 as of 31st March, 2012).

(2) The Companies were also contingently liable for guarantees of bank loans and trade payables for certain companies including guarantees forward commitments, the balances of which as of 31st March, 2012 and 2013 were as follows:

13. Shareholders' Equity

The Corporation Law of Japan provides that an amount exceeding 25% of the stated share capital, earnings, the use of which is strictly limited under the Law, is allowed to be distributed as dividends as the case may be, allowed to be distributed as dividends.

The amount in excess of 25% of the stated share capital, earnings, the use of which is strictly limited under the Law, is allowed to be distributed as dividends as the case may be, allowed to be distributed as dividends.

14. Impairment Loss

The impairment losses were measured as the excess of the book value over the higher of (1) the fair market value of the assets, net of disposal costs or (2) the present value of future cash flows arising from ongoing utilization of the assets and disposal after the assets use.

The impairment losses of the assets, net of disposal costs, was estimated as the residual value for tax purposes except for important real properties and assets scheduled for disposal.

Adjustments for employee retirement benefit of overseas subsidiary:

An amount arising during the year (1,203) (1,873) (10,267)

20. Income Taxes

The effective statutory rate for the years ended 31st March, 2013 and 2012 was approximately 39.54% and 36.99%, respectively.

As a result, the Company and its consolidated subsidiaries recognized impairment losses of ¥1,141 and ¥3,003 (31,936) in non-operating expenses for the years ended 31st March, 2013 and 2012:

Component of differences of changes in the book value over the higher of (1) the fair market value of the assets, net of disposal costs or (2) the present value of future cash flows arising from ongoing utilization of the assets and disposal after the assets use.

21. Loss on Business Withdrawal

The loss incurred in conjunction with a U.S. subsidiary’s withdrawal from its holder child business was ¥3,259 for the year ended 31st March, 2013 (¥7,819 for the year ended 31st March, 2012).
23. Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheets are primary obligations to take measures to prevent pollution and ensure safety, etc. at the time of mine closing in accordance with the Mine Safety Act, obligation to restore the site to its original condition in accordance with the real estate lease agreement, obligation to take measures to prevent the dispersion of asbestos in accordance with the Industrial Safety and Health Act, the Ordinance on Prevention of Health Impairment due to Asbestos, and the Air Pollution Control Act, etc.

The value of asset retirement obligations is estimated by using useful periods of 2 years to 348 years and discount rates from 0.5% to 6.8% according to the type of asset retirement obligations.

The following table indicates the changes in asset retirement obligations for the year ended 31st March, 2011, 2012 and 2013:

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance at 31st March, 2012</th>
<th>Others</th>
<th>Balance at 1st April, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>¥ 7,911</td>
<td>20</td>
<td>¥ 6,853</td>
</tr>
<tr>
<td>2012</td>
<td>¥ 905</td>
<td>554</td>
<td>¥ 21,641</td>
</tr>
<tr>
<td>2013</td>
<td>¥ 230,103</td>
<td>(563)</td>
<td>¥ (5,988)</td>
</tr>
</tbody>
</table>

The future minimum lease payments as of 31st March, 2012 and 2013 and lease rental expenses for the year ended 31st March, 2012 and 2013 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Lease Rental Payments</th>
<th>Lease Rental Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>¥ 905</td>
<td>¥ 554</td>
</tr>
<tr>
<td>2013</td>
<td>¥ 230,103</td>
<td>¥ (5,988)</td>
</tr>
</tbody>
</table>

24. Leases

The Company has various lease arrangements whereby the Companies act both as lessees and lessors.

(1) As lessees

(a) Finance lease contracts other than those that are deemed to transfer the ownership of the leased assets to lessors, which were commenced before 1st April, 2008 are accounted for by the method that is applicable to ordinary operating leases. Assumed data as to acquisition costs, accumulated depreciation and net balance of the leased assets would be follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Building and structures</th>
<th>Plant and equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>¥ 181</td>
<td>¥ 4,310</td>
<td>¥ 4,491</td>
</tr>
<tr>
<td>2013</td>
<td>¥ 171</td>
<td>¥ 1,585</td>
<td>¥ 1,756</td>
</tr>
</tbody>
</table>

(b) Future lease payments under operating leases are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Due within one year</th>
<th>Due over one year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>¥ 545</td>
<td>¥ 2,928</td>
</tr>
<tr>
<td>2013</td>
<td>¥ 43</td>
<td>¥ 17</td>
</tr>
</tbody>
</table>

25. Derivative Transactions

Derivative financial instruments are utilized for the purpose of hedging exposure to adverse fluctuations in foreign currency exchange rates, interest rates and raw material prices. No such transactions for speculation or trading purposes were entered into.

The Companies are exposed to market risks such as volatility of foreign currency exchange rates, interest rates and raw material prices, and use these derivative financial instruments to hedge the related risk effectively. Accordingly, these risks are not isolated.

Credit loss in the event of nonperformance by financial institutions is minimal as the Company derogate the related risk effectively. Accordingly, these risks are not isolated.

The accounting policies for the segment are substantially the same as those described in the significant accounting policies in Note 4. Segment performance is evaluated based on operating income or loss. Inter-segment transactions are recognized at the same prices used in transactions with third parties.
### Notes to the Consolidated Financial Statements

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2013

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

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement Mineral resources</td>
<td>¥ 469,846</td>
<td>¥ 444,287</td>
</tr>
<tr>
<td>Environmental business</td>
<td>¥ 66,430</td>
<td>¥ 5,124</td>
</tr>
<tr>
<td>Construction materials</td>
<td>¥ 73,760</td>
<td>¥ 125,167</td>
</tr>
<tr>
<td>Ceramics &amp; electronics</td>
<td>¥ 81,074</td>
<td>¥ 1,301,951</td>
</tr>
<tr>
<td>Subtotal</td>
<td>¥ 1,038,332</td>
<td>¥ 11,040,215</td>
</tr>
<tr>
<td>Other</td>
<td>¥ –</td>
<td>¥ (55,859)</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 1,038,332</td>
<td>¥ 11,040,215</td>
</tr>
</tbody>
</table>

#### Financial Section

<table>
<thead>
<tr>
<th>Account</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (in thousands)</td>
<td>¥ 9,526,313</td>
<td>¥ 9,078,116</td>
</tr>
<tr>
<td>Inventories</td>
<td>¥ 3,412,943</td>
<td>¥ 3,677,751</td>
</tr>
<tr>
<td>Goodwill</td>
<td>¥ 23,013</td>
<td>¥ 21,799</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>¥ 394,707</td>
<td>¥ 384,320</td>
</tr>
<tr>
<td>Property, plant, equipment, and intangible assets</td>
<td>¥ 21,807,086</td>
<td>¥ 27,728,004</td>
</tr>
<tr>
<td>Amounts accounted for by the equity method</td>
<td>¥ 37,430,000</td>
<td>¥ 47,261,000</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>¥ 362</td>
<td>¥ 903</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>¥ 1,976</td>
<td>¥ 1,977</td>
</tr>
<tr>
<td>Segment assets</td>
<td>¥ 553,949,000</td>
<td>¥ 802,207,000</td>
</tr>
<tr>
<td>Segment profit (loss)</td>
<td>¥ 16,558</td>
<td>¥ 26,827</td>
</tr>
<tr>
<td>Equity in earnings (losses) of unconsolidated subsidiaries and affiliates</td>
<td>(¥ 3,626)</td>
<td>(¥ 903)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>¥ 277,145</td>
<td>¥ 366,176</td>
</tr>
<tr>
<td>Net sales:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Net sales to outside customers</td>
<td>¥ 4,995,709</td>
<td>¥ 7,478,364</td>
</tr>
<tr>
<td>(2) Inter-segment net sales</td>
<td>¥ 128,841</td>
<td>¥ 429,168</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 5,124,549</td>
<td>¥ 7,907,532</td>
</tr>
<tr>
<td>Net sales (in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Net sales to outside customers</td>
<td>¥ 481,963</td>
<td>¥ 743,703</td>
</tr>
<tr>
<td>Amounts accounted for by the equity method</td>
<td>¥ 541,819</td>
<td>¥ 747,616</td>
</tr>
<tr>
<td>Inter-segment net sales</td>
<td>¥ 40,363</td>
<td>¥ 65,788</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 582,335</td>
<td>¥ 813,405</td>
</tr>
<tr>
<td>Total adjusted</td>
<td>¥ 582,335</td>
<td>¥ 813,405</td>
</tr>
</tbody>
</table>

#### Independent Auditor's Report

The Board of Directors

Taiheiyo Cement Corporation

We have audited the accompanying consolidated financial statements of Taiheiyo Cement Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as of 31st March, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

The purpose of an audit of the consolidated financial statements is to express an opinion on the effectiveness of the entity's internal controls, but in making those risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiheiyo Cement Corporation and its consolidated subsidiaries as at 31st March, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 5.
DOMESTIC NETWORK
Taiheiyo Cement’s facilities include our head office and Research & Development Center, eight branch offices, and six cement plants.

OVERSEAS NETWORK
Taiheiyo Cement (China) Investment Co., Ltd. 1005 Room, Chong Fu Gong Office Building, 26, Jin Guo Wei Da Ju, Chai Yong District, Beijing, China Tel: +86-10-8501-1815 Fax: +86-10-8501-1870
Taiheiyo Singapore Pte. Ltd. 10 Daily Gray, #01-00 Keppel Long Building, Singapore 088501 Tel: +65-6225-5801 Fax: +65-6225-5801
London Representative Office 40 John Squares, 10 Buckingham Square, The Quay, Bermondsey, London E14 9NR, U.K. Tel: +44-020-7324-9999 Fax: +44-020-7324-9999
Vietnam Representative Office Suite 801, 8th Fl., Sea Royal Building, 12, Tran Phu Street, Hai an District, Hai an City, Vietnam Tel: +84-35-330912 Fax: +84-35-3303021
Bangkok Representative Office 6 Sukhumvit Building, 17th Fl. Sathit, Si Lom Road, Sathit, Bangkok 10310, Thailand Tel: +66-2-2568741 Fax: +66-2-2568742
Taipei Representative Office 1F, 105, Chiang Chou Road, Taipei 103, Taiwan Tel: +886-2-2557-8058 Fax: +886-2-2553-9853
Hong Kong Representative Office 23F, Ten Centre, Tower 1, 227 Queen Road Central, Hong Kong Tel: +852-2542-0987 Fax: +852-2542-0474

MAJOR SUBSIDIARIES AND AFFILIATES
CEMENT AND READY-MIXED CONCRETE
Chichibu Taiheiyo Cement Corporation DC Co., Ltd.
Kiseki Kogyo Co., Ltd.
Myojyo Cement Co., Ltd.
Sanyo White Cement Co., Ltd.
Tsuruga Cement Co., Ltd.
MINERAL RESOURCES
Abekawa Kaihatsu Co., Ltd.
Baku Mining Co., Ltd.
Chichibu Mining Co., Ltd.
Ishikawa Kogyo Co., Ltd.
Ryuji Mining Co., Ltd.
ENVIRONMENT
NACODE Corporation
TOKYO TAMA ECOCEMENT Inc.
CONSTRUCTION AND CONSTRUCTION MATERIALS
A&A Material Corporation
Chichibu Concrete Industry Co., Ltd.
Onoda Chemical Industry Co., Ltd.
Onoda Chemico Co., Ltd.
Taiheiyo Materials Corporation
Taiheiyo Precast Concrete Industry Co., Ltd.
Taiheiyo Soil Corporation
CERAMICS AND ELECTRONICS
Nihon Ceratec Co., Ltd.
TRANSPORTATION
Asama Shipping Co., Ltd.
Chichibu Railway Co., Ltd.
OTHERS
Pacific Systems Corporation
Taiheiyo Accounting & Financial Services Corporation
Taiheiyo Engineering Corporation
Taiheiyo Real Estate Co., Ltd.
OVERSEAS ACTIVITIES
CalPortland Company (USA)
Dakon Onoda Cement Co., Ltd. (CHINA)
Jaegung-Doon Cement Co., Ltd. (KOREA)
Korea Building Enviroment Engineering Co., Ltd. (KOREA)
Koheian Dry (Thailand Co., Ltd.)
Kyo Onoda Cement Co., Ltd. (THAILAND)
Nihon-Do Cement Co., Ltd. (VIETNAM)
PNG-Taiheiyo Cement Limited (PAPUA NEW GUINEA)
Qingdao Onoda Cement Co., Ltd. (CHINA)
Shin Onoda Cement Co., Ltd. (JAPAN)
Shinhung Hinding Onoda Cement Co., Ltd. (CHINA)
Songyoung Cement Industry Co., Ltd. (SOUTH KOREA)
Taiheiyo Cement Philippines, Inc.
Tajheiy (Thailand) Co., Ltd. (THAILAND)
DOMESTIC ACTIVITIES
Taiheiyo Cement’s facilities include our head office and Research & Development Center, eight branch offices, and six cement plants.

CORPORATE DATA
(Taiheiyo Cement Corporation)
Head Office Osaka Garden City Building, 2-3-5 Daba, Minato-Ku, Osaka 585 Japan Established May 1881 Paid-in Capital ¥86,174 million Fiscal Year April 1–March 31
Annual Meeting June
Common Stock Authorized: 1,977,308,000 Shares: 1,237,800,586
Shareholders 89,618
Agent of Record Sumitomo Mitsui Trust Bank, Ltd.
Major Stockholders
Stockholder		
Holdings (thousands shares)
% of shares issued
Japan Trustee Services Bank, Ltd. (Trust Account)
160,470
8.1
The Master Trust Bank of Japan, Ltd. (Trust Account)
79,163
4.4
Mizuho Corporate Bank, Ltd.

7,76
1.9
Mitsubishi UFJ Financial Group, Inc.
46,877
2.5
Sumitomo Mitsui Banking Corporation
23,765
1.4
Nomura Securities Company Limited
13,580
0.8
JUNIPER
7,742
0.5
Mitsui Life Insurance Company Limited
12,097
0.9
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS
12,020
0.9

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