

Summary of Consolidated Financial Results of Taiheiyo Cement Corporation for the Fiscal 2006 Ended March 31, 2006

May 16, 2006

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

Fiscal 2005 : April 1, 2004-March 31, 2005
Fiscal 2006 : April 1, 2005-March 31, 2006
Fiscal 2007 1H: April 1, 2006-September 30, 2006
Fiscal 2007 : April 1, 2006-March 31, 2007

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 results (April 1, 2005 – March 31, 2006)

(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	%
FY3/06	906,657	3.9	62,011	28.7	49,792	30.1
FY3/05	872,686	-0.8	48,185	7.4	38,264	8.9

	Net income		EPS	Diluted EPS
	Millions of Yen	%	Yen	Yen
FY3/06	9,101	-36.9	9.63	9.29
FY3/05	14,412	-12.7	15.33	14.80

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of Yen	Millions of Yen	%	Yen
FY3/06	1,278,245	269,480	21.1	288.01
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
FY3/06	61,460	-22,627	-14,649	93,489
FY3/05	54,299	3,010	-69,843	67,473

2. FY3/07 consolidated earnings forecast (April 1, 2006 – March 31, 2007)

	Sales	Ordinary income	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
1H FY3/07	440,000	17,500	2,200
FY3/07	915,000	57,000	23,000

Reference: FY3/07 EPS forecast: ¥ 24.57

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	FY3/06 (As of 3/31/06)	FY3/05 (As of 3/31/05)	Change
Assets			
Current assets			
Cash and time deposits	98,891	73,364	25,527
Notes and accounts receivable	197,455	190,071	7,383
Inventories	73,995	67,811	6,183
Deferred income taxes	4,245	3,592	652
Short-term loans	16,353	16,898	-544
Other current assets	14,827	17,094	-2,266
Allowance for doubtful accounts	-3,546	-2,589	-956
Current assets	402,222	366,243	35,979
Fixed assets			
A. Tangible fixed assets			
Buildings and structures	194,305	201,052	-6,746
Machinery, equipment	171,228	165,920	5,308
Land	179,662	202,639	-22,977
Construction in progress	13,662	13,207	455
Other tangible fixed assets	24,529	25,292	-762
Tangible fixed assets	583,388	608,111	-24,722
B. Intangible fixed assets			
Trade rights	14,262	13,016	1,246
Consolidation adjustments	5,843	6,955	-1,112
Other intangible fixed assets	27,487	27,088	399
Intangible fixed assets	47,592	47,060	532
C. Investments and other assets			
Investment securities	180,110	158,715	21,394
Long-term loans	6,205	8,728	-2,523
Deferred income taxes	15,714	15,424	290
Other investments and assets	58,488	59,795	-1,306
Allowance for doubtful accounts	-15,478	-16,547	1,068
Investments and other assets	245,041	226,117	18,923
Fixed assets	876,022	881,289	-5,266
Total assets	1,278,245	1,247,532	30,712

(Unit: Millions of Yen)

Item	FY3/06 (As of 3/31/06)	FY3/05 (As of 3/31/05)	Change
Liabilities			
Current liabilities			
Notes and accounts payable	119,987	117,476	2,510
Short-term borrowings	328,742	332,310	-3,568
Bonds (due within one year)	61,754	20,890	40,864
Income taxes payable	12,952	3,948	9,004
Deferred income taxes	5	69	-64
Bonus reserve	6,362	5,871	491
Other reserves	629	628	1
Other current liabilities	63,495	66,210	-2,714
Current liabilities	593,929	547,404	46,524
Fixed liabilities			
Bonds	53,054	63,490	-10,436
Convertible bonds	34,000	34,000	-
Long-term borrowings	181,904	215,266	-33,361
Deferred income taxes	21,009	28,182	-7,172
Deferred income taxes from revaluation excess	5,904	5,937	-32
Accrued for retirement benefits	33,314	33,622	-307
Accrued for retirement benefits to directors and corporate auditors	2,313	2,304	9
Special repair reserve	133	141	-7
Other fixed liabilities	47,352	50,580	-3,227
Fixed liabilities	378,988	433,525	-54,536
Total liabilities	972,917	980,929	-8,012
Minority interests	35,847	29,867	5,979
Shareholders' equity			
Capital stock	69,499	69,499	-
Additional paid in capital	59,515	58,605	910
Retained earnings	105,973	101,337	4,635
Revaluation excess	4,785	4,855	-70
Unrealized gain on other securities	28,199	19,885	8,314
Foreign currency translation adjustments	3,260	-14,725	17,985
Treasury stock	-1,752	-2,723	970
Total shareholders' equity	269,480	236,734	32,745
Total liabilities, minority interests and shareholders' equity	1,278,245	1,247,532	30,712

Consolidated Statements of Income

(Unit: Millions of Yen)

Item		FY3/06 (4/1/05-3/31/06)	FY3/05 (4/1/04-3/31/05)	Change		
Operating income/loss	Sales	906,657	872,686	33,970		
	Cost of sales	708,258	682,891	25,367		
	Selling, general and administrative expenses	136,386	141,610	-5,223		
	Income from operation	62,011	48,185	13,825		
Non-operating income and expenses	Income	Interest and dividends received	4,306	5,346	-1,040	
		Equity in earnings of unconsolidated subsidiaries and affiliates	—	847	-847	
		Other non-operating income	4,259	4,141	118	
		Total	8,565	10,334	-1,768	
	Expenses	Interest expenses	11,228	12,627	-1,398	
		Equity in losses of unconsolidated subsidiaries and affiliates	5,545	—	5,545	
		Other non-operating expenses	4,010	7,627	-3,617	
		Total	20,784	20,254	529	
		Ordinary income		49,792	38,264	11,527
		Extraordinary gains and losses	Gains	Gain on disposal of fixed assets	4,435	22,800
Gain on sale of investment securities	13,899			7,545	6,353	
Gain on dilution of ownership in affiliated companies	1,496			1,373	123	
Other extraordinary gains	1,961			470	1,490	
Total	21,792			32,190	-10,397	
Losses	Loss on disposal of fixed assets		8,389	27,071	-18,681	
	Provision for allowance for doubtful accounts		3,896	4,299	-403	
	Liquidation of unconsolidated subsidiaries and affiliates		129	2,477	-2,347	
	Loss on sale of investment securities		306	666	-359	
	Stock valuation loss		1,121	2,029	-908	
	Loss on Impairment of fixed assets		33,435	—	33,435	
	Special allowance to employees retired under early retirement scheme		263	739	476	
	One-time amortization of consolidation adjustments		949	—	949	
	Loss on closure of a cement plant		—	518	-518	
	Business discontinuation costs		—	6,898	-6,898	
	Other extraordinary losses		3,621	926	2,694	
	Total		52,113	45,626	6,486	
	Net income before income taxes		19,471	24,828	-5,356	
	Income taxes		23,226	9,316	13,910	
	Income tax adjustments		-14,108	891	-15,000	
Minority interest income		1,251	207	1,044		
Net income		9,101	14,412	-5,311		

Consolidated Statements of Retained Earnings

(Unit: Millions of Yen)

Item	FY3/06 (4/1/05-3/31/06)		FY3/05 (4/1/04-3/31/05)		Change	
Additional paid in capital						
I Additional paid in capital at beginning of term		58,605		58,489		115
II Increase in additional paid in capital		910		115		794
Gain on disposal of treasury stock	910		115		794	
IV Additional paid in capital at end of term		59,515		58,605		910
Retained earnings						
I Retained earnings at beginning of term		101,337		88,769		12,568
II Increase in retained earnings		9,171		14,932		-5,760
Net income	9,101		14,412		-5,311	
Increase resulting from merger of consolidated subsidiaries	-		2		-2	
Reversal of land revaluation difference	70		517		-446	
III Decrease in retained earnings		4,536		2,364		2,171
Dividends	2,330		2,314		16	
Bonuses to directors and corporate auditors	48		50		-1	
Decrease due to increase in consolidated subsidiaries	129		-		129	
Decrease due to decrease in companies subject to equity method	1,843		-		1,843	
Loss on cancellation of combined shares through merger	182		-		182	
IV Retains earnings at end of term		105,973		101,337		4,635

Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

Item	Term	FY3/06 (4/1/05 – 3/31/06)	FY3/05 (4/1/04 – 3/31/05)	Change
I Cash flows from operating activities				
Net income before income taxes		19,471	24,828	-5,356
Depreciation and amortization		38,610	40,339	-1,729
Amortization of difference between equity in net assets of consolidated subsidiaries and affiliates		69	1,177	-1,107
Equity in gains of unconsolidated subsidiaries and affiliates		—	-847	847
Equity in losses of unconsolidated subsidiaries and affiliates		5,545	—	5,545
Stock valuation loss		1,121	2,029	-908
One-time amortization of consolidation adjustments		949	—	949
Decrease in accrued retirement benefits		-2,613	-1,905	-708
Increase/decrease in accrued retirement benefits to directors and corporate auditors		9	-766	775
Increase in bonus reserve		371	407	-36
Increase/decrease in allowance for doubtful accounts		-90	647	-738
Increase/decrease in other reserves		-6	49	-56
Interest and dividends received		-4,306	-5,346	1,040
Interest expenses		11,228	12,627	-1,398
Gain on sale of investment securities		-13,899	-7,545	-6,353
Loss on sale of investment securities		306	666	-359
Gain on dilution of ownership in affiliated companies		-1,496	-1,373	-123
Liquidation of unconsolidated subsidiaries and affiliates		129	2,477	-2,347
Gain on disposal of fixed assets		-4,435	-22,800	18,365
Loss on disposal of fixed assets		8,389	27,071	-18,681
Loss on impairment of fixed assets		33,435	—	33,435
Increase/decrease in notes and accounts receivable		-6,335	-2,821	-3,514
Increase/decrease in inventories		-1,257	-2,423	1,165
Decrease in notes and accounts payable		3,309	1,691	1,618
Payment of bonuses to directors and corporate auditors		-58	-60	1
Other		-8,168	6,783	-14,952
Subtotal		80,280	74,908	5,371
Interest and dividends received		4,557	7,083	-2,526
Interest paid		-10,808	-12,887	2,079
Income taxes paid		-12,569	-14,805	2,235
Net cash provided by operating activities		61,460	54,299	7,160

Term	FY3/06	FY3/05	Change
Item	(4/1/05 – 3/31/06)	(4/1/04 – 3/31/05)	
II Cash flows from investing activities			
Increase/decrease in time deposits	694	-636	1,330
Purchase of property, plant and equipment	-41,898	-33,508	-8,390
Proceeds from sale of fixed assets	16,334	26,827	-10,493
Payments for purchase of other depreciable assets	-871	-544	-327
Proceeds from sale of other depreciable assets	1	1	-0
Payments for purchase of investment securities	-14,003	-934	-13,068
Proceeds from sale of investment securities	14,660	11,064	3,595
Long-term loans made	-4,640	-11,630	6,990
Collections of long-term loans receivable	5,460	10,357	-4,896
Other	1,636	2,013	-377
Net cash provided by/used in investing activities	-22,627	3,010	-25,638
III Cash flows from financing activities			
Net decrease in short-term borrowings	-23,702	-28,213	4,510
Proceeds from long-term borrowings	54,870	39,720	15,150
Repayment of long-term borrowings	-79,029	-72,720	-6,308
Proceeds from issuance of bonds	51,350	23,100	28,250
Redemption of bonds	-20,922	-30,600	9,678
Issue of shares	2,544	1,542	1,002
Disposal of treasury stock	3,210	240	2,969
Repayment of treasury stocks	-256	-193	-63
Cash dividend payments by parent company	-2,330	-2,314	-16
Cash dividend payments to minority shareholders	-383	-404	21
Net cash used in financing activities	-14,649	-69,843	55,194
IV Effect of exchange rate changes on cash and cash equivalents	1,758	96	1,661
V Increase/decrease in cash and cash equivalents	25,941	-12,436	38,377
VI Cash and cash equivalents at beginning of term	67,473	80,534	-13,061
VII Cash and cash equivalents at beginning of term resulting from change in scope of consolidation	-203	75	-279
VIII Increase in cash and cash equivalents at beginning of term resulting from merger of consolidated subsidiaries	279	-700	979
IX Cash and cash equivalents at end of term	93,489	67,473	26,016

Segment Information

Segment information

(Unit: Millions of Yen)

	FY3/06 (4/1/05 – 3/31/06)								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	528,452	81,320	61,465	96,694	65,479	73,244	906,657	(—)	906,657	
(2) Intersegment sales and transfers	13,768	21,575	5,360	7,714	3	43,360	91,783	(91,783)	—	
Total	542,220	102,896	66,826	104,408	65,483	116,604	998,440	(91,783)	906,657	
Operating expenses	496,203	99,626	62,565	102,387	65,236	110,301	936,320	(91,674)	844,645	
Operating income	46,017	3,270	4,260	2,021	247	6,302	62,120	(108)	62,011	

Overseas sales

(Unit: Millions of Yen)

		FY3/06 (4/1/05 – 3/31/06)			
		North America	Asia	Other	Total
I	Overseas sales	100,499	86,675	14,436	201,611
II	Consolidated sales	—	—	—	906,657
III	Ratio of overseas sales to consolidated sales	11.1%	9.6%	1.6%	22.2%