

Summary of Consolidated Financial Results of Taiheiyo Cement Corporation for the First Half of Fiscal 2005 Ended September 30, 2004

November 16, 2004

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

Fiscal 2004 1H: April 1, 2003-September 30, 2003
Fiscal 2004: April 1, 2003-March 31, 2004
Fiscal 2005 1H: April 1, 2004-September 30, 2004
Fiscal 2005: April 1, 2004-March 31, 2005

The accompanying consolidated financial results are not intended to present the financial results in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

1. FY3/05 consolidated interim results (April 1, 2004 – September 30, 2004)

(1) Consolidated results of operations

All yen figures are rounded down to the nearest one million yen.

	Net Sales		Operating income		Ordinary income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
1H FY3/05	413,090	-3.9	16,714	0.0	11,238	11.2
1H FY3/04	429,915	-6.6	16,707	5.8	10,103	149.4
FY3/04	879,484		44,847		35,142	

	Net income		EPS	Diluted EPS
	Millions of Yen	%	Yen	Yen
1H FY3/05	6,255	-2.4	6.72	6.49
1H FY3/04	6,412	-	6.92	—
FY3/04	16,518		17.71	17.46

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of Yen	Millions of Yen	%	Yen
1H FY3/05	1,283,054	225,209	17.6	242.00
1H FY3/04	1,373,412	219,790	16.0	237.19
FY3/04	1,303,997	222,178	17.0	238.73

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at term-end
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
1H FY3/05	17,440	1,070	-17,116	82,064
1H FY3/04	23,228	3,618	-45,143	72,913
FY3/04	55,675	31,585	-96,003	80,534

2. FY3/05 consolidated earnings forecast (April 1, 2004 – March 31, 2005)

	Sales	Ordinary income	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
FY3/05	865,000	36,000	16,000

Reference: FY3/05 EPS forecast: ¥17.19

This forecast is based on the information available at the date of publication of this material and assumptions at the same date with respect to the various factors which might have impact on the future financial results. Actual results may differ materially from this forecast due to various factors.

Consolidated Balance Sheets

(Unit: Millions of Yen)

Item	1H FY3/05 (As of 9/30/04)	FY3/04 (As of 3/31/04)	Change	1H FY3/04 (As of 9/30/03)
Assets				
Current assets	360,978	364,067	-3,089	362,907
Cash and time deposits	87,847	85,851	1,996	78,535
Notes and accounts receivable	171,848	188,360	-16,511	178,532
Inventories	74,572	66,218	8,354	75,714
Deferred income taxes	3,975	2,903	1,071	1,896
Short-term loans	13,375	15,192	-1,816	17,360
Other current assets	11,851	8,185	3,665	13,857
Allowance for doubtful accounts	-2,491	-2,643	151	-2,988
Fixed assets	922,075	939,929	-17,854	1,010,505
A. Tangible fixed assets	645,941	654,826	-8,884	723,859
Buildings and structures	206,137	210,830	-4,692	250,775
Machinery, equipment	169,398	175,314	-5,916	194,080
Land	218,063	222,279	-4,216	226,421
Construction in progress	26,728	20,814	5,913	25,756
Other tangible fixed assets	25,614	25,586	28	26,824
B. Intangible fixed assets	50,254	50,964	-710	53,185
Trade rights	14,425	13,843	582	15,572
Consolidation adjustments	7,498	8,067	-569	7,640
Other intangible fixed assets	28,329	29,053	-723	29,972
C. Investments and other assets	225,880	234,138	-8,258	233,459
Investment securities	152,923	159,375	-6,452	156,153
Long-term loans	9,129	9,581	-452	8,571
Deferred income taxes	15,512	15,732	-220	19,203
Other investments and assets	62,690	65,304	-2,614	67,571
Allowance for doubtful accounts	-14,374	-15,855	1,481	-18,039
Total assets	1,283,054	1,303,997	-20,943	1,373,412

(Unit: Millions of Yen)

Item	1H FY3/05 (As of 9/30/04)	FY3/04 (As of 3/31/04)	Change	1H FY3/04 (As of 9/30/03)
Liabilities				
Current liabilities	540,511	566,375	-25,863	637,560
Notes and accounts payable	102,593	116,286	-13,692	117,046
Short-term borrowings	333,602	350,727	-17,124	366,903
Bonds (due within one year)	31,105	30,570	535	75,677
Income taxes payable	5,431	7,207	-1,776	3,413
Deferred income taxes	56	161	-104	4,426
Bonus reserve	5,999	5,483	515	6,060
Other reserves	567	614	-46	626
Other current liabilities	61,155	55,323	5,832	63,407
Fixed liabilities	486,400	486,335	65	487,880
Bonds	73,490	83,310	-9,820	89,756
Convertible bonds	34,000	12,000	22,000	-
Long-term borrowings	249,293	261,913	-12,619	266,977
Deferred income taxes	26,332	25,211	1,121	23,282
Deferred income taxes from revaluation excess	5,948	5,948	-	5,949
Accrued for retirement benefits	35,032	35,689	-657	35,419
Accrued for retirement benefits to directors and corporate auditors	2,081	3,070	-988	2,751
Special repair reserve	175	104	71	107
Other fixed liabilities	60,045	59,086	958	63,636
Total liabilities	1,026,912	1,052,711	-25,798	1,125,440
Minority interests	30,932	29,107	1,824	28,181
Shareholders' equity				
Capital stock	69,499	69,499	-	69,499
Additional paid in capital	58,607	58,489	118	58,229
Retained earnings	92,702	88,769	3,933	78,663
Revaluation excess	5,121	5,373	-251	7,552
Unrealized gain on other securities	13,962	16,403	-2,440	10,225
Foreign currency translation adjustments	-11,917	-13,312	1,394	-906
Treasury stock	-2,766	-3,043	276	-3,473
Total shareholders' equity	225,209	222,178	3,030	219,790
Total liabilities, minority interests and shareholders' equity	1,283,054	1,303,997	-20,943	1,373,412

Consolidated Statements of Income

(Unit: Millions of Yen)

Item		1H FY3/05 (4/1/04–9/30/04)	1H FY3/04 (4/1/03–9/30/03)	YoY change	FY3/04 (4/1/03–3/31/04)		
Operating income/loss	Sales	413,090	429,915	-16,824	879,484		
	Cost of sales	329,365	343,900	-14,535	688,442		
	Selling, general and administrative expenses	67,010	69,306	-2,296	146,194		
	Income from operation	16,714	16,707	7	44,847		
Non-operating income and expenses	Income	Interest and dividends received	2,331	1,508	822	5,827	
		Equity in earnings of unconsolidated subsidiaries and affiliates	—	—	—	504	
		Other non-operating income	2,086	2,398	-312	6,119	
		Total	4,417	3,907	510	12,451	
	Expenses	Interest expenses	6,182	7,700	-1,517	15,011	
		Equity in losses of unconsolidated subsidiaries and affiliates	1,068	378	689	—	
		Other non-operating expenses	2,642	2,433	209	7,144	
		Total	9,893	10,512	-618	22,155	
Ordinary income		11,238	10,103	1,135	35,142		
Extraordinary gains and losses	Gains	Gain on disposal of fixed assets	7,389	2,443	4,946	17,374	
		Gain on sale of investment securities	7,448	1,758	5,690	3,497	
		Gain on dilution of ownership in affiliated companies	1,039	2,951	-1,912	2,874	
		Other extraordinary gains	96	110	-14	259	
		Total	15,973	7,262	8,710	24,005	
	Losses	Loss on disposal of fixed assets	8,637	2,295	6,342	14,613	
		Provision for allowance for doubtful accounts	175	922	-747	1,304	
		Liquidation of unconsolidated subsidiaries and affiliates	747	1,143	-396	2,006	
		Loss on sale of stock of affiliates	—	471	-471	—	
		Loss on sale of investment securities	258	—	258	551	
		Stock valuation loss	579	471	108	182	
		Special allowance to employees retired under earli retirement scheme	186	1,233	-1,047	2,152	
		Loss on closure od a cement plant	484	—	484	5,603	
		Other extraordinary losses	873	771	102	4,786	
		Total	11,943	7,309	4,633	31,202	
		Net income before income taxes		15,269	10,056	5,213	27,945
		Income taxes		6,676	3,043	3,633	12,190
		Income tax adjustments		1,660	145	1,514	-3,165
Minority interest income		676	455	221	2,401		
Net income		6,255	6,412	-157	16,518		

Consolidated Statements of Retained Earnings

(Unit: Millions of Yen)

Item	1H FY3/05		1H FY3/04		YoY change		FY3/04	
Additional paid in capital								
I Additional paid in capital at beginning of term		58,489		58,229		260		58,229
II Increase in additional paid in capital		118		0		117		260
Gain on disposal of treasury stock	118		0		117		260	
IV Additional paid in capital at end of term		58,607		58,229		378		58,489
Retained earnings								
I Retained earnings at beginning of term		88,769		74,610		14,158		74,610
II Increase in retained earnings		6,298		6,412		-113		16,520
Net income	6,255		6,412		-157		16,518	
Increase resulting from merger of consolidated subsidiaries	41		—		41		—	
Reversal of land revaluation difference	1		0		1		1	
III Decrease in retained earnings		2,365		2,359		5		2,361
Dividends	2,314		2,298		15		2,298	
Bonuses to directors and corporate auditors	50		61		-10		63	
Retains earnings at end of term		92,702		78,663		14,039		88,769

Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

Item	Term	1H FY3/05 (4/1/04 – 9/30/04)	1H FY3/04 (4/1/03 – 9/30/03)	YoY change	FY3/04 (4/1/03 – 3/31/04)
I Cash flows from operating activities					
Net income before income taxes		15,269	10,056	5,213	27,945
Depreciation and amortization		19,747	23,048	-3,301	45,228
Amortization of difference between equity in net assets of consolidated subsidiaries and affiliates		582	581	0	943
Equity in gains of unconsolidated subsidiaries and affiliates		—	—	—	-504
Equity in losses of unconsolidated subsidiaries and affiliates		1,068	378	689	—
Stock valuation loss		579	471	108	182
Increase/decrease in accrued retirement benefits		-745	-745	0	172
Increase/decrease in accrued retirement benefits to directors and corporate auditors		-988	37	-1,026	356
Increase/decrease in bonus reserve		519	20	498	-479
Increase/decrease in allowance for doubtful accounts		-1,623	414	-2,037	-2,104
Increase in other reserves		41	43	-2	29
Interest and dividends received		-2,331	-1,508	-822	-5,827
Interest expenses		6,182	7,700	-1,517	15,011
Gain on sale of investment in securities		-7,448	-1,758	-5,690	-3,497
Loss on sale of stock of affiliates		—	471	-471	—
Loss on sale of investment securities		258	—	258	551
Gain on dilution of ownership in affiliated companies		-1,039	—	-1,039	-2,874
Liquidation of unconsolidated subsidiaries and affiliates		747	1,143	-396	2,006
Gain on disposal of fixed assets		-7,389	-2,443	-4,946	-17,374
Loss on disposal of fixed assets		8,637	2,295	6,342	18,653
Increase/decrease in notes and accounts receivable		14,024	4,887	9,137	-6,037
Increase/decrease in inventories		-6,480	-6,994	514	1,884
Decrease in notes and accounts payable		-13,095	-1,634	-11,460	-611
Payment of bonuses to directors and corporate auditors		-60	-77	16	-79
Other		1,690	-2,933	4,624	3,226
Subtotal		28,146	33,455	-5,308	76,803
Interest and dividends received		3,725	992	2,732	2,648
Interest paid		-6,591	-8,409	1,817	-16,483
Income taxes paid		-7,839	-2,809	-5,030	-7,292
Net cash provided by operating activities		17,440	23,228	-5,788	55,675

Item	Term	1H FY3/05 (4/1/04 – 9/30/04)	1H FY3/04 (4/1/03 – 9/30/03)	YoY change	FY3/04 (4/1/03 – 3/31/04)
II	Cash flows from investing activities				
	Payments for deposit in/proceeds from withdrawal from time deposits	-458	-126	-331	56
	Purchase of property, plant and equipment	-16,458	-15,888	-570	-32,110
	Proceeds from sale of fixed assets	4,991	4,367	623	46,707
	Payments for purchase of other depreciable assets	-16	-264	247	-193
	Proceeds from sale of other depreciable assets	108	1	106	48
	Payments for purchase of investment securities	-944	-1,725	780	-1,582
	Proceeds from sale of investment securities	10,072	6,835	3,236	10,437
	Proceeds from sale of subsidiaries stock resulting in changes in the scope of consolidation	—	—	—	-194
	Long-term loans made	-2,273	-10,221	7,948	-22,953
	Collections of long-term loans receivable	3,569	15,143	-11,574	26,731
	Other	2,479	5,495	-3,015	4,637
	Net cash provided by/used in investing activities	1,070	3,618	-2,547	31,585
III	Cash flows from financing activities				
	Net decrease in short-term borrowings	-13,868	-5,214	-8,653	-21,240
	Net decrease in commercial paper	—	-8,000	8,000	-8,000
	Proceeds from long-term borrowings	17,651	10,430	7,221	56,258
	Repayment of long-term borrowings	-32,786	-34,460	1,674	-77,526
	Proceeds from issuance of bonds	22,800	15,500	7,300	27,600
	Redemption of bonds	-10,085	-20,942	10,857	-72,561
	Issue of shares	1,446	—	1,446	1,096
	Disposal of treasury stock	387	107	279	1,048
	Repayment of treasury stocks	-64	-47	-16	-83
	Cash dividend payments by parent company	-2,314	-2,298	-16	-2,298
	Cash dividend payments to minority shareholders	-284	-218	-65	-296
	Net cash used in financing activities	-17,116	-45,143	28,026	-96,003
IV	Effect of exchange rate changes on cash and cash equivalents	238	11	226	-1,883
V	Increase/decrease in cash and cash equivalents	1,633	-18,284	19,917	-10,626
VI	Cash and cash equivalents at beginning of term	80,534	91,234	-10,700	91,234
VII	Cash and cash equivalents at beginning of term resulting from change in scope of consolidation	-177	-36	-141	-89
VIII	Increase in cash and cash equivalents at beginning of term resulting from merger of consolidated subsidiaries	74	—	74	15
IX	Cash and cash equivalents at end of term	82,064	72,913	9,150	80,534

Segment Information

Segment information

(Unit: Millions of Yen)

	1H FY3/05 (4/1/04 – 9/30/04)								Eliminations and corporate	Consolidated total
	Cement	Minerals and aggregates	Environmental Business	Construction and construction materials	Ceramics & Electronics	Other	Total			
Sales and operating income										
Sales										
(1) Sales to outside customers	242,809	36,244	24,246	41,937	33,597	34,255	413,090	(—)	413,090	
(2) Intersegment sales and transfers	6,254	9,549	2,477	3,126	14	17,169	38,592	(38,592)	—	
Total	249,063	45,794	26,723	45,064	33,611	51,425	451,683	(38,592)	413,090	
Operating expenses	236,689	44,842	25,030	46,148	32,525	48,831	434,067	(37,691)	396,376	
Operating income	12,373	952	1,693	-1,083	1,086	2,594	17,616	(901)	16,714	

Overseas sales

(Unit: Millions of Yen)

		1H FY3/05 (4/1/04 – 9/30/04)			
		North America	Asia	Other	Total
I	Overseas sales	37,371	38,847	7,039	83,258
II	Consolidated sales	—	—	—	413,090
III	Ratio of overseas sales to consolidated sales	9.0%	9.4%	1.7%	20.2%