

Taiheiyo Cement Corporation

Reference Materials of Financial Results for the First Half of Fiscal 2013 (From April 1, 2012 through September 30, 2012)

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November 13, 2012

1. Trend in Construction Investments and Domestic Demand of Cement

	Estimate of construction investments (in nominal terms) (100 million yen)	Year-on year change (%)	Domestic Demand (including imports) (Thousand tons)	Year-on year change (%)	Exports (Thousand tons)	Year-on year change (%)
Fiscal 1996	790,169	0.3	80,377	0.8	13,389	-10.7
Fiscal 1997	828,077	4.8	82,417	2.5	12,427	-7.2
Fiscal 1998	751,906	-9.2	76,573	-7.1	11,219	-9.7
Fiscal 1999	714,269	-5.0	70,719	-7.6	7,558	-32.6
Fiscal 2000	685,039	-4.1	71,515	1.1	7,564	0.1
Fiscal 2001	661,948	-3.4	71,435	-0.1	7,477	-1.2
Fiscal 2002	612,875	-7.4	67,811	-5.1	7,863	5.2
Fiscal 2003	568,401	-7.3	63,514	-6.3	8,554	8.8
Fiscal 2004	536,880	-5.5	59,687	-6.0	9,879	15.5
Fiscal 2005	528,246	-1.6	57,569	-3.5	10,373	5.0
Fiscal 2006	515,676	-2.4	59,089	2.6	10,273	-1.0
Fiscal 2007	513,281	-0.5	58,985	-0.2	9,592	-6.6
Fiscal 2008	476,961	-7.1	55,506	-5.9	10,017	4.4
Fiscal 2009	481,517	1.0	50,087	-9.8	10,672	6.5
Fiscal 2010	429,649	-10.8	42,732	-14.7	11,054	3.6
Fiscal 2011	(estimated value) 408,700	-4.9	41,614	-2.6	9,967	-9.8
Fiscal 2012	(estimated value) 419,900	2.7	42,650	2.5	10,006	0.4
Fiscal 2013	(forecasted value) 437,300	4.1	44,500	4.3	10,200	1.9
(For reference)						
First Half of Fiscal 2011			19,820	-5.7		
First Half of Fiscal 2012			20,157	1.7		
First Half of Fiscal 2013			21,342	5.9		

[Sources]

Estimate of construction investments:

for Fiscal 1996 to Fiscal 2012, Ministry of Land, Infrastructure, Transport and Tourism

for Fiscal 2013, Research Institute of Construction and Economy (RICE)

Domestic demand of cement:

for Fiscal 1996 to Fiscal 2012, Japan Cement Association

for Fiscal 2013, forecast by the company

2. Volume of Sales and Shipment Results by Region

Volume of sales of cement by region (excluding imports)

	Fiscal 2011		Fiscal 2012		First Half of Fiscal 2013	
	Volume of sales (Thousand tons)	Year-on-year change (%)	Volume of sales (Thousand tons)	Year-on-year change (%)	Volume of sales (Thousand tons)	Year-on-year change (%)
Hokkaido	2,030	-9.4	1,999	-1.5	1,064	-5.1
Tohoku	2,860	-5.0	3,008	5.2	1,883	44.6
Kanto 1	9,461	-0.5	10,139	7.2	4,973	2.4
Kanto 2	3,848	1.0	3,959	2.9	1,998	7.7
Hokuriku	2,342	0.5	2,232	-4.7	1,157	1.4
Tokai	4,873	-3.8	4,810	-1.3	2,265	-1.2
Kinki	5,561	1.0	5,707	2.6	2,875	8.2
Shikoku	1,633	-1.7	1,638	0.3	828	16.7
Chugoku	2,700	-7.7	2,746	1.7	1,305	1.8
Kyushu	4,969	-3.3	4,928	-0.8	2,293	2.3
Okinawa	763	-2.5	746	-2.3	335	-6.9
Domestic Total	41,040	-2.2	41,912	2.1	20,975	5.8
Exports	9,967	-9.8	10,006	0.4	5,018	-2.7
Total	51,007	-3.8	51,918	1.8	25,993	4.1

Source: Japan Cement Association

Shipment of ready-mixed concrete by region

	Fiscal 2011		Fiscal 2012		First Half of Fiscal 2013	
	Shipment (Thousand cubic meters)	Year-on-year change (%)	Shipment (Thousand cubic meters)	Year-on-year change (%)	Shipment (Thousand cubic meters)	Year-on-year change (%)
Hokkaido	3,227	-7.2	3,563	10.4	1,810	-5.7
Tohoku	5,780	-4.2	6,182	6.9	4,128	53.2
Kanto 1	20,944	4.6	22,207	6.0	10,955	1.1
Kanto 2	6,539	1.5	6,730	2.9	3,456	10.8
Hokuriku	5,279	1.0	4,937	-6.5	2,505	-1.7
Tokai	10,668	-3.0	10,905	2.2	5,081	-2.7
Kinki	11,282	-1.6	11,900	5.5	6,316	13.1
Chugoku	5,508	-5.4	5,549	0.7	2,519	-3.5
Shikoku	3,694	-6.2	3,606	-2.4	1,794	13.8
Kyushu	12,358	-2.0	12,385	0.2	5,521	-1.7
Total	85,278	-0.9	87,964	3.1	44,083	5.7

Source: National Federation of Ready-Mixed Concrete Industrial Associations

Financial Results for the First Half of Fiscal 2013

Consolidated Statements of Income

(Millions of yen)

Item		First Half of Fiscal 2012	First Half of Fiscal 2013	Change		
Ordinary income and loss	Operating income/loss	Net sales	347,203	353,519	6,315	
		Cost of sales	284,106	284,755	649	
		Gross profit	63,097	68,764	5,666	
		Selling, general and administrative expenses	57,333	58,138	805	
		Operating income	5,763	10,625	4,861	
	Non-operating income and expenses	Income	Interest income	231	212	-19
			Dividends income	462	395	-66
			Other	2,199	2,275	76
			Total	2,893	2,883	-9
		Expenses	Interest expenses	4,749	4,646	-102
			Equity in losses of unconsolidated subsidiaries and affiliates	273	2,333	2,059
			Other	2,520	1,961	-558
			Total	7,543	8,941	1,398
			Ordinary income	1,113	4,567	3,453
Extraordinary income and losses			Income	Gain on disposal of non-current assets	586	2,502
	Gain on sales of investment securities	16		27	11	
	Other	272		471	198	
	Total	876		3,001	2,125	
	Losses	Loss on disposal of non-current assets	631	1,682	1,050	
		Loss on valuation of investment securities	165	702	537	
		Loss on disaster	1,465	-	-1,465	
		Other	1,411	519	-891	
		Total	3,674	2,905	-769	
		Income before income tax and minority interests	-1,684	4,663	6,348	
Income taxes total	1,379	4,189	2,809			
Net income before minority interests	-3,063	474	3,538			
Minority interests	319	-64	-384			
Net income	-3,383	539	3,923			

Sales volume of cement (Thousand tons)

	First Half of Fiscal 2012	First Half of Fiscal 2013	Change
Domestic	6,853	7,366	513
Export	1,689	1,692	3

Segment Information

(1) Net sales

(Millions of yen)

		First Half of Fiscal 2012	First Half of Fiscal 2013	Change	Main factors of change	
Cement business	Domestic	173,281	187,083	13,802	Domestic	Domestic cement sales increased +4.3 bil. yen Price difference in domestic cement +0.6 bil. yen Price difference in export volume +0.5 bil. Yen Increased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +8.6 bil. yen
	Overseas subsidiaries	46,060	47,086	1,026	Overseas subsidiaries	U. S. +\$9 million Cement -\$2 million Ready-mixed concrete etc. +\$11 million China -\$9 million; Asia +\$25 million Effect of foreign exchange -1.1 bil. yen
Total		219,342	234,170	14,828		
Mineral Resources business		39,905	40,913	1,008	Increased sales of lightweight laying aggregate for the restoration of Tohoku area and other materials.	
Environmental business		30,760	35,197	4,437	Increased sales from accepting waste from disaster waste	
Construction Materials business		35,370	35,003	-367		
Ceramics & Electronics business		21,412	6,915	-14,496	Decreased sales of business end of SANSHIN HUNGARY	
Other		29,674	31,686	2,011		
Total		376,464	383,887	7,422		
Eliminations or corporate assets		-29,260	-30,367	-1,106		
Consolidated total		347,203	353,519	6,315		

(2) Operating income

		First Half of Fiscal 2012	First Half of Fiscal 2013	Change	Main factors of change	
Cement business	Domestic	5,376	8,141	2,765	Domestic	Domestic cement sales increased +2.6 bil. yen Price difference in domestic cement +0.5 bil. yen Increase in net export revenue +0.3 bil. yen Variable cost etc. reduction +2.3 bil. yen Increased fixed cost -3.2 bil. yen Increased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +0.3 bil. yen
	Overseas subsidiaries	-3,480	-1,933	1,546	Overseas subsidiaries	U. S. +\$23 million China -\$5 million Asia +\$3 million Effect of foreign exchange +0.1 bil. yen
Total		1,895	6,207	4,311		
Mineral Resources business		756	1,613	856	Increased profit of lightweight laying aggregate for the restoration of Tohoku area and other materials.	
Environmental business		3,118	3,147	28		
Construction Materials business		-1,110	-783	326	Improvement in profits due to sales price up of some construction materials.	
Ceramics & Electronics business		-147	-736	-589	Decreased profit in Ceramics business	
Other		1,297	1,283	-13		
Total		5,810	10,731	4,921		
Eliminations or corporate assets		-46	-106	-59		
Consolidated total		5,763	10,625	4,861		

[Reference information]

Foreign exchange rate First Half of Fiscal 2012 average: ¥82.01 per dollar; First Half of Fiscal 2013 average: ¥79.77 per dollar; difference: ¥2.24
Exchange rate at end of Dec. 2011: ¥77.74 per dollar; at end of Jun. 2012: ¥79.31 per dollar; difference: ¥1.57

Consolidated Balance Sheets

(Unit: Millions of yen)

	As of 3/31/12	As of 9/30/12	Change	Main factors of change
Cash and deposits	64,505	59,369	-5,136	
Notes and accounts receivable-trade	167,638	161,666	-5,971	
Merchandise and finished goods	26,155	27,908	1,753	
Work in process	4,773	5,432	659	
Raw materials and supplies	37,145	37,439	294	
Other	36,046	34,325	-1,720	
Allowance for doubtful accounts	-1,766	-1,994	-228	
Total current assets	334,496	324,147	-10,349	
Property, plant and equipment				
Buildings and structures	150,556	148,190	-2,365	
Machinery, equipment and vehicles	106,117	105,279	-837	
Land	151,935	151,427	-508	
Other	53,180	53,795	614	
Property, plant and equipment	461,789	458,692	-3,096	
Intangible assets				
Goodwill	12,343	11,497	-845	
Other	29,617	29,590	-26	
Intangible assets	41,960	41,088	-872	
Investments and other assets				
Investment securities	78,574	74,698	-3,875	
Other	71,141	73,550	2,408	
Allowance for doubtful accounts	-5,730	-5,626	104	
Investments and other assets	143,984	142,622	-1,362	
Total noncurrent assets	647,735	642,403	-5,331	
Total assets	982,231	966,551	-15,680	
Notes and accounts payable-trade	84,300	81,088	-3,212	
Short-term loans payable	251,710	250,149	-1,561	
Commercial papers	30,366	20,391	-9,975	
Current portion of bonds	3,251	6,115	2,864	
Income taxes payable	4,395	4,376	-19	
Provision for directors' bonuses	7	7	-	
Provision for loss on assignment of business	4,191	4,191	-	
Other provision	1,468	1,232	-235	
Other	68,488	68,070	-418	
Total current liabilities	448,180	435,622	-12,557	
Bonds payable	22,143	42,710	20,567	
Long-term loans payable	205,965	183,019	-22,946	
Provision for retirement benefits	24,802	24,772	-30	
Provision for directors' retirement benefits	550	452	-97	
Provision for loss on business of subsidiaries and affiliates	138	138	-	
Provision for special repairs	286	318	31	
Provision for asset removal	2,002	1,898	-103	
Asset retirement obligations (non-current)	7,103	8,028	925	
Other	74,915	74,156	-399	
Total non-current liabilities	337,907	335,854	-2,052	
Total liabilities	786,087	771,477	-14,610	

	As of 3/31/12	As of 9/30/12	Change	Main factors of change
Capital stock	86,174	86,174	-	
Capital surplus	50,636	50,636	-0	
Retained earnings	85,041	83,122	-1,918	
Treasury stock	-916	-922	-5	
Total shareholders' equity	220,935	219,011	-1,924	
Valuation difference on available-for-sale securities	985	-142	-1,128	
Deferred gains or losses on hedges	20	17	-2	
Revaluation reserve for land	4,710	4,637	-73	
Foreign currency translation adjustments	-53,678	-51,301	2,377	
Adjustment for employee retirement benefit of overseas subsidiaries	-3,358	-3,274	84	
Total accumulated other comprehensive income	-51,321	-50,064	1,256	
Minority interests	26,529	26,127	-402	
Total net assets	196,144	195,074	-1,069	
Total liabilities and net assets	982,231	966,551	-15,680	

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	First Half of Fiscal 2012	First Half of Fiscal 2013	Change	Main factors of change
Net cash provided by operating activities	11,992	24,307	12,314	
Income (loss) before income taxes and minority interests	-1,684	4,663	6,348	
Depreciation and amortization	20,227	18,860	-1,367	
Decrease (increase) in notes and accounts receivable-trade	6,262	6,198	-64	
Increase (decrease) in notes and accounts payable-trade	-6,019	-3,621	2,397	
Other	-6,794	-1,793	5,001	
Net cash provided by (used in) investing activities	-7,248	-9,290	-2,042	
Purchase of property, plant, and equipment	-7,974	-13,893	-5,918	
Proceeds from sale of property, plant, and equipment	977	4,116	3,138	
Purchase of investment securities	-320	-310	9	
Proceeds from sales of investment securities	157	178	21	
Other	-89	618	707	
Net cash provided by (used in) in financing activities	6,208	-20,472	-26,680	
Decrease (increase) in interest-bearing liabilities	-23,279	-15,945	7,334	
Proceeds of issuance of common stock	33,350	-	-33,350	
Cash dividend paid	-2,372	-2,457	-85	
Other	-1,490	-2,069	-579	
Effect of exchange rate changes on cash and cash equivalents	-78	125	204	
Net increase (decrease) in cash and cash equivalents	10,872	-5,330	-16,202	
Other	41	-70	-112	
Cash and cash equivalents at beginning of term	61,265	59,785	-1,479	
Cash and cash equivalents at end of term	72,180	54,384	-17,795	

Increase (decrease) in interest-bearing liabilities	As of 3/31/12	As of 9/30/12	Difference
Bonds payable	22,143	42,710	20,567
Current portion of bonds	30,366	20,391	-9,975
Long-term loans payable	205,965	183,019	-22,946
Short-term loans payable	251,710	250,149	-1,561
Total interest-bearing liabilities	510,184	496,269	-13,915

Year-on-year change	As of 3/31/12	As of 9/30/12	Difference
Equity ratio (%)	17.3	17.5	0.2
Equity ratio based on market value (%)	23.0	21.3	-1.7
Equity per share (yen)	138.1	137.5	-0.5
Current ratio (%)	74.6	74.4	-0.2
Net D/E ratio	2.6	2.6	-0.0

Year-on-year change	First Half of Fiscal 2012	First Half of Fiscal 2013	Difference
Net income(loss) per share (yen)	-3.45	0.44	3.89

Forecast of Fiscal 2013

[Preconditions]

- Domestic production: Fiscal 2013 44.50 million tons
- Foreign exchange rate: 79.0 yen/ US dollar (0.8 yen higher than Fiscal 2012)

(Unit: 100 million yen)

		Fiscal 2012 (actual)	Fiscal 2013 (forecast)	Differences
Net sales	Cement business (domestic)	3,672	3,707	34
	Overseas subsidiaries	970	984	14
	Cement business (total)	4,642	4,692	49
	Mineral Resources business	830	851	20
	Environmental business	653	778	124
	Construction Materials business	849	852	3
	Ceramics & Electronics business	273	150	-123
	Other	667	658	-9
	Total	7,917	7,982	65
	Eliminations or corporate assets	-638	-632	6
Consolidated	7,278	7,350	71	
Operating income	Cement business (domestic)	209	297	88
	Overseas subsidiaries	-43	-23	19
	Cement business (total)	165	273	108
	Mineral Resources business	26	30	3
	Environmental business	65	67	2
	Construction Materials business	15	16	1
	Ceramics & Electronics business	-5	-10	-5
	Other	31	27	-3
	Total	299	405	105
	Eliminations or corporate assets	-7	-5	2
Consolidated	291	400	108	
Ordinary income	184	305	120	
Extraordinary income (losses)	-27	-78	-50	
Income before income tax and minority interests	157	227	69	
Net income (loss)	78	100	21	

Sales volume of cement (Thousand tons)

	Fiscal 2012 (actual)	Fiscal 2013 (forecast)	Change
Domestic	14,648	15,344	696
Export	3,277	3,514	237

Main factors of changes in Net sales

[Cement]

Domestic:

Domestic cement sales expected to increase +5.9 bil. yen

Price difference in domestic cement +0.7 bil. yen

Increase in export cement selling volume +0.8 bil. Yen

Increase in export cement selling price +1.1 bil. Yen

Increased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -4.4 bil. yen

Overseas subsidiaries:

U. S. -\$3 million

China -\$25 million

Asia +\$52 million

Other +\$7 million

Effect of foreign exchange -1.0 bil. yen

Main factors of changes in Operating income

[Cement]

Domestic:

Domestic cement sales expected to increase +3.6 bil. yen

Price difference in domestic cement +0.6 bil. Yen

Increase in net export revenue +0.8 bil. yen

Variable cost etc. reduction +6.4 bil. yen

Decreased fixed cost -4.0 bil. yen

Decreased profit from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +0.1 bil. yen

Overseas subsidiaries:

U. S. +\$39 million

China -\$21 million

Asia +\$6 million

[Reference Information]

1. Status of the Consolidated Group

(No. of companies)

	As of 3/31/09	As of 3/31/10	As of 3/31/11	As of 3/31/12	As of 9/30/12
Consolidated subsidiaries	172	167	149	145	143
Equity method subsidiaries	14	16	12	14	14
Equity method affiliates	51	48	40	38	39
Total of companies within the scope of consolidation	237	231	201	197	196
Subsidiaries outside the scope of consolidation	125	117	100	95	95
Affiliates outside the scope of consolidation	87	87	73	72	67
Total of companies outside the scope of consolidation	212	204	173	167	162
Total	449	435	374	364	358

2. Change in Interest-bearing Debt

(100 million yen)

	As of 3/31/09	As of 3/31/10	As of 3/31/11	As of 3/31/12	As of 9/30/12	As of 3/31/13 (forecast)
The Company	3,650	4,064	3,261	2,890	2,796	2,700
Consolidated subsidiaries	2,783	2,726	2,400	2,211	2,166	2,090
Whole group	6,433	6,790	5,661	5,101	4,962	4,790

3. Change in Number of Personnel

(No. of persons)

	As of 3/31/09	As of 3/31/10	As of 3/31/11	As of 3/31/12	As of 9/30/12
The Company	3,306	3,238	2,340	2,289	2,291
Consolidated subsidiaries	15,228	13,671	13,532	12,178	11,965
Whole group	18,534	16,909	15,872	14,467	14,256

4. Change in Capital Investment

(100 million yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	First Half of Fiscal 2013	Fiscal 2013 (forecast)
The Company	196	127	150	166	86	195
Consolidated subsidiaries	404	263	174	191	67	141
Whole group	600	390	324	357	153	336

5. Change in Depreciation Expenses

(100 million yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	First Half of Fiscal 2013	Fiscal 2013 (forecast)
The Company	228	217	180	182	83	178
Consolidated subsidiaries	289	270	251	234	105	210
Whole group	517	487	431	416	188	383

6. Change in Experiment and Research Expenses

(100 million yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	First Half of Fiscal 2013	Fiscal 2013 (forecast)
The Company	40	37	31	29	15	33
Consolidated subsidiaries	10	9	9	7	4	8
Whole group	50	46	40	36	19	41

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

(10 thousand tons)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013 (forecast)
U.S.A.	432	277	255	276	269
Asia	940	943	1,003	1,091	1,133
Other regions	16	13	13	15	14

8. Financial Results of Ssangyong Cement

	Fiscal 2009 actual	Fiscal 2010 actual	Fiscal 2011 actual	Fiscal 2012 actual	First Half of Fiscal 2013
Sales of cement clinker	1,331	1,395	1,436	1,519	10 thousand tons 730
Net sales	11,723	10,836	10,368	11,657	100 million won 6,392
Operating income (loss)	-156	707	438	194	72
Ordinary income (loss)	-1,653	762	293	-388	-300
Net income (loss)	-1,687	742	293	-388	-300
Outstanding balance of loans	As of 12/31/08 11,849	As of 12/31/09 7,580	As of 12/31/10 6,101	As of 12/31/11 8,777	As of 6/30/12 10,126

9. Overview of Businesses in the U.S. (Taiheiy Cement U.S.A., Inc., on a consolidated basis)

(\$ thousands)

	Fiscal 2009 actual	Fiscal 2010 actual	Fiscal 2011 actual	Fiscal 2012 actual	First Half of Fiscal 2013	Fiscal 2013 (forecast)
Net sales	910,241	574,753	493,356	555,188	259,141	555,000
Operating income (loss)	54,013	-82,558	-98,455	-114,893	-43,587	-75,000
Net income (loss)	27,019	-53,876	-31,759	-79,843	-32,213	-59,000