Creating New Strength through Sustainable Growth
Creating New Strength through Sustainable Growth

Corporate Profile

The Taiheiyo Cement Group “aspires to play a leading role in pioneering a sustainable future by ensuring that its business activities reflect not only economic development priorities, but also environmental and social responsibility considerations.” We put this philosophy into practice by strengthening our overall profitability and financial standing, and maximizing the sum total of our corporate value while striving to utilize management resources in an integrated and efficient manner that minimizes costs and risks.

At the same time we are dedicated to protecting the Earth's environment and realizing a recycling-based society by taking advantage of both the unique ability of cement plants to process and recycle large volumes of waste products and byproducts, and the recycling technologies we have developed over time to enable this approach.

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

Financial Highlights

<table>
<thead>
<tr>
<th>CONSOLIDATED</th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>¥ 871,113</td>
<td>¥ 798,588</td>
<td>$ 8,199,484</td>
</tr>
<tr>
<td>Operating Income</td>
<td>65,129</td>
<td>63,235</td>
<td>613,041</td>
</tr>
<tr>
<td>Income before Income Taxes</td>
<td>58,642</td>
<td>52,741</td>
<td>551,978</td>
</tr>
<tr>
<td>Profit Attributable to Owners of Parent</td>
<td>38,525</td>
<td>47,397</td>
<td>362,627</td>
</tr>
<tr>
<td>At year-end:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets</td>
<td>432,326</td>
<td>400,034</td>
<td>4,069,342</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,022,142</td>
<td>1,015,415</td>
<td>9,621,071</td>
</tr>
</tbody>
</table>

Earnings per Share (EPS)*1

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>311.40</td>
<td>383.91</td>
<td>2.93</td>
</tr>
</tbody>
</table>

*1 The Company, with an effective date of October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. EPS (Con.) and Net income per share (Uncon.) are calculated assuming that the said share consolidation had been conducted at the beginning of the fiscal year ended March 2017.

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106.24=US$1, the approximate exchange rate prevailing on the Foreign Exchange Market on March 31, 2018.
For the year:

<table>
<thead>
<tr>
<th></th>
<th>2018 (Yen)</th>
<th>2017 (Yen)</th>
<th>2018 (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥ 321,162</td>
<td>¥ 300,398</td>
<td>$ 3,022,988</td>
</tr>
<tr>
<td>Operating Income</td>
<td>27,863</td>
<td>30,611</td>
<td>262,270</td>
</tr>
<tr>
<td>Income before Income Taxes</td>
<td>29,562</td>
<td>33,187</td>
<td>278,260</td>
</tr>
<tr>
<td>Net Income</td>
<td>23,254</td>
<td>36,970</td>
<td>218,883</td>
</tr>
</tbody>
</table>

At year-end:

<table>
<thead>
<tr>
<th></th>
<th>2018 (Yen)</th>
<th>2017 (Yen)</th>
<th>2018 (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets</td>
<td>274,554</td>
<td>258,428</td>
<td>2,584,288</td>
</tr>
<tr>
<td>Total Assets</td>
<td>575,884</td>
<td>571,613</td>
<td>5,420,597</td>
</tr>
</tbody>
</table>

Net Income per Share*1: 187.41
Dividends per Share*2: 6.00

Note: Net sales ratio are based on our customer business locations, composition by the country or geographic segments.

*1 Dividends per share figures reflect the actual dividend paid before the reverse stock split. Converted to reflect the reverse stock split, dividends per share were 60.00 yen for both the fiscal year ended March 2017 and the fiscal year ended March 2018.

*2 Employees

Sales Composition By Geographic Segment
(As of March 31, 2018/Consolidated)

Note: Net sales ratio are based on our customer business locations, composition by the country or geographic segments.
During FY2018 Japan’s economy continued to undergo a moderate recovery due to factors such as continued improvements in employment and earnings, as well as continued pick-up in capital investment and personal consumption on the back of strong corporate earnings. Meanwhile, attention paid to downside risk is mounting due to a serious shortage of labor and uncertainty in the global economy.

The U.S. economy continued to undergo moderate growth due in part to reduced levels of the unemployment rate and robust consumer spending. China’s economy saw signs of recovery from economic deceleration, supported by various government policies. In Vietnam and the Philippines, the economy has been on an expansionary trend due to the increase in exports and strong personal consumption.

Under these circumstances, in FY2018, the Group’s consolidated net sales increased ¥72,524 million from the previous year to ¥871,113 million. Consolidated operating income was ¥65,129 million, up ¥1,894 million, while consolidated ordinary income was ¥64,366 million, up ¥4,563 million and profit attributable to owners of parent decreased ¥9,071 million to ¥38,525 million.

Looking ahead, the Japanese economy is expected to continue recovering moderately on the back of factors such as robust corporate earnings and the employment environment. Although the global economy also continues to undergo an expansionary trend, uncertainty is growing due to concerns over trade friction following U.S. international trade policies and geopolitical risks.

Turning our attention to the Group’s business environment, in our core domestic cement business demand is expected to recover due to construction related to the Tokyo Olympics and Paralympics in 2020, redevelopment investment in urban areas, and disaster prevention and mitigation measures. Meanwhile, the impact of serious labor shortages and increases in raw material prices are concerns.

Additionally, in the U.S. economy, on the back of factors such as robust corporate earnings and the employment environment, personal consumption and capital investment
will maintain a recovery trend and economic growth is forecast to continue. However, great uncertainty surrounds policy management and trends must be monitored closely.

Under these circumstances the Group has set its future Vision and Direction targeted at the mid-2020s. As the second step, the Group has formulated the 20 Medium-Term Management Plan which covers the three-year period until FY2021, and will establish a solid business foundation for future sustainable growth.

In addition, the Group will seek to recognize and assess its risks and opportunities in terms of ESG (environment, society and governance) to minimize any potential medium-to long-term business uncertainties. We will concurrently maximize the use of both tangible and intangible assets of the Group, including merchandise, technology and know-how, to contribute to solving social issues. Such activity will allow us to put into practice our efforts to create shared value while fulfilling both the creation of social value and expansion of business opportunities. We intend to achieve the Group's sustainable growth and enhance medium- and long-term enterprise value through these activities while contributing to SDGs as a universal set of development goals.

For the fiscal year ending March 2019 we expect consolidated net sales of ¥888,000 million, consolidated operating income of ¥68,000 million, consolidated ordinary income of ¥66,000 million, and profit attributable to owners of parent of ¥42,000 million.

I look forward to your continued understanding and support as we pursue these goals.

Masafumi Fushihara
President and Representative Director
Taiheiyo Cement Corporation has formulated its 20 Medium-Term Management Plan, covering the three years from FY2019 to FY2021, to take the next (second) step toward realizing our future Vision and Direction targeting the mid-2020s.

Future Vision and Direction

Mission of the Taiheiyo Cement Group
Our mission is to contribute to social infrastructure development by providing solutions that are environmentally efficient, enhance our competitive position and bring value to our stakeholders.

Review of the 17 Medium–First Step Toward Realizing Our Future Vision and Direction

<table>
<thead>
<tr>
<th>Plan</th>
<th>Results</th>
</tr>
</thead>
</table>
| 1) Earnings capacity | • Significant decline in domestic cement demand, below expectations. Management targets underperformed.  
- Continue to strengthen our earnings capacity.  
- Executed growth investments as planned. Acquisition of the Oro Grande plant (U.S.) and construction of its new mill Commencement of Biomass Power Generation Business DC Co., Ltd. became a wholly-owned subsidiary |
| 2) Financial structure | • Significantly reduced interest-bearing debt. ($110 billion yen from end of FY2015)  
- Achieved net DER and other financial indicators one year earlier than planned.  
- Improved equity capital ratio.  
- Improved financial structure |
| 3) Shareholders’ Return | • FY2016: dividend of 6 yen/share  
- Increased by 1 yen/share from FY2015.  
- FY2017-2018: maintained dividends of 6 yen/share.  
- FY2018: maintained dividends of 6 yen/share.  
- Determined dividends with consideration reflecting the impact of share consolidation, are 3 yen and 6 yen, respectively. |

Management Targets

- Operating income on sales: 8.4% or more  
- Return on assets (ROA) (ordinary income): 7% or more  
- Net sales and operating income (EBITDA) (times) |

Guidelines (Billions of yen, unless otherwise stated)

- Net sales: 950.0 or more  
- Operating income: 80.0 or more  
- EBITDA*: 125.0 or more |

*EBITDA= Operating income + Depreciation (including goodwill amortization)

Business Environment and Our View of the Future

Recognizing the Group’s business environment, risks and opportunities in terms of ESG

<table>
<thead>
<tr>
<th>Business environment and risks</th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
</table>
| Climate change                | Declining birth rates, an aging population and a labor shortage  
- Deterioration of infrastructure  
- The Tokyo Olympics and Paralympics  
- Large infrastructure projects  
- Restoration and reconstruction in disaster-stricken areas  
- Technological innovations (ICT, IoT, AI, etc.) |
| Resource constraints          | Expansion of production and consumption  
- Rapid urbanization  
- Growing infrastructure improvement  
- Technological innovations (ICT, IoT, AI, etc.) |

Opportunities

- Creation and development of a recycling-oriented society  
- Provision of environmentally friendly products  
- Technical assistance for emerging economies  
- Stable provision of high-quality products  
- Disaster prevention and management projects and restoration of deteriorating infrastructure  
- Provision of solutions  
- Provision of labor-saving products  
- Restoration and reconstruction in disaster-stricken areas  
- Retention and development of capable human resources  
- Stable provision of high-quality products and services and develop advanced technology to establish a sense of safety and security in society.  
- Strengthening of Group governance  
- Enhancement of corporate governance  
- Compliance Risk management |

Economic value

Achieve sustainable growth and enhance medium- and long-term enterprise value by creating shared value while contributing to SDGs.

Social value

Addressing social issues

- Social change
- Business operations (implementation of business strategies)

Economic value

Achieve sustainable growth and enhance medium- and long-term enterprise value.

Creating shared value

Business opportunities

As a member of the social infrastructure industry, all of our businesses are deeply relevant to SDGs.

Cement Supply

As a part of the Waste Treatment Industry

Resource Recycling

Stabilization of industrial and materials, and use of non-materials for cement production.
The following presumptions have been applied for the period covered by the 20 Medium-Term Management Plan.

Estimated domestic cement demand: 42 to 43 million tons

Estimated exchange rate: 110 yen/US$
Cement Business

Sales and Profits Increase with Strong Performance Overseas, Particularly in the U.S.

Domestic cement demand in the public sector was solid in the first half of FY2018 due to the enforcement of the supplementary budget for the previous year, while it was stagnant in the second half due to the effects of unseasonable weather and prolongation in construction duration etc. For the full year, public sector demand was lower than the previous year. Domestic cement demand in the private sector exceeded the previous year due to an increase in capital investment and, as a whole, domestic cement demand increased 0.2% from the previous year to 41.87 million tons, of which imported cement decreased 37.4% from the previous year to 0.17 million tons. Total exports increased 2.4% to 11.80 million tons.

Under these circumstances the Taiheiyo Cement Group’s domestic cement sales by volume, including consignment sales, increased 2.4% from the previous year to 14.72 million tons, whilst exports decreased 2.7% to 4.23 million tons.

As a result of the above, sales in the domestic cement business increased ¥23,452 million from the previous year to ¥408,513 million, and Operating income declined ¥4,020 million to ¥25,505 million due to factors including increased variable costs.

Shipment volume rose, served by our U.S. West Coast cement and ready-mixed concrete businesses where the market prices are generally on a recovery trend. Our cement business in China saw a partial recovery trend in demand and price. Our cement business in Vietnam was affected by competition with other products, among other factors. Our cement business in the Philippines is facing weak market prices, although domestic demand is expanding.

As a result of the above, sales in the Group’s overseas cement business increased ¥29,550 million from the previous year to ¥203,405 million, and Operating income increased ¥5,774 million to ¥15,146 million.

<table>
<thead>
<tr>
<th>Sales</th>
<th>¥ 611,918 million</th>
<th>up ¥53,003 million year-on-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>¥ 40,652 million</td>
<td>up ¥1,753 million year-on-year</td>
</tr>
</tbody>
</table>

Mineral Resources Business

Sales and Profits Increase as Mineral Product Sales Volume Grows

In our aggregates business, although demand related to the Tokyo Olympics and Paralympics began to increase, demand as a whole decreased since the restoration and reconstruction works in the Tohoku region neared completion. In our mineral products business, shipments of limestone to overseas customers in the iron and steel industry were solid. Intake in our surplus construction soil recycling business exceeded levels of the previous year.

<table>
<thead>
<tr>
<th>Sales</th>
<th>¥ 81,483 million</th>
<th>up ¥1,306 million year-on-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>¥ 8,061 million</td>
<td>up ¥302 million year-on-year</td>
</tr>
</tbody>
</table>
Environmental Business

Increased Fixed Costs such as Depreciation and Amortization of Capital Investments Depressed Profits

Waste processing operations, such as for waste plastics, etc., and electric power-related business were strong and, while measures were promoted for disaster waste processing operations associated with the 2016 Kumamoto Earthquakes, depreciation and amortization costs increased due to capital investments. These factors resulted in a decrease in consolidated operating income.

Sales ¥ 90,206 million  up ¥12,305 million year-on-year
Operating Income ¥ 7,463 million  down ¥203 million year-on-year

Construction Materials Business

Reduced Profitability of Ground Improvement Projects Led to Decline in Profits

Consolidated sales was up on increased sales of materials related to civil engineering and construction. However, consolidated operating income decreased due to declining profitability of ground improvement projects.

Sales ¥ 77,033 million  up ¥3,006 million year-on-year
Operating Income ¥ 4,740 million  down ¥1,321 million year-on-year

Other Business

Sales and Profits Increase as Real Estate and Data Processing Post Strong Performance

This segment includes our real estate, engineering, data processing, finance, transport and warehousing, chemical products, sports facility, and other businesses. Our real estate and data processing businesses posted strong performance.

Sales ¥ 79,020 million  up ¥3,689 million year-on-year
Operating Income ¥ 3,926 million  up ¥658 million year-on-year
Fiscal 2019 Business Strategies

Quickly realizing fair prices and strengthening profitability

Domestic Cement Business

Dealing with geographical imbalances in demand is a key issue

The 20 Medium-Term Management Plan anticipates annual domestic cement demand of 42 million tons in an environment in which construction work remains concentrated in central Tokyo. We expect cement demand during FY2019 to track these expectations at 42 million tons thanks to construction related to the Tokyo Olympics and Paralympics as well as an uptick in construction in regional cities, where demand is currently depressed.

Against this backdrop, we have made prompt implementation of fair prices adjustments and strengthened profitability as our basic policies in FY2019. To realize fair prices, we increased current prices by at least ¥1,000 per ton from shipments as of April 1, 2018. We have gained customer understanding for this increase by carefully explaining the impact of rising distribution and maintenance costs due to Japan's labor shortage, as well as the reality of a business environment in which coal prices have been soaring for the past several years.

As the geographic imbalance between regions with demand and those without becomes more striking, and as natural disaster recovery projects account for an increasingly large percentage of total demand, we believe the need to avoid the creation of "blank areas" in the supply of ready-mixed concrete and concrete products will emerge as a key issue. Because the Japanese Industrial Standard (JIS) requires ready-mixed concrete be cast (poured into forms) no later than 90 minutes from the time it was first mixed in order to ensure quality, the product can only be supplied in areas near plants. This requirement explains why there are many ready-mixed concrete plants located throughout the country. As plants become less viable in regions where demand is falling, it becomes more difficult to provide a stable supply of ready-mixed concrete as a finished product in these areas. This trend is a serious problem for us as a cement manufacturer, and we see it as an issue for which the entire cement and concrete industry needs to study potential solutions.

In addition, this imbalance in demand is being accompanied by an increasingly serious shortage of drivers and vehicles. We have been working closely with customers to address this challenge and will continue to work to secure drivers and vehicles in the future.

Strengthening profitability from three perspectives

The 20 Medium-Term Management Plan identifies two key sales priorities for the Domestic Cement Business: (a) strengthening profitability by quickly realizing fair prices and aggressive cost-cutting and (b) contributing to national and other projects by strengthening and expanding our capacity for reliably supplying products.

We described the basic policies we will pursue in FY2019 in order to quickly realize fair prices. To strengthen profitability we will undertake three initiatives: sales measures, ready-mixed concrete policies and concrete product measures.

Sales measures will consist primarily of strengthening construction-related orders and establishing supply structures for cement with special specifications (low-heat cement, moderate-heat cement, blended cement, etc.). In working to strengthen construction-related orders we will focus on gaining useful information about business opportunities from ready-mixed concrete companies and concrete product companies so we can boost the volume of orders from worksites where our added value benefits us. Since specialty cements are part of a category where we can fully leverage our competitive advantages, we will also work to enhance our supply structures in this area of our operations. Other initiatives include planning and reliably implementing sales policies in concert with DC Co., Ltd., a Kawasaki, Kanagawa Prefecture-based wholly owned subsidiary that we acquired in 2016, in order to leverage synergies with that company so that we can fulfill brisk demand in the Tokyo metropolitan area.

Ready-mixed concrete policies consist of strengthening the financial footing of our directly-owned ready-mixed concrete facilities and implementing measures targeting group customers. Ready-mixed concrete companies located throughout Japan have access to regional information and we will maintain and enhance our ability to gather this information, which we consider to be an important part of our operations. In addition, we will enhance our ability to market products to clients and work to earn a larger percentage of orders on large projects. We will also continue to
work closely with ready-mixed concrete industry associations nationwide to popularize concrete paving. Going forward, we have high expectations concerning the industry’s ability to tap the changeover from asphalt to concrete paving as a new source of demand.

Concrete product measures will consist of strengthening our relationships with concrete product companies throughout Japan. Labor shortages at construction sites are driving a trend toward greater use of pre-cast concrete, but the different characteristics of ready-mixed concrete and concrete products require the appropriate use of these based on site conditions. Going forward, we will support development of distinctive and appealing products so that we can continue to contribute to the development of the concrete product and ready-mixed concrete industries, for example by building win-win relationships that combine both product types. We will also work to accommodate the i-Construction initiative. Currently, general contractors are dominant in leading new industry initiatives, but the cement industry will carefully analyze where advantages can be realized for the cement industry and move forward accordingly.

Note: The i-Construction initiative aims to increase the overall productivity of construction production systems by introducing measures such as across-the-board use of information and communications technology (so-called “ICT in earthworks”) at construction sites.

Securing orders from large-scale infrastructure development projects

With regard to the policy of contributing to national projects by strengthening and enhancing our capacity to provide a stable supply, we will work to cut costs by strengthening our overland transport capabilities and carefully identifying optimal distribution cost structures. Specifically, we will study how to implement a return-load transport system, including through partnerships with other industries. We believe this approach will yield the dual benefits of enabling us to secure the means of transport while simultaneously lowering transport costs. In addition, we will pursue initiatives to realize stable supply from both production and distribution perspectives as we prepare for the start of OEM operations for Hitachi Cement Co., Ltd., in April 2019.

Regarding our contributions to national and other projects, orders related to the Tokyo Olympics and Paralympics have slowed but we will continue to work to ensure reliable deliveries until these projects have been completed. Going forward, a number of large infrastructure development projects are coming up, including the Naruse Dam in Akita Prefecture, which will be one of the largest dams in Honshu, the extension of the Hokuriku Shinkansen and Hokkaido Shinkansen lines, and the construction of the Chuo Shinkansen, and we will work together with Group companies to supply products and ready-mixed concrete.

Although construction is currently concentrated in the Tokyo metropolitan area we expect to see a renewed surge of private-sector redevelopment in major cities such as Osaka and Nagoya. We plan to promote our extensive network of shipping facilities, which is one of Taiheiyo’s core strengths, to earn new orders from these projects.

We shipped a record volume of cement-based soil stabilizer in FY2018. Conditions following the Great East Japan Earthquake spurred calls for projects using this product leading to a rapid increase in sales. We expect this growth to continue in the future and will ensure our ability to accommodate growing demand by enhancing our supply and transport structures.

In addition to the above measures we will continue to focus on ensuring safety, reassessing our quality control structures and fostering the development of talented workers.

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

Boosting the profitability at existing businesses during FY2019

Among our core businesses we expect profits to grow in the aggregates business. We have expanded our sand plant to accommodate expected growth in demand for fine aggregate in the Kanto region, and will work with DC Co., Ltd., a subsidiary with a sand business in Chiba Prefecture and surrounding regions, to meet this demand.

Our mineral products business is planning for higher profits due to stable shipments of limestone to the iron and steel industry. Our production of quicklime has reached capacity and we aim to implement price increases going forward. We will focus on maintaining production facilities so that we can continue to realize maximum production and sales volumes. We will also work to expand our silica stone facilities to enable us to put structures in place to bundle sales of silica stone with limestone to customers in the iron and steel industry.

In our geo-solutions business, we expect to increase sales of Denite®, a heavy metal immobilization material from Taiheiyo Cement, as large public works projects such as the Tokyo–Gaikan Expressway finally get underway. We also aim to boost profitability in operations involving surplus construction soil by working closely with subsidiaries DC Co., Ltd., and Mitsui Wharf Co., Ltd., to capture more orders.

In our functional materials business we will work to increase sales by augmenting ChiccaLight®, a high-purity phosphor raw material used in LED production that we have shipped in stable quantities for several years, with a range of new products such as High-Purity Silicon Carbide (SiC) which is attracting attention as a material for use in next-generation power semiconductor applications.

We also plan to establish a local subsidiary in Vietnam to allow our mineral resources business to aggressively pursue sales in overseas markets.

Steadily implementing the business strategy set out in the 20 Medium-Term Management Plan

For the 20 Medium-Term Management Plan we set three priority objectives:

• Establish a robust system for ensuring the stable supply of mineral resources
• Take full advantage of the abundant resources of the Group to boost the profitability of our businesses
• Focus on developing future-oriented businesses as well as creating an overseas resource business

With regard to the first objective to establish a robust system for ensuring the stable supply of mineral resources, we will work to develop quarries over the next three years to ensure a stable supply of products going forward. We will focus not only on limestone, but also on silica stone as we build structures to ensure the Group can leverage its exceptional capabilities in our mineral resource operations to provide a stable supply of products.

Because distribution costs are a significant expense in our aggregates business, we will enhance our supply structures to enable us to supply products from our Garo quarries in Hokkaido to customers in Kanto and locations further north, and products from our Shin-Tsukumi Quarry in Oita to customers in West Japan. In the Kanto region, we will allocate product based on customer wishes by combining marine shipments with supply from inland facilities operated by Buko Mining Co., Ltd., Chichibu Mining Co., Ltd., Kosyu Saiseki Co., Ltd., and Yuko Mining Co., Ltd.

With regard to the second objective to take full advantage of the abundant resources of the Group to boost the profitability of our businesses, we plan to focus on increasing prices and growing market share in our aggregates business as we expand associated production facilities. Because of high distribution costs, the aggregates business has a strong local component. However, increasing volume means operating a wide network of production facilities that requires active investment in order to increase profitability. We believe increasing the number of such facilities we operate will also boost sales in regions that are not currently serviced.

In our mineral products business, we will build supply structures for limestone that optimize the characteristics of the products from individual mines. In addition, in the Horoshi area of our Ofunato Quarry (in Iwate Prefecture), we are able to extract crystalline limestone of sufficiently high quality to supply the paper industry. We will work to increase the profitability of this business while strategically expanding it by augmenting our existing Kawara Quarry (in Fukuoka Prefecture) with new production facilities for crystalline limestone.

In our geo-solutions business, we will work to increase sales of Denite®, a heavy metal immobilization material from Taiheiyo Cement, while collaborating with DC and Mitsui Wharf as described above to increase profitability in operations involving surplus construction soil.

With regard to the third objective of focusing on developing future-oriented businesses as well as creating an overseas resource business, we will work to commercialize High-Purity Silicon Carbide (SiC) and functional hollow particles to advance our functional materials business.

We plan to utilize our new local subsidiary in Vietnam as a base from which to launch a more aggressive globalization program focusing on Southeast Asia.
A year for upfront investments to facilitate future growth

Environmental Business

Establishing technology for the future

We anticipate the following management environment for each of our businesses in the coming financial year.

In our e-materials business the volume of coal ash we handle is trending down due to growth in renewable energy driven by widespread introduction of solar power and restrictions on the operation of coal-fired power plants.

In the previous financial year our materials recycling business completed the processing of waste and debris from disasters, including a series of earthquakes in Kumamoto and heavy rains in northern Kyushu. This year we will strive to increase profitability by boosting sales of biomass fuel to the rapidly growing number of biomass power plants, processing incineration ash from these facilities and processing waste plastic, a service for which we expect demand to grow due to Chinese import restrictions on waste.

In our aqua business, during the previous financial year we worked to selectively consolidate our product range. This year we will work to increase sales of Power House® high-performance filtering media and Ceraclean® water purification material. In May 2018 we obtained the Environmental Technology Verification (ETV) mark from the Ministry of the Environment for our Ceraclean® water purification material. It has been praised for its effectiveness in Southeast Asia, where shrimp cultivation is a booming business, and we expect it to continue to attract growing interest and sales going forward.

In light of these conditions we expect business performance on a par with the previous financial year. We consider this year a time for making future-focused investments, and will move forward with a broad range of R&D and demonstration programs designed to establish new technologies for processing difficult-to-process materials such as lithium-ion batteries and carbon fiber, a field in which we expect growing demand.

Implementing the “Resource Complex” initiative

The 20 Medium-Term Management Plan sets forth a basic policy of “quickly achieving and subsequently maintaining operating income of ¥9 billion” while identifying the need to “maximize the earnings capacity of our businesses while constructing a new business model by developing advanced technology” and to “contribute to creating a new recycling system for unutilized resources”.

In addition to expanding and strengthening the foundation of our recycling business with a focus on conventional cement plants, we will actively pursue new businesses that are not dependent on cement plant operation with the goal of establishing them as major profit-drivers.

While our conventional cement plants accept a wide range of waste products and incorporate them into the cement manufacturing process, in the future we will actively separate and sort valuable resources. Waste products include heavy metals such as copper, zinc and lead, as well as precious metals like gold and silver. We plan to enrich and sort these elements and sell them as raw materials to non-ferrous metal businesses. We have already commercialized this business at Group company Tokyo Tama Ecocement Inc., and are studying its introduction at other plants. As part of this initiative we have set-up a demonstration trial at our Ofunato Plant.

By not only tapping the stream of waste products and byproducts we receive for use as cement raw materials and fuel as we have in the past, but also extracting valuable resources other than cement raw materials and returning them to the market, we will further contribute to resource recycling in Japan. Going forward, we will work with diverse industries, local governments and other partners to expand resource recycling to successfully implement the “Resource Complex” initiative.

We will also actively work on expanding the Environmental Business overseas by focusing on pioneering new business domains, for example by assigning personnel to overseas facilities and establishing local subsidiaries. The Environmental Business Development Department is responsible for procuring biomass fuel for Ofunato Power Inc., which will start operating a biomass-fueled power generation business in 2019, and we will work to expand our fuel procurement operations in step with its operation.
Recognizing that investment is critical to maintaining growth, the International Business Division is planning to expand existing businesses and invest in new businesses in the Pacific Rim. Specific initiatives include boosting cement production capacity and terminal capacity, and our approach is to select the most appropriate investment scheme for each project from a menu of choices that include green field investments, M&A and asset acquisitions, and joint ventures.

The most important consideration as we determine where to invest will be whether proposed projects can achieve synergies with existing businesses. We will also emphasize the relationship with existing business projects when investing in new countries and locations, as we consider the most appropriate timing and location for each investment.

In addition to cement, we are working to increase the volume of bulk materials such as fly ash and slag that we handle. Exports of blended cement to Singapore are growing and we expect to expand exports of this product to other countries in the future. However, we anticipate that the volume available for export of bulk materials from the domestic Japanese market will be insufficient in the future, so we will work with the Environmental Business Development Department and the Mineral Resources Business Division to study the viability of procuring materials such as fly ash and slag from overseas coal-fired power plants and steel mills as a way to establish stable supply structures.

In formulating the 20 Medium-Term Management Plan we emphasized sustainability. Awareness of the importance of this concept is rising, including in emerging nations, and Japanese companies such as Taiheiyo are receiving increasingly high praise for their sustainability initiatives. Japanese products win praise for their high quality, legal compliance, environmental friendliness, and safety; all characteristics that justify their prices. We believe that by building a strong brand image and earning consumer trust we can realize a competitive advantage in our operations, and a stance that makes safety our top priority and values our employees helps build this trust.

Going forward, global human resources development will play an essential role as we develop our businesses overseas. Taiheiyo has adopted a policy of hiring more multilingual employees who speak languages other than Japanese and English and more non-Japanese employees. In the area of human resources development we have begun training engineers by opening a training center in the Philippines, where English is the official language, and we plan to assign those trainees to Group companies and overseas facilities in the future.
Establishing a sustainable business foundation

Construction Materials Business

Securing profits in FY2019 by adapting to changes in the business environment

Although our Construction Materials Business posted rising profits for five years in a row starting in FY2012 and achieved the 17 Medium-Term Management Plan’s operating income target of ¥6.0 billion earlier than anticipated, profits fell significantly during FY2018, the plan’s final year.

While special-procurement projects made a major contribution to the bottom line during FY2016 and FY2017, construction delays caused by various factors, including labor shortages and work-style reforms, had a noticeable impact in FY2018. We believe the declining profitability of ground improvement projects, due in part to lower demand from reconstruction work following the Great East Japan Earthquake and resulting in smaller scale projects, exacerbated these challenges and were a major factor in our earnings decline.

We anticipate substantial orders from projects that will contribute to profits during FY2019, including the start of construction on the Tokyo-Gaikan Expressway following a series of delays that have slowed progress on the project to date. At the same time, I believe it is important to introduce measures that adapt to changes in the scheduling of construction projects in light of ongoing labor shortages, which are expected to become even tighter in the coming year, and work-style reforms. While it has been standard practice in the construction industry to ramp up work during the fourth quarter to complete projects before the end of the fiscal year, I feel we have reached a point where we need to reassess the viability of this approach. This fiscal year we will focus on securing profits in a changing business environment by building flexible management structures in a timely manner.

20 Medium-Term Management Plan: Changing focus from business expansion to operating margins

The 20 Medium-Term Management Plan seeks to address changes in the business environment such as Japan’s labor shortage by focusing on operating margins rather than business expansion during the term of the Plan. We believe this will reinforce the company’s business foundation and lay the groundwork for the next medium-term management plan.

We have adopted two basic priorities:

- Establish a sustainable business foundation capable of adapting to changes in the business environment and strengthen the competitiveness and financial structure of our businesses
- Cultivate a new earnings source in a growth field and maximize synergies with our businesses

Our first initiative is to pursue labor savings across all business activities in order to address Japan’s labor shortage and other changes in the business environment.

We are also planning to reallocate management resources by promoting selection and concentration of existing businesses and products using labor productivity and profitability as yardsticks. The Group includes companies with portfolios that have hundreds of products, some of which are only marginally profitable. We are looking to review these portfolios to concentrate on high-added-value products. At the same time, we will strengthen partnerships within the Group like never before as we work to implement efficient Group management structures as quickly as possible and build cooperative relationships in the distribution field.

In addition, to prepare for the contraction of the domestic market in the future, we will minimize costs, including by reassessing existing business facilities. For instance, we will build collaborative structures with other Group and non-group companies. Under the 17 Medium-Term Management Plan we have built networks of contacts through sales activities in partnership with Group companies. We will continue to expand this initiative with the aim of achieving significant results during the 20 Medium-Term Management Plan.

Initiatives to strengthen the financial structure of Group companies made excellent progress under the 17 Medium-Term Management Plan and we will continue these efforts as some companies still have a less than robust financial base.

To realize our second priority of cultivating a new earnings source in a growth field and maximizing synergies with our businesses, we will strengthen our partnership with the Central Research Laboratory to develop products that meet labor-saving needs and create new opportunities for Group companies to take advantage of pre-cast products, a category we expect to grow in the future. We believe that these and related initiatives will help alleviate the labor shortage at domestic construction sites.

We will also actively advance into overseas markets, particularly in Southeast Asia. As a first step, in September 2017 Onoda Chemico Co., Ltd. established a local subsidiary in Vietnam. Going forward, we will work closely with the International Business Division to determine the needs of each Group company and local needs.

In addition to these initiatives, we will actively invest in safety measures and work to further strengthen our quality control structures. We will also work on strengthening our management structures to enhance governance, including at affiliates of Group companies.

Katsuhide Fukuhara
Director, Managing Executive Officer
Construction Materials Business Department
Board of Directors

Chairman and Director

Shuji Fukuda

President and Representative Director

Masafumi Fushihara

Vice President and Representative Director

Yuuichi Kitabayashi

Director, Senior Executive Officer

Shigeru Matsushima

Directors, Managing Executive Officers

Youichi Funakubo

Keiichi Miura

Masahiro Karino

Kunihiro Ando

Ichiro Egami

Tomoya Sakamoto

Katsuhide Fukuhara

Toshiaki Suzuki

Yoshiko Koizumi

Yuzo Arima

Corporate Auditors (Standing)

Hidehiko Kasamura

Toshihide Nishimura

Corporate Auditors

Yoshio Narukage

Wakako Mitani

Executive Officers

Toru Kanai
Seiich Araki
Yoshiaki Tominaga
Kazu Horikawa
Yoshiyuki Uenoyma
Hideaki Asakura
Tetsuya Ohashi
Yukimasa Nakano
Katsuyoshi Fukagawa
Yoshifumi Taura
Isao Takaki
Takayoshi Okamura
Atsuhiro Koike
The Company, with an effective date of October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. Earnings per Share (EPS) and Net Assets per Share is calculated assuming that the said share consolidation had been conducted at the beginning of the fiscal year ended March 2014.

*The Company, with an effective date of October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. Earnings per Share (EPS) and Net Assets per Share is calculated assuming that the said share consolidation had been conducted at the beginning of the fiscal year ended March 2014.
## Consolidated Balance Sheets
Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

<table>
<thead>
<tr>
<th>Assets</th>
<th>2017 (Millions of yen)</th>
<th>2018 (Millions of yen)</th>
<th>2018 (Thousands of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>¥60,516</td>
<td>¥53,766</td>
<td>$506,084</td>
</tr>
<tr>
<td>Notes and accounts receivable-trade</td>
<td>166,625</td>
<td>182,272</td>
<td>1,715,670</td>
</tr>
<tr>
<td>Electronically recorded monetary claims-operating</td>
<td>5,320</td>
<td>10,989</td>
<td>103,440</td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>31,835</td>
<td>29,193</td>
<td>274,786</td>
</tr>
<tr>
<td>Work in process</td>
<td>1,708</td>
<td>2,383</td>
<td>22,432</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>42,422</td>
<td>41,761</td>
<td>393,089</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>9,098</td>
<td>7,320</td>
<td>68,906</td>
</tr>
<tr>
<td>Short-term loans receivable</td>
<td>3,896</td>
<td>3,464</td>
<td>32,613</td>
</tr>
<tr>
<td>Other</td>
<td>12,595</td>
<td>10,560</td>
<td>99,398</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(1,125)</td>
<td>(1,116)</td>
<td>(10,512)</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>¥332,895</td>
<td>¥340,595</td>
<td>¥3,205,909</td>
</tr>
<tr>
<td><strong>Noncurrent assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building and structures, net</td>
<td>136,454</td>
<td>134,456</td>
<td>1,265,596</td>
</tr>
<tr>
<td>Machinery, equipment, and vehicles, net</td>
<td>135,380</td>
<td>136,603</td>
<td>1,285,796</td>
</tr>
<tr>
<td>Land</td>
<td>160,571</td>
<td>158,057</td>
<td>1,487,740</td>
</tr>
<tr>
<td>Leased assets</td>
<td>22,319</td>
<td>20,998</td>
<td>197,647</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>19,083</td>
<td>32,647</td>
<td>307,300</td>
</tr>
<tr>
<td>Other, net</td>
<td>23,341</td>
<td>22,674</td>
<td>213,430</td>
</tr>
<tr>
<td><strong>Total property, plant and equipment</strong></td>
<td>¥497,151</td>
<td>¥505,438</td>
<td>¥4,757,513</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>3,409</td>
<td>777</td>
<td>7,314</td>
</tr>
<tr>
<td>Other</td>
<td>34,250</td>
<td>32,261</td>
<td>303,661</td>
</tr>
<tr>
<td><strong>Total intangible assets</strong></td>
<td>¥37,660</td>
<td>¥33,038</td>
<td>¥310,976</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>84,781</td>
<td>86,834</td>
<td>817,341</td>
</tr>
<tr>
<td>Long-term loans receivable</td>
<td>3,238</td>
<td>2,941</td>
<td>27,688</td>
</tr>
<tr>
<td>Assets for retirement benefits</td>
<td>17,352</td>
<td>21,298</td>
<td>200,476</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>19,056</td>
<td>12,194</td>
<td>114,782</td>
</tr>
<tr>
<td>Other</td>
<td>31,613</td>
<td>28,341</td>
<td>266,764</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(8,333)</td>
<td>(8,539)</td>
<td>(80,381)</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>¥147,708</td>
<td>¥143,070</td>
<td>¥1,346,672</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>¥682,520</td>
<td>¥681,546</td>
<td>¥6,415,161</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>¥1,015,415</td>
<td>¥1,022,142</td>
<td>¥9,621,071</td>
</tr>
</tbody>
</table>
## Consolidated Balance Sheets

### Liabilities

#### Current liabilities
- Notes and accounts payable-trade
  - 2017: ¥78,441
  - 2018: ¥91,113
  - U.S. dollars: $857,623
- Electronically recorded obligations-operating
  - 2017: 1,234
  - 2018: 4,670
  - U.S. dollars: 43,963
- Short-term loans payable
  - 2017: 134,428
  - 2018: 153,181
  - U.S. dollars: 1,441,841
- Current portion of bonds
  - 2017: 11,120
  - 2018: 15,035
  - U.S. dollars: 141,519
- Income taxes payable
  - 2017: 5,914
  - 2018: 6,416
  - U.S. dollars: 60,393
- Deferred tax liabilities
  - 2017: 4
  - 2018: 3
  - U.S. dollars: 34
- Provision for bonuses
  - 2017: 5,742
  - 2018: 6,021
  - U.S. dollars: 56,676
- Other provision
  - 2017: 410
  - 2018: 121
  - U.S. dollars: 1,142
- Other
  - 2017: 71,613
  - 2018: 83,986
  - U.S. dollars: 790,536

**Total current liabilities**: ¥308,910 (U.S. dollars 3,393,731)

#### Noncurrent liabilities
- Bonds payable
  - 2017: 35,035
  - 2018: 20,000
  - U.S. dollars: 188,253
- Long-term loans payable
  - 2017: 160,346
  - 2018: 100,390
  - U.S. dollars: 944,941
- Deferred tax liabilities
  - 2017: 8,378
  - 2018: 10,051
  - U.S. dollars: 4,895
- Liability for retirement benefits
  - 2017: 24,217
  - 2018: 24,559
  - U.S. dollars: 231,170
- Provision for directors' retirement benefits
  - 2017: 568
  - 2018: 520
  - U.S. dollars: 4,895
- Provision for special repairs
  - 2017: 121
  - 2018: 128
  - U.S. dollars: 1,212
- Other provision
  - 2017: 981
  - 2018: 750
  - U.S. dollars: 7,059
- Lease obligations
  - 2017: 21,285
  - 2018: 18,844
  - U.S. dollars: 177,380
- Asset retirement obligations
  - 2017: 7,520
  - 2018: 7,553
  - U.S. dollars: 71,100
- Other
  - 2017: 48,013
  - 2018: 46,466
  - U.S. dollars: 437,375

**Total noncurrent liabilities**: ¥306,469 (U.S. dollars 2,157,997)

**Total liabilities**: ¥615,380 (U.S. dollars 5,551,728)

### Net assets

#### Shareholders' equity
- Capital stock
  - 2017: 86,174
  - 2018: 86,174
  - U.S. dollars: 811,128
- Capital surplus
  - 2017: 59,548
  - 2018: 60,339
  - U.S. dollars: 567,951
- Retained earnings
  - 2017: 228,914
  - 2018: 260,016
  - U.S. dollars: 2,447,440
- Treasury stock
  - 2017: (10,911)
  - 2018: (10,947)
  - U.S. dollars: (103,044)
- Total shareholders' equity
  - 2017: 363,725
  - 2018: 395,582
  - U.S. dollars: 3,723,475

#### Accumulated other comprehensive income
- Valuation difference on available-for-sale securities
  - 2017: 9,830
  - 2018: 10,941
  - U.S. dollars: 102,985
- Deferred gains or losses on hedges
  - 2017: 48
  - 2018: 1
  - U.S. dollars: 11
- Revaluation reserve for land
  - 2017: 5,065
  - 2018: 5,057
  - U.S. dollars: 47,601
- Foreign currency translation adjustment
  - 2017: (12,862)
  - 2018: (16,201)
  - U.S. dollars: (152,497)
- Retirement benefits liability adjustments
  - 2017: (3,987)
  - 2018: (111)
  - U.S. dollars: (1,052)
- Total accumulated other comprehensive income
  - 2017: (1,906)
  - 2018: (313)
  - U.S. dollars: (2,951)

**Non-controlling interests**: ¥38,215 (U.S. dollars 348,817)

**Total net assets**: ¥400,034 (U.S. dollars 4,069,342)

**Total liabilities and net assets**: ¥1,015,415 (U.S. dollars 9,621,071)
## Consolidated Statements of Income

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Millions of yen)</td>
<td>(Thousands of U.S. dollars)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>¥798,588</td>
<td>¥871,113</td>
<td>¥8,199,484</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>599,924</td>
<td>664,996</td>
<td>6,259,376</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>198,664</td>
<td>206,117</td>
<td>1,940,107</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>135,429</td>
<td>140,987</td>
<td>1,327,066</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>63,235</td>
<td>65,129</td>
<td>613,041</td>
</tr>
<tr>
<td><strong>Non-operating income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends income</td>
<td>1,650</td>
<td>1,969</td>
<td>18,539</td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated subsidiaries and affiliates</td>
<td>2,009</td>
<td>3,196</td>
<td>30,090</td>
</tr>
<tr>
<td>Other</td>
<td>2,228</td>
<td>3,212</td>
<td>30,238</td>
</tr>
<tr>
<td><strong>Total non-operating income</strong></td>
<td>5,888</td>
<td>8,378</td>
<td>78,868</td>
</tr>
<tr>
<td><strong>Non-operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expenses</td>
<td>4,998</td>
<td>4,639</td>
<td>43,673</td>
</tr>
<tr>
<td>Provision of allowance for doubtful accounts</td>
<td>120</td>
<td>1,030</td>
<td>9,696</td>
</tr>
<tr>
<td>Other</td>
<td>4,201</td>
<td>3,471</td>
<td>32,679</td>
</tr>
<tr>
<td><strong>Total non-operating expenses</strong></td>
<td>9,320</td>
<td>9,141</td>
<td>86,049</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>59,802</td>
<td>64,366</td>
<td>605,860</td>
</tr>
<tr>
<td><strong>Extraordinary income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on disposal of non-current assets</td>
<td>648</td>
<td>1,417</td>
<td>13,346</td>
</tr>
<tr>
<td>Gain on sales of investment securities</td>
<td>4,012</td>
<td>92</td>
<td>868</td>
</tr>
<tr>
<td>Gain on bargain purchase</td>
<td>16,874</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>126</td>
<td>106</td>
<td>1,004</td>
</tr>
<tr>
<td><strong>Total extraordinary income</strong></td>
<td>21,661</td>
<td>1,616</td>
<td>15,219</td>
</tr>
<tr>
<td><strong>Extraordinary loss</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on disposal of non-current assets</td>
<td>3,965</td>
<td>4,725</td>
<td>44,479</td>
</tr>
<tr>
<td>Loss on sales of investment securities</td>
<td>24</td>
<td>23</td>
<td>218</td>
</tr>
<tr>
<td>Loss on valuation of investment securities</td>
<td>68</td>
<td>1,356</td>
<td>12,772</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>20,693</td>
<td>577</td>
<td>5,436</td>
</tr>
<tr>
<td>Loss on step acquisitions</td>
<td>3,034</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>936</td>
<td>658</td>
<td>6,194</td>
</tr>
<tr>
<td><strong>Total extraordinary loss</strong></td>
<td>28,723</td>
<td>7,341</td>
<td>69,101</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>52,741</td>
<td>58,642</td>
<td>551,978</td>
</tr>
<tr>
<td><strong>Income taxes-current</strong></td>
<td>8,830</td>
<td>10,200</td>
<td>96,016</td>
</tr>
<tr>
<td><strong>Income taxes-deferred</strong></td>
<td>(3,646)</td>
<td>7,356</td>
<td>69,241</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>47,556</td>
<td>41,085</td>
<td>386,720</td>
</tr>
<tr>
<td>Profit (loss) attributable to non-controlling interests</td>
<td>(40)</td>
<td>2,559</td>
<td>24,092</td>
</tr>
<tr>
<td><strong>Profit attributable to owners of parent</strong></td>
<td>¥47,597</td>
<td>¥38,525</td>
<td>¥362,627</td>
</tr>
</tbody>
</table>

## Consolidated Statements of Comprehensive Income

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Millions of yen)</td>
<td>(Thousands of U.S. dollars)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>¥47,556</td>
<td>¥41,085</td>
<td>¥386,720</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>3,721</td>
<td>811</td>
<td>7,636</td>
</tr>
<tr>
<td>Deferred gains or losses on hedges</td>
<td>18</td>
<td>(7)</td>
<td>(71)</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>(8,851)</td>
<td>(4,620)</td>
<td>(43,489)</td>
</tr>
<tr>
<td>Remeasurements of defined benefit retirement plans, net of tax</td>
<td>7,966</td>
<td>3,994</td>
<td>37,600</td>
</tr>
<tr>
<td>Share of other comprehensive income of associates accounted for using equity method</td>
<td>588</td>
<td>423</td>
<td>3,986</td>
</tr>
<tr>
<td><strong>Total other comprehensive income</strong></td>
<td>3,443</td>
<td>601</td>
<td>5,662</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td>¥51,000</td>
<td>¥41,686</td>
<td>¥392,382</td>
</tr>
<tr>
<td><strong>Comprehensive income attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of parent</td>
<td>¥52,257</td>
<td>¥40,118</td>
<td>¥377,620</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(1,257)</td>
<td>(1,568)</td>
<td>(14,761)</td>
</tr>
</tbody>
</table>
### Consolidated Statements of Changes in Net Assets

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

#### 2017

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
<th>Accumulated other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at pre end of term</strong></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>¥86,174</td>
</tr>
<tr>
<td>Capital surplus</td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
</tr>
<tr>
<td>Treasury stock</td>
<td></td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td></td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td></td>
</tr>
<tr>
<td>Deferred gains or losses on hedges</td>
<td></td>
</tr>
<tr>
<td>Revaluation reserve for land</td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td></td>
</tr>
<tr>
<td>Retirement benefits liability adjustments</td>
<td></td>
</tr>
<tr>
<td>Total accumulated other comprehensive income</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
</tr>
<tr>
<td>Total net assets</td>
<td></td>
</tr>
</tbody>
</table>

#### Changes of items during period

- **Change in treasury shares of parent arising from transactions with non-controlling shareholders**
  - (88) (88) (88)
- **Dividends of surplus**
  - (7,474) (7,474) (7,474)
- **Profit attributable to owners of parent**
  - 47,597 47,597 47,597
- **Purchase of treasury stock**
  - (10,045) (10,045) (10,045)
- **Disposal of treasury stock**
  - 546 482 1,029
- **Change by share exchanges**
  - 8,165 (369) 7,795 7,795
- **Increase by merger of consolidated subsidiary and non-consolidated subsidiary**
  - 59 59

#### Net changes of items other than shareholders’ equity

- **Net changes of items other than shareholders’ equity**
  - 5,074 31 400 (8,688) 7,842 4,660 (571) 4,088

#### Total changes of items during the period

- **Total changes of items during the period**
  - 8,623 40,182 (9,932) 38,873 5,074 31 400 (8,688) 7,842 4,660 (571) 42,961

#### Balance at end of this term

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
<th>Accumulated other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at pre end of term</strong></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>¥86,174</td>
</tr>
<tr>
<td>Capital surplus</td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
</tr>
<tr>
<td>Treasury stock</td>
<td></td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td></td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td></td>
</tr>
<tr>
<td>Deferred gains or losses on hedges</td>
<td></td>
</tr>
<tr>
<td>Revaluation reserve for land</td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td></td>
</tr>
<tr>
<td>Retirement benefits liability adjustments</td>
<td></td>
</tr>
<tr>
<td>Total accumulated other comprehensive income</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
</tr>
<tr>
<td>Total net assets</td>
<td></td>
</tr>
</tbody>
</table>
## Consolidated Statements of Changes in Net Assets
Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

### FINANCIAL SECTION

#### Shareholders’ equity and accumulated other comprehensive income (Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>Capital stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury stock</th>
<th>Total shareowners’ equity</th>
<th>Valuation difference on available-for-sale securities</th>
<th>Deferred gains or losses on hedges</th>
<th>Revaluation reserve for land</th>
<th>Foreign currency translation adjustment</th>
<th>Retirement benefits liability adjustments</th>
<th>Total accumulated other comprehensive income</th>
<th>Non-controlling interests</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at pre end of term</strong></td>
<td>¥86,174</td>
<td>¥59,548</td>
<td>¥228,914</td>
<td>¥(10,911)</td>
<td>¥363,725</td>
<td>¥9,830</td>
<td>¥48</td>
<td>¥5,065</td>
<td>¥(12,862)</td>
<td>¥(3,987)</td>
<td>¥38,215</td>
<td>¥400,034</td>
<td></td>
</tr>
<tr>
<td><strong>Changes of items during period</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in treasury shares of parent arising from transactions with non-controlling shareholders</td>
<td>66</td>
<td>66</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>(7,423)</td>
<td>(7,423)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(7,423)</td>
<td></td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>38,525</td>
<td>38,525</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>38,525</td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(113)</td>
<td>(113)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(113)</td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>724</td>
<td>78</td>
<td>802</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>802</td>
<td></td>
</tr>
<tr>
<td>Change by share exchanges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase by merger of consolidated subsidiary and non-consolidated subsidiary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net changes of items other than shareholders’ equity</td>
<td>1,111</td>
<td>(47)</td>
<td>(8)</td>
<td>(3,338)</td>
<td>3,875</td>
<td>1,592</td>
<td>(1,157)</td>
<td>435</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total changes of items during the period</strong></td>
<td>–</td>
<td>790</td>
<td>31,101</td>
<td>(35)</td>
<td>31,856</td>
<td>1,111</td>
<td>(47)</td>
<td>(8)</td>
<td>(3,338)</td>
<td>3,875</td>
<td>1,592</td>
<td>(1,157)</td>
<td>32,291</td>
</tr>
<tr>
<td><strong>Balance at end of this term</strong></td>
<td>¥86,174</td>
<td>¥60,339</td>
<td>¥260,016</td>
<td>¥(10,947)</td>
<td>¥395,582</td>
<td>¥10,941</td>
<td>¥1</td>
<td>¥5,057</td>
<td>¥(16,201)</td>
<td>¥(111)</td>
<td>¥37,058</td>
<td>¥432,326</td>
<td></td>
</tr>
</tbody>
</table>

#### Shareholders’ equity and accumulated other comprehensive income (Thousands of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>Capital stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury stock</th>
<th>Total shareowners’ equity</th>
<th>Valuation difference on available-for-sale securities</th>
<th>Deferred gains or losses on hedges</th>
<th>Revaluation reserve for land</th>
<th>Foreign currency translation adjustment</th>
<th>Retirement benefits liability adjustments</th>
<th>Total accumulated other comprehensive income</th>
<th>Non-controlling interests</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at pre end of term</strong></td>
<td>$811,128</td>
<td>$560,510</td>
<td>$2,154,690</td>
<td>$(102,707)</td>
<td>$3,423,621</td>
<td>$92,526</td>
<td>$458</td>
<td>$47,677</td>
<td>$(121,073)</td>
<td>$(37,533)</td>
<td>$(17,944)</td>
<td>$359,713</td>
<td>$3,765,389</td>
</tr>
<tr>
<td><strong>Changes of items during period</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in treasury shares of parent arising from transactions with non-controlling shareholders</td>
<td>622</td>
<td>622</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>622</td>
<td></td>
</tr>
<tr>
<td>Dividends of surplus</td>
<td>(69,877)</td>
<td>(69,877)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(69,877)</td>
<td></td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>362,627</td>
<td>362,627</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>362,627</td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(1,072)</td>
<td>(1,072)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1,072)</td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>6,818</td>
<td>735</td>
<td>7,554</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,554</td>
<td></td>
</tr>
<tr>
<td>Change by share exchanges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase by merger of consolidated subsidiary and non-consolidated subsidiary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net changes of items other than shareholders’ equity</td>
<td>10,459</td>
<td>(447)</td>
<td>(76)</td>
<td>(31,423)</td>
<td>36,481</td>
<td>14,993</td>
<td>(10,895)</td>
<td>4,098</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total changes of items during the period</strong></td>
<td>–</td>
<td>7,441</td>
<td>292,750</td>
<td>(336)</td>
<td>299,854</td>
<td>10,459</td>
<td>(447)</td>
<td>(76)</td>
<td>(31,423)</td>
<td>36,481</td>
<td>14,993</td>
<td>(10,895)</td>
<td>303,952</td>
</tr>
<tr>
<td><strong>Balance at end of this term</strong></td>
<td>$811,128</td>
<td>$567,951</td>
<td>$2,447,440</td>
<td>$(103,044)</td>
<td>$3,723,475</td>
<td>$102,985</td>
<td>$11</td>
<td>$47,601</td>
<td>$(152,497)</td>
<td>$(1,052)</td>
<td>$(2,951)</td>
<td>$348,817</td>
<td>$4,069,326</td>
</tr>
</tbody>
</table>
## Consolidated Statements of Cash Flows

Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>2017</th>
<th>2018</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Millions of yen)</td>
<td>(Thousands of U.S. dollars)</td>
<td></td>
</tr>
<tr>
<td>Profit (loss) before income taxes</td>
<td>¥52,741</td>
<td>¥58,642</td>
<td>$551,978</td>
</tr>
<tr>
<td>Depreciation</td>
<td>44,459</td>
<td>44,003</td>
<td>414,191</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>2,518</td>
<td>2,497</td>
<td>23,507</td>
</tr>
<tr>
<td>Share of (profit) loss of entities accounted for using equity method</td>
<td>(2,009)</td>
<td>(3,196)</td>
<td>(30,090)</td>
</tr>
<tr>
<td>Loss (gain) on valuation of investment securities</td>
<td>68</td>
<td>1,356</td>
<td>12,772</td>
</tr>
<tr>
<td>Increase (decrease) in net defined benefit asset and liability</td>
<td>3,648</td>
<td>2,390</td>
<td>22,502</td>
</tr>
<tr>
<td>Increase (decrease) in provision for directors’ retirement benefits</td>
<td>107</td>
<td>(48)</td>
<td>(456)</td>
</tr>
<tr>
<td>Increase (decrease) in provision for bonuses</td>
<td>29</td>
<td>276</td>
<td>2,602</td>
</tr>
<tr>
<td>Increase (decrease) in allowance for doubtful accounts</td>
<td>826</td>
<td>946</td>
<td>8,912</td>
</tr>
<tr>
<td>Increase (decrease) in other provision</td>
<td>(601)</td>
<td>(513)</td>
<td>(4,836)</td>
</tr>
<tr>
<td>Interest and dividends income</td>
<td>(1,650)</td>
<td>(1,969)</td>
<td>(18,539)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>4,998</td>
<td>4,639</td>
<td>43,673</td>
</tr>
<tr>
<td>Loss (gain) on sales of investment securities</td>
<td>(3,988)</td>
<td>(69)</td>
<td>(649)</td>
</tr>
<tr>
<td>Loss (gain) on disposal of non-current assets</td>
<td>3,317</td>
<td>3,307</td>
<td>31,132</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>20,693</td>
<td>577</td>
<td>5,436</td>
</tr>
<tr>
<td>(Increase) Decrease in notes and accounts receivable-trade</td>
<td>(3,236)</td>
<td>(21,864)</td>
<td>(205,800)</td>
</tr>
<tr>
<td>Decrease in inventories</td>
<td>(267)</td>
<td>1,859</td>
<td>17,505</td>
</tr>
<tr>
<td>Decrease in notes and accounts payable-trade</td>
<td>1,200</td>
<td>16,405</td>
<td>154,418</td>
</tr>
<tr>
<td>Loss (gain) on step acquisitions</td>
<td>3,034</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Gain on bargain purchase</td>
<td>(16,874)</td>
<td></td>
<td>92,320</td>
</tr>
<tr>
<td>Other, net</td>
<td>(102)</td>
<td>10,200</td>
<td>96,012</td>
</tr>
<tr>
<td>Subtotal</td>
<td>108,854</td>
<td>119,442</td>
<td>1,124,273</td>
</tr>
<tr>
<td>Interest and dividends income received</td>
<td>2,046</td>
<td>2,678</td>
<td>25,213</td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>(5,006)</td>
<td>(4,630)</td>
<td>(43,582)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(21,460)</td>
<td>(9,808)</td>
<td>(92,320)</td>
</tr>
<tr>
<td>Cash flows from operating activities:</td>
<td>94,433</td>
<td>107,683</td>
<td>1,013,583</td>
</tr>
</tbody>
</table>

## Cash flows from investing activities:

| Decrease (Increase) in time deposits | (4,855) | (492) | (4,635) |
| Purchase of property, plant, and equipment | (48,638) | (52,588) | (495,000) |
| Proceeds from sales of property, plant, and equipment | 4,276 | 2,812 | 26,471 |
| Purchase of other depreciated assets | (1,995) | (108) | (1,023) |
| Proceeds from sales of other depreciated assets | 66 | 0 | 0 |
| Purchase of investment securities | (870) | (121) | (1,139) |
| Proceeds from sales and redemption of investment securities | 41,062 | 1,157 | 10,898 |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | – | 55 | 518 |
| Payments of loans receivable | (3,950) | (2,792) | (26,283) |
| Collection of loans receivable | 3,826 | 3,393 | 31,945 |
| Other, net | 685 | 223 | 2,104 |
| Cash flows from investing activities: | (10,394) | (48,460) | (456,142) |

## Cash flows from financing activities:

| Net increase (decrease) in short-term loans payable | (23,513) | (14,323) | (134,824) |
| Proceeds from long-term loans payable | 15,253 | 16,659 | 156,905 |
| Repayment of long-term loans payable | (51,609) | (41,802) | (393,474) |
| Redemption of bonds | (450) | (11,120) | (104,668) |
| Proceeds from share issuance to non-controlling shareholder | 1,400 | – | – |
| Proceeds from sales of treasury stock | 1,444 | 1,238 | 10,573 |
| Purchase of treasury stock | (10,045) | (102) | (963) |
| Cash dividends paid | (7,474) | (7,423) | (69,877) |
| Cash dividends paid to minority shareholders | (639) | (2,619) | (24,651) |
| Other, net | (5,921) | (6,209) | (58,444) |
| Cash flows from financing activities: | (81,855) | (65,818) | (619,525) |

## Effect of exchange rate change on cash and cash equivalents

- Net increase (decrease) in cash and cash equivalents | 710 | (7,054) | (66,405) |
- Cash and cash equivalents at beginning of period | 50,072 | 51,974 | 489,219 |
- Increase in cash and cash equivalents resulting from share exchanges | 1,108 | – | – |
- Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries | 83 | 57 | 537 |
- Cash and cash equivalents at end the period | ¥51,974 | ¥44,976 | $423,351 |
1. Notes, etc. on Significant Matters Serving as the Basis for Preparation of Consolidated Financial Statements

(1) Matters Concerning Scope of Consolidation

(i) Number of consolidated subsidiaries and name of major consolidated subsidiaries
Number of consolidated subsidiaries: 123
Name of major consolidated subsidiaries:
- Of note, DC Co., Ltd. was made into a wholly-owned subsidiary via share exchange, so DC Co., Ltd. and its four subsidiaries were included in the scope of consolidation. Additionally, Ofunato Power Inc. was newly established, so it was included in the scope of consolidation. Tsuruga Ready Mixed Concrete Industry Co., Ltd. and another subsidiary had completed the liquidation process, so these subsidiaries were excluded from the scope of consolidation.
(ii) Name, etc. of major unconsolidated subsidiaries
Name of major unconsolidated subsidiaries:
- Major unconsolidated subsidiaries are Taiheiyo Singapore Pte. Ltd., Morehead Company, Ltd. and Kawara Seikousho Corporation.
Reason for excluding from the scope of consolidation:
All unconsolidated subsidiaries are small companies, and none of them have a material impact on the consolidated financial statements in terms of the amount of equity interest including total assets, net sales, net income and retained earnings as a whole; accordingly, they were excluded from the scope of consolidation.

(2) Matters Concerning Application of Equity Method

(i) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method and name of major companies, etc.
Number of unconsolidated subsidiaries accounted for by the equity method: 7
Name of major companies, etc.:
- Major unconsolidated subsidiaries accounted for by the equity method are Taiheiyo Singapore Pte. Ltd. and Morehead Company, Ltd.
Number of affiliates accounted for by the equity method: 38
Name of major companies, etc.:
- Kyowa Remicon Co., Ltd. was excluded from the scope of equity method as a result of extinction due to absorption-type merger wherein the Company’s consolidated subsidiary Tohoku Taiheiyo Namacon Co., Ltd. is the surviving company.
(ii) Depreciation method for significant depreciable assets
Name of major companies, etc.:
- Unconsolidated subsidiaries not accounted for by the equity method

(3) Matters Concerning Accounting Policies

(i) Standards and methods for valuation of significant assets
a. Available-for-sale securities
Securities with market value:
Such securities are marked to market by the Company and some consolidated subsidiaries based on the average market price, etc. in the one-month period before the end of the fiscal year. (Valuation differences are all charged/credited directly to net assets, and the cost of selling the securities is determined by the moving-average method.)
b. Securities without market value:
Such securities are stated at cost, based on the moving-average method.
c. Inventories
Inventories are mainly stated at cost, which is determined by the moving average method (subject to write-down due to diminished profitability.)
However, the cost for contract work in process is determined by the specific identification cost method.
Of note, inventories at the consolidated subsidiary in the U.S. are stated at lower of cost or market, based on the gross average method.

(ii) Depreciation method for significant depreciable assets
a. Property, plant and equipment (excluding leased assets)
The declining balance method is adopted by the Company and its domestic consolidated subsidiaries, and the straight-line method by its consolidated overseas subsidiaries. However, the depreciation of buildings (excluding accompanying facilities) purchased on and after April 1, 1998 and accompanying facilities and structures purchased on and after April 1, 2016 is computed based on the straight-line method by the Company and its domestic consolidated subsidiaries.
The range of useful lives of main property, plant and equipment is as follows:
- Buildings and structures: 10 - 75 years
- Machinery, equipment and vehicles: 4 - 15 years
b. Intangible assets (excluding leased assets)
Intangible assets are amortized by the straight-line method. However, software is amortized by the straight-line method over its useful life assuming in-house use (5 years).

c. Leased assets
Leased assets are depreciated by the straight-line method that assumes their lease periods are useful lives and residual values are zero (or if there is a residual value guarantee, the guaranteed residual value).

(iii) Accounting standards for significant provisions
a. Allowance for doubtful accounts
Allowance for doubtful accounts is provided for by the Company and its domestic consolidated subsidiaries at the estimated uncollectible amount, which is calculated based on the historical credit loss ratio with respect to ordinary receivables, and in consideration of collectibility on a case-by-case basis with respect to specified receivables such as doubtful accounts. Consolidated overseas subsidiaries mainly provide for such allowance at the estimated uncollectible amount with respect to specified receivables.

b. Provision for bonuses
To prepare for the payment of bonuses payable to employees, the Company and its domestic consolidated subsidiaries record the estimated payable amount to be borne in the consolidated fiscal year under review.

c. Provision for directors' retirement benefits
Certain consolidated subsidiaries provide for retirement allowances for directors and corporate auditors at the necessary payment amount in full at the year-end based on their internal regulations.

(iv) Accounting standards for revenue recognition of construction
Completed construction volume is recorded under the construction progress method (percentage of completion estimates for construction are via the cost to cost method) for construction for which progress results can be determined with certainty by the end of the fiscal year under review, and for others, the completed construction method is applied.

(v) Standards for translating significant foreign currency assets and liabilities into Japanese yen
Monetary claims and obligations denominated in foreign currencies are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, and translation gains (losses) are recognized in profit (loss). Of note, consolidated overseas subsidiaries' assets and liabilities are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, revenue and expenses are translated into Japanese yen based on the average exchange rate for the fiscal year, and translation gains (losses) are included in "Foreign currency translation adjustment" and "Non-controlling interests" under Net Assets.

(vi) Significant hedge accounting methods
a. Method of hedge accounting
Gains/losses on hedges are deferred. Allocation treatment is applied when the currency swaps meet the conditions for application of such allocation treatment. Exceptional treatment is applied when the interest rate swaps meet the conditions for application of such exceptional treatment.

b. Hedging instruments and hedged items
Hedging instruments:
- Interest rate swaps, currency swaps, raw materials and fuel swaps, interest-rate options, currency options, raw materials and fuel options and forward exchange contracts are employed as hedging instruments.
- Hedged items:
  - Borrowings, bonds payable, fuel, etc.

c. Hedging policy
Hedge accounting policy is to limit hedging to those aimed at hedging against the risk of interest rate, exchange rate, and raw materials and fuel price fluctuations of the hedged items and those aimed at eliminating hedging.

d. Method of evaluating hedge effectiveness
Hedge effectiveness is verified on a transaction-by-transaction basis at the end of each accounting period with respect to hedging instruments and hedged items; however, if the principal, interest rate, period, and other such significant terms of the hedging instruments and hedged items are the same, such verification is omitted.

(vii) Method and period of amortization of goodwill
Goodwill is amortized over the estimated number of years in cases that the number of years can be estimated based on practical judgment starting from the fiscal year of acquisition while the entire amount of goodwill is amortized in the fiscal year of acquisition without analyzing the causes in cases that the amount of goodwill is insignificant.

(viii) Accounting procedures for liability for retirement benefits
To prepare for the payment of retirement benefits to employees, liability for retirement benefits is recorded in the amount of retirement benefit obligation less plan assets based on the projected amount at the end of the consolidated financial year under review.

Actuarial gains and losses and prior service cost are amortized in equal amounts as expenses by the straight-line method over a certain number of years (primarily 10 years) within the average remaining years of service of employees at the time of accrual, commencing in the consolidated fiscal year following the year of accrual for actuarial gains and losses and in the consolidated fiscal year of accrual for prior service cost.

Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded as "Retirement benefits liability adjustments" in "Accumulated other comprehensive income" under Net Assets, after making tax effect adjustments. When the value of plan assets exceed the amount of the retirement benefit obligation, the amount of such excess is recorded in "Assets for retirement benefits".

(ix) Accounting treatment of consumption tax, etc.
Tax exclusion method is applied.
Of note, there were no applicable transactions in consolidated overseas subsidiaries.

(x) Amounts shown in these consolidated financial statements are rounded down to the nearest million yen.
Notes to the Consolidated Financial Statements
Taiheiyo Cement Corporation and Subsidiaries for the year ended 31st March, 2018

(4) United States Dollar Amounts
The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on a basis of ¥106.24 = U.S.$1, the approximate effective rate of exchange prevailing at 31st March, 2018. The inclusion of such U.S. dollar amounts is solely for convenience of the readers and is not intended to imply that yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

(5) Changes in presentation
The Consolidated Balance Sheets
“Electronically recorded monetary claims–operating” (¥5,320 million in the previous consolidated fiscal year), which has been included in “notes and accounts receivable–trade” in the previous consolidated fiscal year, “leased assets” (¥22,319 million in the previous consolidated fiscal year), which has been included in “other” under “property, plant and equipment” in the previous consolidated fiscal year, and “electronically recorded obligations–operating” (¥1,234 million in the previous consolidated fiscal year), which has been included in “notes and accounts payable–trade” in the previous consolidated fiscal year, are separately presented from the consolidated fiscal year under review due to their increased monetary importance.
The Consolidated Statements of Income
“Provision of allowance for doubtful accounts” (¥120 million in the previous consolidated fiscal year), which has been included in “other” under “non-operating expenses” in the previous consolidated fiscal year, is separately presented from the consolidated fiscal year under review due to its increased monetary importance.

(6) Additional information
On December 22, 2017, the Tax Cuts and Jobs Act was enacted in the U.S. and the federal corporate tax rate applied to the consolidated subsidiary in the U.S. was reduced from 35% to 21%. As a result of this tax decrease, deferred tax assets (net of deferred tax liabilities) and foreign currency translation adjustment decreased by ¥1,273 million and ¥9 million, respectively, while income taxes–deferred increased by ¥1,263 million for the consolidated fiscal year under review.

2. Notes to the Consolidated Balance Sheets

(1) Assets Pledged as Collateral and secured liabilities
(i) Secured liabilities
(Millions of yen) (Thousands of U.S. dollars)
Notes and accounts payable–trade ¥4,701 $44,253
Short-term loans payable ¥7,336 $69,057
Notes discounted ¥111 $1,053
Other current liabilities ¥3 $35
Long-term loans payable ¥5,872 $55,277
Other noncurrent liabilities ¥19 $180
Total ¥18,045 $169,856

(2) Accumulated depreciation of property, plant and equipment
(Millions of yen) (Thousands of U.S. dollars)
¥1,141,884 $10,748,162

(3) Guarantee obligations
Guarantees for loans payable from banks, etc.
(Millions of yen) (Thousands of U.S. dollars)
¥1,397 $13,149
Guarantees for account payables to Ready-mixed Cooperative Association, etc.
¥1,824 $17,170

(4) Discounted trade notes receivable
(Millions of yen) (Thousands of U.S. dollars)
¥3,039 $28,608
Trade notes receivable transferred by endorsement ¥1,076 $10,128

(5) Trade notes maturing on the balance sheet date
The settlement of trade notes maturing on the balance sheet date of the consolidated fiscal year under review is accounted for on the date of bank clearance.
As the balance sheet date of the consolidated fiscal year under review was a bank holiday, the following notes maturing on the balance sheet date were included in the balance of the respective items outstanding at the end of the consolidated fiscal year under review:
(Millions of yen) (Thousands of U.S. dollars)
Notes receivable–trade: ¥11,541 $108,638
Notes payable–trade: ¥4,351 $40,961
Notes payable–facilities: ¥210 $1,982

(6) Revaluation of Land
A&A Material Corporation and Chichibu Railway Co., Ltd., the Company’s affiliates accounted for by the equity method, revalued their business-purpose land in accordance with the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998) and the Act on Partial Revision of the Act on Revaluation of Land (revised on March 31, 1999). With respect to the valuation difference, the amount of the Company’s share in the valuation difference is recorded in Net Assets as “Revaluation reserve for land”.

3. Notes to the Consolidated Statements of Changes in Net Assets

(1) Class and total number of outstanding shares as at the end of the consolidated fiscal year under review:
Common stock 127,140,278 shares
(2) Matters concerning dividends

(i) Amount of dividends paid

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Class of shares</th>
<th>Total amount of dividends (millions of yen)</th>
<th>Amount of dividend per share</th>
<th>Record date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary General Meeting of Stockholders held on June 29, 2017</td>
<td>Common stock</td>
<td>3,722 (Note 1)</td>
<td>Y3.00 (Note 3)</td>
<td>March 31, 2017</td>
<td>June 30, 2017</td>
</tr>
<tr>
<td>Meeting of Board of Directors held on November 9, 2017</td>
<td>Common stock</td>
<td>3,722 (Note 2)</td>
<td>Y3.00 (Note 3)</td>
<td>September 30, 2017</td>
<td>December 4, 2017</td>
</tr>
</tbody>
</table>

(Notes) 1. Includes dividends of ¥15 million associated with treasury stock held by consolidated subsidiaries.
2. Includes dividends of ¥6 million associated with treasury stock held by consolidated subsidiaries.
3. With an effective date of October 1, 2017, the Company conducted a reverse stock split for its common stock at a ratio of one for 10. The amounts of dividend per share, with a record date of March 31, 2017, and September 30, 2017, are the amounts before the reverse stock split.

(ii) Dividends whose record date is at the end of the consolidated fiscal year under review whereas its effective date falls in the next consolidated fiscal year

The following matters concerning dividends for common stock are scheduled to be proposed at the Ordinary General Meeting of Stockholders.

- Total amount of dividends: ¥3,722 million
- Amount of dividend per share: ¥30.00
- Record date: March 31, 2018
- Effective date: June 29, 2018

Of note, the source of funding dividend payments is scheduled to be retained earnings.

Total amount of dividends includes dividends of ¥6 million associated with treasury stock held by consolidated subsidiaries.

(iii) Class and number of shares to be issued upon exercise of share options at the end of the consolidated fiscal year under review (excluding those for which the first day of the exercise period has not yet arrived)

Not applicable.

4. Notes on Financial Instruments

(1) Matters concerning Status of Financial Instruments

The Taiheiyo Cement Group limits its fund management activities to short-term deposits, etc., and raises funds principally by bank borrowings and corporate bonds. It performs derivative transactions for the purpose of averting risks due to future exchange-rate, interest-rate, and raw materials and fuel price fluctuations and does not perform speculative transactions.

While notes and accounts receivable-trade and electronically recorded monetary claims-operating, which are operating receivables, are exposed to credit risk in relation to customers, each responsible department periodically identifies the financial position, etc. of the counterparties and manages the due date and outstanding balance with respect to each counterparty, in an effort to identify and reduce collectibility concerns in the early stages. In addition, operating receivables denominated in foreign currencies related to export transactions are exposed to exchange rate fluctuation risks. Investment securities are primarily shares of companies with which the Company has a business relationship, and are exposed to the risk of market price fluctuations.

Notes and accounts payable-trade and electronically recorded obligations-operating, which are operating payables, have payment due dates within one year. For a portion of raw materials and fuel procurement, derivative transactions (raw fuel swap transactions) are used as hedging methods to limit risk in the variation of raw materials and fuel prices. Among borrowings, short-term loans payable are mainly funds raised in connection with business transactions, and long-term loans payable and bonds payable are principally funds raised for the purpose of making capital investments. Some long-term loans payable have financial covenants and may influence liquidity risks regarding fund raising activities. Borrowings with variable interest rates are exposed to interest rate fluctuation risk; however, to avert the risk of fluctuations of interest payable and fix interest expenses for some long-term loans payable, derivatives (interest rate swap transactions) are used as hedging instruments on a contract-by-contract basis. Additionally, borrowings in foreign currencies are exposed to foreign exchange risk, but of these, for a portion of long-term borrowings, derivative transactions (currency swap transactions) are used as a hedging method to avoid foreign currency fluctuation risk.

(2) Matters concerning Market Value, etc. of Financial Instruments

The consolidated balance sheet amount and market value of financial instruments and the difference between the two at March 31, 2018 (i.e., end of the consolidated fiscal year under review) are shown in the following table.

<table>
<thead>
<tr>
<th></th>
<th>Consolidated balance sheet amount (Unit: Millions of yen)</th>
<th>Market value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Cash and deposits</td>
<td>53,766</td>
<td>53,766</td>
<td>-</td>
</tr>
<tr>
<td>(ii) Notes and accounts receivable-trade</td>
<td>182,272</td>
<td>182,272</td>
<td>-</td>
</tr>
<tr>
<td>(iii) Electronically recorded monetary claims-operating</td>
<td>10,989</td>
<td>10,989</td>
<td>-</td>
</tr>
<tr>
<td>(iv) Investment securities</td>
<td>43,696</td>
<td>40,890</td>
<td>(3,005)</td>
</tr>
<tr>
<td>Total assets</td>
<td>290,724</td>
<td>287,719</td>
<td>(3,005)</td>
</tr>
<tr>
<td>(v) Notes and accounts payable-trade</td>
<td>91,113</td>
<td>91,113</td>
<td>-</td>
</tr>
<tr>
<td>(vi) Electronically recorded obligations-operating</td>
<td>4,670</td>
<td>4,670</td>
<td>-</td>
</tr>
<tr>
<td>(vii) Short-term loans payable</td>
<td>77,936</td>
<td>77,936</td>
<td>-</td>
</tr>
<tr>
<td>(viii) Bonds payable</td>
<td>35,129</td>
<td>35,129</td>
<td>-</td>
</tr>
<tr>
<td>(ix) Long-term loans payable</td>
<td>175,636</td>
<td>176,105</td>
<td>468</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>384,954</td>
<td>384,954</td>
<td>563</td>
</tr>
<tr>
<td>(x) Derivative transactions*</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* Net receivables and payables arising from derivative transactions are shown in net amount.

(Notes) 1. Calculation method of market value of financial instruments and matters related to securities and derivative transactions

(i) Cash and deposits, (ii) Notes and accounts receivable-trade and (iii) Electronically recorded monetary claims-operating

Since these items are settled in a short period of time, their market value is more or less the same as carrying value; therefore, the carrying value is adopted.

(iv) Investment securities

The market value of investment securities is based on quoted market prices.
(v) Notes and accounts payable-trade, (vi) Electronically recorded obligations-operating, (vii) Short-term loans payable
   Since these items are settled in a short period of time, their market value is more or less the same as carrying value; therefore, the carrying value is adopted.
(viii) Bonds payable
   The calculation method involves discounting the sum of the principal and interest by an interest rate that takes into account the credit risk.
   The presentation of market value of bonds payable includes the current portion of bonds.
(ix) Long-term loans payable
   The calculation method involves discounting the sum of the principal and interest by the interest rate that would be applied if a similar loan is taken out.
(x) Derivative transactions
   The market value of derivatives is calculated based on prices, etc. presented by financial institutions with which derivative transactions are performed. Of note, those subject to allocation treatment for exchange rate swaps and exceptional treatment for interest rate swaps (see (x) below), and the calculation method involves discounting the sum of the principal, which is an aggregate of the currency swap and interest rate swap, with a reasonably-estimated interest rate that would be applied if a similar loan is taken out.

5. Notes on Real Estate for Rent, etc.

(1) Matters concerning status of real estate for rent, etc.
   The Company and some of its consolidated subsidiaries have plants, warehouses (including land), etc. for lease purposes in Tokyo and other regions.

(2) Matters concerning market value of real estate for rent, etc.
   The market value of major properties as at the end of the consolidated fiscal year under review is the amount based on a real estate appraisal conducted by an outside real estate appraiser, whereas the market value of other properties is a certain appraisal value or the amount calculated in-house based on indicators deemed to properly reflect the market price. However, if there are no significant changes in a certain level of valuation amounts or indices which are believed to accurately reflect market values from the most recent evaluation, amounts utilizing these valuations and indices are applied.

6. Notes on Per Share Information

Net assets per share: ¥3,193.65
Earnings per share: ¥311.40

The Company, with an effective date of October 1, 2017, conducted a reverse stock split for its common stock at a ratio of one for 10. Accordingly, net assets per share and earnings per share are calculated on the assumption that the reverse stock split was conducted at the beginning of the consolidated fiscal year under review.

7. Notes on Significant Subsequent Events

Not applicable.

8. Other Notes

(Notes on Impairment Loss)

The Company’s assets are grouped together based on segments by business type, except for assets for rent, important idle properties and assets scheduled for disposal, which are grouped together by treating individual property as a single unit.

In the case of consolidated subsidiaries, in principle, a business company is deemed as a single asset group, and in the case of important companies, assets are grouped together based on management accounting classifications, etc., except for important assets for rent, idle properties and assets scheduled for disposal, which are grouped together by treating individual property as a single unit.

As a result, the carrying value was reduced to the recoverable amount with respect to assets for rent with reduced profitability due to such factors as the decrease in demand and substantial fall in the market value of land, and idle properties that are not expected to be used in the future as follows, and such reduction in the amount of ¥577 million was recorded as an impairment loss under Extraordinary loss.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Location</th>
<th>Type</th>
<th>Impairment loss*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets for rent</td>
<td>Mito City, Ibaraki Prefecture, etc.</td>
<td>Buildings and structures, land, etc.</td>
<td>355</td>
</tr>
<tr>
<td>Idle properties</td>
<td>Inabe City, Mie Prefecture, etc.</td>
<td>Machinery, equipment and vehicles, land, etc.</td>
<td>221</td>
</tr>
</tbody>
</table>

* Breakdown of Impairment loss by purpose

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets for rent</td>
<td>Buildings and structures: 71, Machinery, equipment and vehicles: 0, Total: 355</td>
</tr>
<tr>
<td>Idle properties</td>
<td>Buildings and structures: 47, Machinery, equipment and vehicles: 59, Other: 5, Total: 221</td>
</tr>
</tbody>
</table>

Recoverable amount is measured at the higher of net selling price or value in use.
If it is measured at net selling price, it is calculated by making reasonable adjustments based on real estate appraisal standards, etc.
If it is measured at value in use, it is calculated by discounting future cash flows by 5%.
## Industry Segments

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

### 2017

<table>
<thead>
<tr>
<th>Segment</th>
<th>Total</th>
<th>Adjustments</th>
<th>Consolidated total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mineral resources</strong></td>
<td>¥646,891</td>
<td></td>
<td>¥798,588</td>
</tr>
<tr>
<td><strong>Environmental business</strong></td>
<td>¥58,559</td>
<td></td>
<td>¥798,588</td>
</tr>
<tr>
<td><strong>Construction materials</strong></td>
<td>¥70,405</td>
<td></td>
<td>¥798,588</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>¥745,796</td>
<td></td>
<td>¥798,588</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>¥69,912</td>
<td></td>
<td>¥798,588</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥815,708</td>
<td></td>
<td>¥798,588</td>
</tr>
<tr>
<td><strong>Segment profit (loss)</strong></td>
<td>¥62,819</td>
<td></td>
<td>¥798,588</td>
</tr>
<tr>
<td><strong>Segment assets</strong></td>
<td>¥622,256</td>
<td></td>
<td>¥798,588</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>¥7,791</td>
<td></td>
<td>¥798,588</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥1,050,074</td>
<td></td>
<td>¥798,588</td>
</tr>
</tbody>
</table>

### 2018

<table>
<thead>
<tr>
<th>Segment</th>
<th>Total</th>
<th>Adjustments</th>
<th>Consolidated total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mineral resources</strong></td>
<td>¥601,598</td>
<td></td>
<td>¥871,113</td>
</tr>
<tr>
<td><strong>Environmental business</strong></td>
<td>¥58,185</td>
<td></td>
<td>¥871,113</td>
</tr>
<tr>
<td><strong>Construction materials</strong></td>
<td>¥82,964</td>
<td></td>
<td>¥871,113</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>¥93,210</td>
<td></td>
<td>¥871,113</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>¥73,210</td>
<td></td>
<td>¥871,113</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥1,025,814</td>
<td></td>
<td>¥871,113</td>
</tr>
<tr>
<td><strong>Segment profit (loss)</strong></td>
<td>¥689,108</td>
<td></td>
<td>¥871,113</td>
</tr>
<tr>
<td><strong>Segment assets</strong></td>
<td>¥636,033</td>
<td></td>
<td>¥871,113</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>¥12,786</td>
<td></td>
<td>¥871,113</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥1,048,836</td>
<td></td>
<td>¥871,113</td>
</tr>
</tbody>
</table>

### Net sales:

1. **Net sales to outside customers**
   - **Cement**: ¥546,891
   - **Mineral resources**: ¥58,559
   - **Environmental business**: ¥70,405
   - **Construction materials**: ¥69,912
   - **Subtotal**: ¥745,796
   - **Other**: ¥62,819
   - **Total**: ¥798,588

2. **Inter-segment net sales**
   - **Cement**: ¥12,023
   - **Mineral resources**: ¥21,617
   - **Environmental business**: ¥7,495
   - **Construction materials**: ¥4,114
   - **Subtotal**: ¥45,250
   - **Total**: ¥50,511

**Total net sales**: ¥815,708

### Segment profit (loss)

- **Cement**: ¥38,898
- **Mineral resources**: ¥7,759
- **Environmental business**: ¥7,666
- **Construction materials**: ¥6,061
- **Subtotal**: ¥63,654
- **Other**: ¥418
- **Total**: ¥63,235

### Segment assets

- **Cement**: ¥643,586
- **Mineral resources**: ¥93,828
- **Environmental business**: ¥18,052
- **Construction materials**: ¥71,788
- **Subtotal**: ¥622,256
- **Other**: ¥2,010
- **Total**: ¥645,266

### Other

- **Depreciation**: ¥29,923
- **Amortization of goodwill**: ¥2,516
- **Equity in earnings of unconsolidated subsidiaries and affiliates**: ¥40
- **Impairment loss**: ¥19,393
- **Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method**: ¥16,101
- **Increase for property, plant, equipment, and intangible assets**: ¥34,841

### 2018

<table>
<thead>
<tr>
<th>Segment</th>
<th>Total</th>
<th>Adjustments</th>
<th>Consolidated total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mineral resources</strong></td>
<td>¥644,989</td>
<td></td>
<td>¥836,033</td>
</tr>
<tr>
<td><strong>Environmental business</strong></td>
<td>¥95,429</td>
<td></td>
<td>¥836,033</td>
</tr>
<tr>
<td><strong>Construction materials</strong></td>
<td>¥20,787</td>
<td></td>
<td>¥836,033</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>¥864,205</td>
<td></td>
<td>¥836,033</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>¥74,826</td>
<td></td>
<td>¥836,033</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥939,031</td>
<td></td>
<td>¥836,033</td>
</tr>
<tr>
<td><strong>Segment profit (loss)</strong></td>
<td>¥60,917</td>
<td></td>
<td>¥836,033</td>
</tr>
<tr>
<td><strong>Segment assets</strong></td>
<td>¥836,033</td>
<td></td>
<td>¥836,033</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>¥13,695</td>
<td></td>
<td>¥836,033</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥950,726</td>
<td></td>
<td>¥836,033</td>
</tr>
</tbody>
</table>

### Net sales:

1. **Net sales to outside customers**
   - **Cement**: ¥601,598
   - **Mineral resources**: ¥58,185
   - **Environmental business**: ¥82,964
   - **Construction materials**: ¥689,108
   - **Subtotal**: ¥933,703
   - **Other**: ¥65,129
   - **Total**: ¥1,008,832

2. **Inter-segment net sales**
   - **Cement**: ¥97,142
   - **Mineral resources**: ¥23,724
   - **Environmental business**: ¥7,495
   - **Construction materials**: ¥4,114
   - **Subtotal**: ¥420,591
   - **Total**: ¥445,726

**Total net sales**: ¥1,050,074

### Segment profit (loss)

- **Cement**: ¥382,643
- **Mineral resources**: ¥75,881
- **Environmental business**: ¥70,247
- **Construction materials**: ¥44,618
- **Subtotal**: ¥573,391
- **Other**: ¥1,005
- **Total**: ¥574,396

### Segment assets

- **Cement**: ¥6,071,064
- **Mineral resources**: ¥898,243
- **Environmental business**: ¥195,663
- **Construction materials**: ¥704,316
- **Subtotal**: ¥8,869,288
- **Other**: ¥1,005
- **Total**: ¥9,871,902

### Other

- **Depreciation**: ¥30,686
- **Amortization of goodwill**: ¥2,495
- **Equity in earnings of unconsolidated subsidiaries and affiliates**: ¥60,917
- **Impairment loss**: ¥1,101
- **Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method**: ¥17,529
- **Increase for property, plant, equipment, and intangible assets**: ¥34,841

### Geographic Segments

<table>
<thead>
<tr>
<th>Geographic Segment</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan</strong></td>
<td>¥546,891</td>
<td>¥601,598</td>
</tr>
<tr>
<td><strong>U.S.A.</strong></td>
<td>¥58,559</td>
<td>¥58,185</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>¥70,405</td>
<td>¥82,964</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥745,796</td>
<td>¥933,703</td>
</tr>
</tbody>
</table>

**Non-current assets**

- **Japan**: ¥352,940
- **U.S.A.**: ¥219,300
- **Other**: ¥68,163
- **Total**: ¥630,403

### [Industry Segments](Millions of yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net sales to outside customers</strong></td>
<td>¥646,891</td>
<td>¥601,598</td>
</tr>
<tr>
<td><strong>Inter-segment net sales</strong></td>
<td>¥12,023</td>
<td>¥97,142</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥658,916</td>
<td>¥698,741</td>
</tr>
</tbody>
</table>

### Segment profit (loss)

- **Cement**: ¥38,898
- **Mineral resources**: ¥7,759
- **Environmental business**: ¥7,666
- **Construction materials**: ¥6,061
- **Subtotal**: ¥63,654
- **Other**: ¥418
- **Total**: ¥63,235

### Segment assets

- **Cement**: ¥643,586
- **Mineral resources**: ¥93,828
- **Environmental business**: ¥18,052
- **Construction materials**: ¥71,788
- **Subtotal**: ¥622,256
- **Other**: ¥2,010
- **Total**: ¥645,266

### Other

- **Depreciation**: ¥29,923
- **Amortization of goodwill**: ¥2,516
- **Equity in earnings of unconsolidated subsidiaries and affiliates**: ¥40
- **Impairment loss**: ¥19,393
- **Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method**: ¥16,101
- **Increase for property, plant, equipment, and intangible assets**: ¥34,841

### Geographic Segments

<table>
<thead>
<tr>
<th>Geographic Segment</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td>¥649,909</td>
<td>¥601,598</td>
</tr>
<tr>
<td><strong>U.S.A.</strong></td>
<td>¥134,197</td>
<td>¥134,197</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>¥87,006</td>
<td>¥87,006</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥871,113</td>
<td>¥871,113</td>
</tr>
</tbody>
</table>

**Non-current assets**

- **Japan**: ¥352,940
- **U.S.A.**: ¥103,779
- **Other**: ¥48,718
- **Total**: ¥505,438
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 U.S.A., Inc.
2025 East Financial Way, Glendora, CA 91741, U.S.A.
Tel: +1-626-852-6200     Fax: +1-626-852-6217

Taiheiyo Cement (China) Investment Co., Ltd.
Room 4008, Chang Fu Gong Office Building, 26, Jian Guo Men Wai Da Jie, Chao Yang District, Beijing, China
Tel: +86-10-8591-1815     Fax: +86-10-8591-1870

Taiheiyo Singapore Pte. Ltd.
16 Raffles Quay, #41-03 Hong Leong Building, Singapore 048581
Tel: +65-6220-9495     Fax: +65-6225-5853

Vietnam Representative Office
Suite 801, 8th Fl., Sun Red River Building, 23 Phan Chu Trinh Street, Hoan Kiem District, Hanoi, Vietnam
Tel: +84-4-3933-0913     Fax: +84-4-3933-0922

Bangkok Representative Office
17th Fl., 5 Sitthivorakit Building, Soi Pipat, Silom Road, Silom, Bangrak, Bangkok 10500, Thailand
Tel: +66-2-266-8741     Fax: +66-2-266-8742

Taipei Representative Office
5th Fl., 139, Cheng-Chou Road, Taipei 103, Taiwan
Tel: +886-2-2557-8098     Fax: +886-2-2553-9853

Hong Kong Representative Office
20th Fl., Tern Centre, Tower 1, 237 Queen’s Road Central, Hong Kong
Tel: +852-2545-9987     Fax: +852-2542-0474

MAJOR SUBSIDIARIES AND AFFILIATES
CEMENT AND READY-MIXED CONCRETE
DC Co., Ltd.
Kokusai Kigyo Co., Ltd.
Myojiyo Cement Co., Ltd.
Tsuruga Cement Co., Ltd.

MINERAL RESOURCES
Abekawa Kaihatsu Co., Ltd.
Buko Mining Co., Ltd.
Chichibu Mining Co., Ltd.
Chichibu Taiheiyo Cement Corporation
Ishizaki Co., Ltd.
Kansai Matech Co., Ltd.
Kansai Taiheiyo Minerals Corporation
Kosyu Saiseki Co., Ltd.
Oita Taiheiyo Mining Corporation
Okutama Kogyo Co., Ltd.
Ryushin Mining Co., Ltd.
Yuko Mining Co., Ltd.

ENVIRONMENT
NACODE Corporation
Tokyo Tama Ecocement Inc.

CONSTRUCTION AND CONSTRUCTION MATERIALS
A&A Material Corporation
Chichibu Concrete Industry Co., Ltd.
Clion Co., Ltd.
Fuji P.S Corporation
Onoda Chemico Co., Ltd.
Taiheiyo Materials Corporation
Taiheiyo Precast Concrete Industry Co., Ltd.

OTHERS
Azuma Shipping Co., Ltd.
Chichibu Railway Co., Ltd.
Onoda Chemical Industry Co., Ltd.
Pacific Systems Corporation
Taiheiyo Accounting & Financial Services Corporation
Taiheiyo Engineering Corporation
Taiheiyo Real Estate Co., Ltd.

OVERSEAS ACTIVITIES
CalPortland Company (USA)
Dalian Onoda Cement Co., Ltd. (CHINA)
Jiangnan-Onoda Cement Co., Ltd. (CHINA)
Kalahari Dry (Thailand) Co., Ltd. (THAILAND)
Nghi Son Cement Corporation (VIETNAM)
PNG-Taiheiyo Cement Limited (PAPUA NEW GUINEA)
Qinhuangdao Asano Cement Co., Ltd. (CHINA)
Shanghai Sanhang Onoda Cement Co., Ltd. (CHINA)
Taiheiyo Cement Philippines, Inc. (PHILIPPINES)
Taiheiyo International (Thailand) Co., Ltd. (THAILAND)
### Corporate Data

**Corporate Profile** (As of March 31, 2018)

<table>
<thead>
<tr>
<th><strong>Company Name</strong></th>
<th>TAIHEIYO CEMENT CORPORATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Head Office</strong></td>
<td>Daiba Garden City Building, 2-3-5 Daiba, Minato-Ku, Tokyo 135-8578 Japan</td>
</tr>
<tr>
<td><strong>Established</strong></td>
<td>May 1881</td>
</tr>
<tr>
<td><strong>Paid-in Capital</strong></td>
<td>¥ 86,174 million</td>
</tr>
<tr>
<td><strong>Fiscal Year</strong></td>
<td>April 1–March 31</td>
</tr>
<tr>
<td><strong>Annual Meeting</strong></td>
<td>June</td>
</tr>
</tbody>
</table>

**Common Stock***

- Authorized: 197,730,800
- Issued: 127,140,278 (including 3,072,988 shares of treasury stock)

*The company, with an effective date of October 1, 2017, changed the number of shares constituting one unit of stock from 1,000 shares to 100 shares, and also conducted a reverse stock split for its common stock at a ratio of one for 10. As a result, the total number of shares authorized to be issued changed from 1,977,308,000 shares to 197,730,800 shares, and the total number of shares outstanding changed from 1,271,402,783 shares to 127,140,278 shares.

**No. of Stockholders** | 55,822

**Agent of Record** | Sumitomo Mitsui Trust Bank, Ltd.

**Major Stockholders**

<table>
<thead>
<tr>
<th>Stockholder</th>
<th>Holding (thousand shares)</th>
<th>Stockholding ratio (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>8,727</td>
<td>7.0</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>7,328</td>
<td>5.9</td>
</tr>
<tr>
<td>NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY</td>
<td>5,122</td>
<td>4.1</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK 385632</td>
<td>2,464</td>
<td>1.9</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY</td>
<td>2,415</td>
<td>1.9</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 5)</td>
<td>2,413</td>
<td>1.9</td>
</tr>
<tr>
<td>Mizuho Bank, Ltd.</td>
<td>2,375</td>
<td>1.9</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT - TREATY 505234</td>
<td>2,311</td>
<td>1.8</td>
</tr>
<tr>
<td>GOVERNMENT OF NORWAY</td>
<td>1,877</td>
<td>1.5</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 1)</td>
<td>1,790</td>
<td>1.4</td>
</tr>
</tbody>
</table>

*The stockholding ratio is calculated by excluding treasury stocks.*