

Summary of Consolidated Financial Results of Taiheiyo Cement Corporation for the First Half of Fiscal 2006 Ended September 30, 2005

November 15, 2005

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

Fiscal 2005 1H: April 1, 2004-September 30, 2004
Fiscal 2005: April 1, 2004-March 31, 2005
Fiscal 2006 1H: April 1, 2005-September 30, 2005
Fiscal 2006: April 1, 2005-March 31, 2006

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. FY3/06 consolidated interim results (April 1, 2005 – September 30, 2005)

(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 FY3/06	427,652	3.5	24,578	47.0	17,581	56.4
1H FY3/05	413,090	-3.9	16,714	0.0	11,238	11.2
FY3/05	872,686		48,185		38,264	

	Net income		EPS	Diluted EPS
	Millions of Yen	%	Yen	Yen
1H FY3/06	-12,883	-	-13.77	-
1H FY3/05	6,255	-2.4	6.72	6.49
FY3/05	14,412		15.33	14.80

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of Yen	Millions of Yen	%	Yen
1H FY3/06	1,233,163	233,383	18.9	249.16
1H FY3/05	1,283,054	225,209	17.6	242.00
FY3/05	1,247,532	236,734	19.0	253.26

(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 FY3/06	30,857	-23,277	-8,499	67,261
1H FY3/05	17,440	1,070	-17,116	82,064
FY3/05	54,299	3,010	-69,843	67,473

2. FY3/06 consolidated earnings forecast (April 1, 2005 – March 31, 2006)

	Sales	Ordinary income	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
FY3/06	880,000	47,000	5,000

Reference: FY3/06 EPS forecast: ¥ -1.06

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 FY3/06 (As of 9/30/05)	FY3/05 (As of 3/31/05)	Change	1H FY3/05 (As of 9/30/04)
Assets				
Current assets	369,920	366,243	3,677	360,978
Cash and time deposits	72,743	73,364	-621	87,847
Notes and accounts receivable	182,953	190,071	-7,118	171,848
Inventories	78,540	67,811	10,729	74,572
Deferred income taxes	3,670	3,592	77	3,975
Short-term loans	15,770	16,898	-1,127	13,375
Other current assets	19,164	17,094	2,070	11,851
Allowance for doubtful accounts	-2,921	-2,589	-331	-2,491
Fixed assets	863,242	881,289	-18,046	922,075
A. Tangible fixed assets	579,935	608,111	-28,175	645,941
Buildings and structures	195,955	201,052	-5,096	206,137
Machinery, equipment	166,376	165,920	456	169,398
Land	180,627	202,639	-22,012	218,063
Construction in progress	12,830	13,207	-377	26,728
Other tangible fixed assets	24,145	25,292	-1,146	25,614
B. Intangible fixed assets	47,325	47,060	264	50,254
Trade rights	13,504	13,016	488	14,425
Consolidation adjustments	6,411	6,955	-544	7,498
Other intangible fixed assets	27,409	27,088	321	28,329
C. Investments and other assets	235,982	226,117	9,864	225,880
Investment securities	167,109	158,715	8,393	152,923
Long-term loans	7,260	8,728	-1,468	9,129
Deferred income taxes	16,487	15,424	1,063	15,512
Other investments and assets	60,119	59,795	323	62,690
Allowance for doubtful accounts	-14,994	-16,547	1,552	-14,374
Total assets	1,233,163	1,247,532	-14,369	1,283,054

(Unit: Millions of Yen)

Item	1H FY3/06 (As of 9/30/05)	FY3/05 (As of 3/31/05)	Change	1H FY3/05 (As of 9/30/04)
Liabilities				
Current liabilities	579,950	547,404	32,545	540,511
Notes and accounts payable	105,761	117,476	-11,714	102,593
Short-term borrowings	353,152	332,310	20,841	333,602
Bonds (due within one year)	35,654	20,890	14,764	31,105
Income taxes payable	6,754	3,948	2,806	5,431
Deferred income taxes	47	69	-21	56
Bonus reserve	5,958	5,871	87	5,999
Other reserves	892	628	264	567
Other current liabilities	71,727	66,210	5,517	61,155
Fixed liabilities	387,366	433,525	-46,158	486,400
Bonds	68,281	63,490	4,791	73,490
Convertible bonds	34,000	34,000	-	34,000
Long-term borrowings	172,427	215,266	-42,839	249,293
Deferred income taxes	17,922	28,182	-10,260	26,332
Deferred income taxes from revaluation excess	5,893	5,937	-44	5,948
Accrued for retirement benefits	32,332	33,622	-1,289	35,032
Accrued for retirement benefits to directors and corporate auditors	2,080	2,304	-223	2,081
Special repair reserve	142	141	1	175
Other fixed liabilities	54,287	50,580	3,707	60,045
Total liabilities	967,317	980,929	-13,612	1,026,912
Minority interests	32,462	29,867	2,594	30,932
Shareholders' equity				
Capital stock	69,499	69,499	-	69,499
Additional paid in capital	58,892	58,605	287	58,607
Retained earnings	86,137	101,337	-15,199	92,702
Revaluation excess	4,788	4,855	-67	5,121
Unrealized gain on other securities	23,583	19,885	3,697	13,962
Foreign currency translation adjustments	-7,963	-13,312	6,761	-11,917
Treasury stock	-1,554	-2,723	1,169	-2,766
Total shareholders' equity	233,383	236,734	-3,351	225,209
Total liabilities, minority interests and shareholders' equity	1,233,163	1,247,532	-14,369	1,283,054

Consolidated Statements of Income

(Unit: Millions of Yen)

Item		1H FY3/06 (4/1/05–9/30/05)	1H FY3/05 (4/1/04–9/30/04)	YoY change	FY3/05 (4/1/04–3/31/05)	
Operating income/loss	Sales	427,652	413,090	14,561	872,686	
	Cost of sales	336,802	329,365	7,437	682,891	
	Selling, general and administrative expenses	66,271	67,010	-738	141,610	
	Income from operation	24,578	16,714	7,863	48,185	
Non-operating income and expenses	Income	Interest and dividends received	2,024	2,331	-306	5,346
		Equity in earnings of unconsolidated subsidiaries and affiliates	—	—	—	847
		Other non-operating income	2,306	2,086	220	4,141
		Total	4,331	4,417	-86	10,334
	Expenses	Interest expenses	5,648	6,182	-534	12,627
		Equity in losses of unconsolidated subsidiaries and affiliates	3,950	1,068	2,882	—
		Other non-operating expenses	1,729	2,642	-913	7,627
		Total	11,328	9,893	1,434	20,254
		Ordinary income	17,581	11,238	6,342	38,264
		Extraordinary gains and losses	Gains	Gain on disposal of fixed assets	443	7,389
Gain on sale of investment securities	1,287			7,448	-6,161	7,545
Gain on dilution of ownership in affiliated companies	20			1,039	-1,018	1,373
Other extraordinary gains	130			96	34	470
Total	1,881			15,973	-14,092	32,190
Losses	Loss on disposal of fixed assets		4,440	8,637	-4,196	27,071
	Provision for allowance for doubtful accounts		580	175	404	4,299
	Liquidation of unconsolidated subsidiaries and affiliates		83	747	-663	2,477
	Loss on sale of investment securities		79	258	-178	666
	Stock valuation loss		512	579	-67	2,029
	Loss on Impairment of fixed assets		31,789	—	31,789	—
	Special allowance to employees retired under early retirement scheme		104	186	-82	739
	Loss on closure of a cement plant		—	484	-484	518
	Business discontinuation costs		—	—	—	6,898
	Other extraordinary losses		649	873	-224	926
	Total		38,240	11,943	26,296	45,626
	Net income before income taxes		-18,777	15,269	-34,046	24,828
	Income taxes		7,613	6,676	936	9,316
	Income tax adjustments		-13,376	1,660	-15,036	891
Minority interest income	-131	676	-808	207		
Net income	-12,883	6,255	-19,138	14,412		

Consolidated Statements of Retained Earnings

(Unit: Millions of Yen)

Item	1H FY3/06		1H FY3/05		YoY change		FY3/05	
Additional paid in capital								
I Additional paid in capital at beginning of term		58,605		58,489		115		58,489
II Increase in additional paid in capital		287		118		169		115
Gain on disposal of treasury stock	287		118		169		115	
IV Additional paid in capital at end of term		58,892		58,607		285		58,605
Retained earnings								
I Retained earnings at beginning of term		101,337		88,769		12,568		88,769
II Increase in retained earnings		67		6,298		-6,230		14,932
Net income	-		6,255		-6,255		14,412	
Increase resulting from merger of consolidated subsidiaries	-		41		-41		2	
Reversal of land revaluation difference	67		1		66		517	
III Decrease in retained earnings		15,267		2,365		12,902		2,364
Dividends	2,330		2,314		16		2,314	
Bonuses to directors and corporate auditors	48		50		-1		50	
Decrease resulting from merger of consolidated subsidiaries	3		-		3		-	
Interim net loss	12,883		-		12,883		-	
IV Retains earnings at end of term		86,137		92,702		-6,564		101,337

Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

Item	Term	1H FY3/06 (4/1/05 – 9/30/05)	1H FY3/05 (4/1/04 – 9/30/04)	YoY change	FY3/05 (4/1/04 – 3/31/05)
I Cash flows from operating activities					
Net income before income taxes		-18,777	15,269	-34,046	24,828
Depreciation and amortization		18,733	19,747	-1,014	40,339
Amortization of difference between equity in net assets of consolidated subsidiaries and affiliates		575	582	-6	1,177
Equity in gains of unconsolidated subsidiaries and affiliates		—	—	—	-847
Equity in losses of unconsolidated subsidiaries and affiliates		3,950	1,068	2,882	—
Stock valuation loss		512	579	-67	2,029
Increase/decrease in accrued retirement benefits		-1,654	-745	-908	1,905
Increase/decrease in accrued retirement benefits to directors and corporate auditors		-223	-988	764	-766
Increase/decrease in bonus reserve		138	519	-380	407
Increase/decrease in allowance for doubtful accounts		-1,224	-1,623	399	647
Increase in other reserves		273	41	232	49
Interest and dividends received		-2,024	-2,331	306	-5,346
Interest expenses		5,648	6,182	-534	12,627
Gain on sale of investment securities		-1,287	-7,448	6,161	-7,545
Loss on sale of investment securities		79	258	-178	666
Gain on dilution of ownership in affiliated companies		-20	-1,039	1,018	-1,373
Liquidation of unconsolidated subsidiaries and affiliates		83	747	-663	2,477
Gain on disposal of fixed assets		-443	-7,389	6,946	-22,800
Loss on disposal of fixed assets		4,440	8,637	-4,196	27,071
Loss on impairment of fixed assets		31,789	—	31,789	—
Increase/decrease in notes and accounts receivable		3,105	14,024	-10,919	-2,821
Increase/decrease in inventories		-7,849	-6,480	-1,369	-2,423
Decrease in notes and accounts payable		-10,265	-13,095	2,830	1,691
Payment of bonuses to directors and corporate auditors		-58	-60	1	-60
Other		11,323	1,690	9,633	6,783
Subtotal		36,827	28,146	8,681	74,908
Interest and dividends received		2,277	3,725	-1,448	7,083
Interest paid		-5,241	-6,591	1,350	-12,887
Income taxes paid		-3,005	-7,839	4,833	-14,805
Net cash provided by operating activities		30,857	17,440	13,416	54,299

Item	Term	1H FY3/06 (4/1/05 – 9/30/05)	1H FY3/05 (4/1/04 – 9/30/04)	YoY change	FY3/05 (4/1/04 – 3/31/05)
II	Cash flows from investing activities				
	Payments for deposit in/proceeds from withdrawal from time deposits	473	-458	931	-636
	Purchase of property, plant and equipment	-20,635	-16,458	-4,177	-33,508
	Proceeds from sale of fixed assets	1,752	4,991	-3,238	26,827
	Payments for purchase of other depreciable assets	-1,110	-16	-1,094	-544
	Proceeds from sale of other depreciable assets	0	108	-107	1
	Payments for purchase of investment securities	-5,931	-944	-4,986	-934
	Proceeds from sale of investment securities	1,572	10,072	-8,500	11,064
	Long-term loans made	-5,607	-2,273	-3,333	-11,630
	Collections of long-term loans receivable	3,547	3,569	-22	10,357
	Other	2,661	2,479	181	2,013
	Net cash provided by/used in investing activities	-23,277	1,070	-24,348	3,010
III	Cash flows from financing activities				
	Net decrease in short-term borrowings	-3,519	-13,868	10,348	-28,213
	Proceeds from long-term borrowings	9,807	17,651	-7,843	39,720
	Repayment of long-term borrowings	-35,100	-32,786	-2,314	-72,720
	Proceeds from issuance of bonds	30,200	22,800	7,400	23,100
	Redemption of bonds	-10,645	-10,085	-560	-30,600
	Issue of shares	392	1,446	-1,053	1,542
	Disposal of treasury stock	3,121	387	2,733	240
	Repayment of treasury stocks	-106	-64	-42	-193
	Cash dividend payments by parent company	-2,330	-2,314	-16	-2,314
	Cash dividend payments to minority shareholders	-319	-284	-34	-404
	Net cash used in financing activities	-8,499	-17,116	8,617	-69,843
IV	Effect of exchange rate changes on cash and cash equivalents	694	238	456	96
V	Increase/decrease in cash and cash equivalents	-225	1,633	-1,858	-12,436
VI	Cash and cash equivalents at beginning of term	67,473	80,534	-13,061	80,534
VII	Cash and cash equivalents at beginning of term resulting from change in scope of consolidation	—	-177	177	-700
VIII	Increase in cash and cash equivalents at beginning of term resulting from merger of consolidated subsidiaries	13	74	-60	75
IX	Cash and cash equivalents at end of term	67,261	82,064	-14,802	67,473

Segment Information

Segment information

(Unit: Millions of Yen)

	1H FY3/06 (4/1/05 – 9/30/05)								Eliminations or corporate assets	Consolidated total
	Cement Business	Mineral Resources Business	Environmental Business	Construction Materials Business	Ceramics & Electronics Business	Other	Total			
Sales and operating income										
Sales										
(1) Sales to outside customers	250,575	40,323	30,505	43,091	30,862	32,293	427,652	(—)	427,652	
(2) Intersegment sales and transfers	7,392	11,556	2,654	3,362	21	20,575	45,562	(45,562)	—	
Total	257,967	51,880	33,160	46,453	30,884	52,868	473,215	(45,562)	427,652	
Operating expenses	240,202	49,889	31,034	46,540	30,933	49,754	448,356	(45,281)	403,074	
Operating income	17,764	1,990	2,125	–86	–49	3,113	24,859	(280)	24,578	

Overseas sales

(Unit: Millions of Yen)

		1H FY3/05 (4/1/05 – 9/30/05)			
		North America	Asia	Other	Total
I	Overseas sales	43,343	40,317	9,539	93,199
II	Consolidated sales	—	—	—	427,652
III	Ratio of overseas sales to consolidated sales	10.1%	9.4%	2.2%	21.8%