

Summary of Consolidated Financial Results of Taiheiyo Cement Corporation for the First Half of Fiscal 2007 Ended September 30, 2006

November 14, 2006

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

Fiscal 2006 1H: April 1, 2005-September 30, 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. FY3/07 consolidated interim results (April 1, 2006 – September 30, 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	%
1H FY3/07	454,916	6.4	30,456	23.9	25,404	44.5
1H FY3/06	427,652	3.5	24,578	47.0	17,581	56.4
FY3/06	906,657	3.9	62,011	28.7	49,792	30.1

	Net income		EPS	Diluted EPS
	Millions of Yen	%	Yen	Yen
1H FY3/07	7,917	-	8.46	8.17
1H FY3/06	-12,883	-	-13.77	-
FY3/06	9,101	-36.9	9.63	9.29

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of Yen	Millions of Yen	%	Yen
1H FY3/07	1,256,095	306,616	21.5	288.32
1H FY3/06	1,233,163	233,383	18.9	249.16
FY3/06	1,278,245	269,480	21.1	288.01

(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 FY3/07	17,120	-15,819	-21,579	73,693
1H FY3/06	30,857	-23,277	-8,499	67,261
FY3/06	61,460	-22,627	-14,649	93,489

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
FY3/07	930,000	63,000	28,000

Reference: FY3/07 EPS forecast: ¥ 29.92

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 FY3/07 (As of 9/30/06)	FY3/06 (As of 3/31/06)	Change	1H FY3/06 (As of 9/30/05)
Assets				
Current assets				
Cash and time deposits	78,569	98,891	-20,322	72,743
Notes and accounts receivable	206,264	197,455	8,809	182,953
Inventories	79,794	73,995	5,799	78,540
Deferred income taxes	4,483	4,245	238	3,670
Short-term loans	14,066	16,353	-2,287	15,770
Other current assets	14,633	14,827	-194	19,164
Allowance for doubtful accounts	-3,830	-3,546	-284	-2,921
Current assets	393,981	402,222	-8,240	369,920
Fixed assets				
A. Tangible fixed assets				
Buildings and structures	190,670	194,305	-3,635	195,955
Machinery, equipment	169,795	171,228	-1,433	166,376
Land	175,904	179,662	-3,757	180,627
Construction in progress	18,001	13,662	4,338	12,830
Other tangible fixed assets	25,000	24,529	471	24,145
Tangible fixed assets	579,372	583,388	-4,016	579,935
B. Intangible fixed assets				
Trade rights	-	14,262	-14,262	13,504
Consolidation adjustments	-	5,843	-5,843	6,411
Goodwill	19,066	-	19,066	-
Other intangible fixed assets	26,969	27,487	-518	27,409
Intangible fixed assets	46,036	47,592	-1,556	47,325
C. Investments and other assets				
Investment securities	173,182	180,110	-6,928	167,109
Long-term loans	6,075	6,205	-129	7,260
Deferred income taxes	16,074	15,714	359	16,487
Other investments and assets	59,187	58,488	698	60,119
Allowance for doubtful accounts	-17,814	-15,478	-2,336	-14,994
Investments and other assets	236,705	245,041	-8,335	235,982
Fixed assets	862,113	876,022	-13,908	863,242
Total assets	1,256,095	1,278,245	-22,149	1,233,163

(Unit: Millions of Yen)

Item	1H FY3/07 (As of 9/30/06)	FY3/06 (As of 3/31/06)	Change	1H FY3/06 (As of 9/30/05)
Liabilities				
Current liabilities				
Notes and accounts payable	113,196	119,987	-6,790	105,761
Short-term borrowings	289,055	328,742	-39,686	353,152
Commercial Paper	2,000	-	2,000	-
Bonds (due within one year)	37,099	61,754	-24,655	35,654
Income taxes payable	6,469	12,952	-6,483	6,754
Deferred income taxes	15	5	10	47
Bonus reserve	6,171	6,362	-190	5,958
Other reserves	663	629	34	892
Other current liabilities	75,750	63,495	12,254	71,727
Current liabilities	530,422	593,929	-63,506	579,950
Fixed liabilities				
Bonds	63,011	53,054	9,957	68,281
Convertible bonds	34,211	34,000	211	34,000
Long-term borrowings	214,560	181,904	32,655	172,427
Deferred income taxes	18,469	21,009	-2,540	17,922
Deferred income taxes from revaluation excess	6,329	5,904	424	5,893
Accrued for retirement benefits	33,434	33,314	119	32,332
Accrued for retirement benefits to directors and corporate auditors	2,042	2,313	-270	2,080
Special repair reserve	123	133	-10	142
Other fixed liabilities	46,873	47,352	-479	54,287
Fixed liabilities	419,056	378,988	40,067	387,366
Total liabilities	949,478	972,917	-23,438	967,317
Minority interests	-	35,847	-	32,462
Shareholders' equity				
Capital stock	-	69,499	-	69,499
Additional paid in capital	-	59,515	-	58,892
Retained earnings	-	105,973	-	86,137
Revaluation excess	-	4,785	-	4,788
Unrealized gain on other securities	-	28,199	-	23,583
Foreign currency translation adjustments	-	3,260	-	-7,963
Treasury stock	-	-1,752	-	-1,554
Total shareholders' equity	-	269,480	-	233,383
Total liabilities, minority interests and total shareholders' equity	-	1,278,245	-	1,233,163
Net asset				
Shareholders' equity				
Capital stock	69,499	-	-	-
Additional paid in capital	59,602	-	-	-
Retained earnings	111,479	-	-	-
Treasury stock	-1,754	-	-	-
Shareholders' equity	238,827	-	-	-
Valuation and translation adjustment				
Unrealized gain on other securities	24,469	-	-	-
Loss on deferred hedge	6	-	-	-
Revaluation excess	4,557	-	-	-
Foreign currency translation adjustments	1,935	-	-	-
Valuation and translation adjustment	30,969	-	-	-
Minority interests	36,820	-	-	-
Total net asset	306,616	-	-	-
Total liabilities and total shareholders' equity	1,256,095	-	-	-

Consolidated Statements of Income

(Unit: Millions of Yen)

Item		1H FY3/07 (4/1/06–9/30/06)	1H FY3/06 (4/1/05–9/30/05)	YoY change	FY3/06 (4/1/05–3/31/06)	
Operating income/loss	Sales	454,916	427,652	27,264	906,657	
	Cost of sales	355,922	336,802	19,119	708,258	
	Selling, general and administrative expenses	68,538	66,271	2,266	136,386	
	Income from operation	30,456	24,578	5,878	62,011	
Non-operating income and expenses	Income	Interest and dividends received	1,286	2,024	-737	4,306
		Other non-operating income	2,114	2,306	-191	4,259
		Total	3,401	4,331	-929	8,565
	Expenses	Interest expenses	5,488	5,648	-159	11,228
		Equity in losses of unconsolidated subsidiaries and affiliates	1,468	3,950	-2,481	5,545
		Other non-operating expenses	1,495	1,729	-233	4,010
		Total	8,453	11,328	-2,875	20,784
	Ordinary income		25,404	17,581	7,823	49,792
Extraordinary gains and losses	Gains	Gain on disposal of fixed assets	1,254	443	811	4,435
		Gain on sale of investment securities	59	1,287	-1,227	13,899
		Gain on dilution of ownership in affiliated companies	-	20	-20	1,496
		Other extraordinary gains	618	130	487	1,961
		Total	1,932	1,881	50	21,792
	Losses	Loss on disposal of fixed assets	3,685	4,440	-755	8,389
		Provision for allowance for doubtful accounts	1,794	580	1,214	3,896
		Liquidation of unconsolidated subsidiaries and affiliates	-	83	-83	129
		Loss on sale of investment securities	218	79	138	306
		Stock valuation loss	64	512	-447	1,121
		Loss on Impairment of fixed assets	2,807	31,789	-28,981	33,435
		Special allowance to employees retired under early retirement scheme	18	104	-86	263
		One-time amortization of consolidation adjustments	-	-	-	949
		Loss on change in equity in affiliated companies	202	-	202	-
Other extraordinary losses	1,188	649	539	3,621		
Total	9,980	38,240	-28,260	52,113		
Net income before income taxes		17,357	-18,777	36,134	19,471	
Income taxes		8,763	7,613	1,150	23,226	
Income tax adjustments		-690	-13,376	12,685	-14,108	
Minority interest income		1,366	-131	1,497	1,251	
Net income		7,917	-12,883	20,801	9,101	

Consolidated Statements of Retained Earnings

(Unit: Millions of Yen)

Item	1H FY3/06		FY3/06	
Additional paid in capital				
I Additional paid in capital at beginning of term		58,605		58,605
II Increase in additional paid in capital		287		910
Gain on disposal of treasury stock	287		910	
IV Additional paid in capital at end of term		58,892		59,515
Retained earnings				
I Retained earnings at beginning of term		101,337		101,337
II Increase in retained earnings		67		9,171
Net income	-		9,101	
Reversal of land revaluation difference	67		70	
III Decrease in retained earnings		15,267		4,536
Dividends	2,330		2,330	
Bonuses to directors and corporate auditors	48		48	
Decrease resulting from merger of consolidated subsidiaries	3		-	
Decrease due to increase in consolidated subsidiaries	-		129	
Decrease due to decrease in companies subject to equity method	-		1,843	
Interim net loss	12,883		-	
Loss on cancellation of combined shares through merger	-		182	
VI Retains earnings at end of term		86,137		105,973

Consolidated Statements of Changes in Shareholders' Equity for 1H FY3/07

1H FY3/07 (April 1, 2006 – September 30, 2006)

(¥ million)

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	69,499	59,515	105,973	-1,752	233,235
Changes during the period					
Dividends			-2,339		-2,339
Bonuses to directors and corporate auditors			-65		-65
Net income			7,917		7,917
Increase due to increase in consolidated subsidiaries			87		87
Decrease due to increase in consolidated subsidiaries			-72		-72
Reversal of land revaluation excess			3		3
Reversal of accrued retirement benefits to directors and corporate auditors			-24		-24
Acquisition of treasury stock				-151	-151
Disposal of treasury stock		87		149	236
Changes in items other than shareholders' equity (net)					
Total changes during the period		87	5,506	-1	5,591
Balance at September 30, 2006	69,499	59,602	111,479	-1,754	238,827

	Valuation and translation adjustments					Minority interests	Total net assets
	Unrealized gain on other securities	Gain/loss on deferred hedge	Land revaluation excess	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2006	28,199	-	4,785	3,260	36,245	35,847	305,327
Changes during the period							
Dividends							-2,339
Bonuses to directors and corporate auditors							-65
Net income							7,917
Increase due to increase in consolidated subsidiaries							87
Decrease due to increase in consolidated subsidiaries							-72
Reversal of land revaluation excess							3
Reversal of accrued retirement benefits to directors and corporate auditors							-24
Acquisition of treasury stock							-151
Disposal of treasury stock							236
Changes in items other than shareholders' equity (net)	-3,730	6	-227	-1,324	-5,276	973	-4,302
Total changes during the period	-3,730	6	-227	-1,324	-5,276	973	1,289
Balance at September 30, 2006	24,469	6	4,557	1,935	30,969	36,820	306,616

Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

Item	Term	1H FY3/07 (4/1/06 – 9/30/06)	1H FY3/06 (4/1/05 – 9/30/05)	YoY change	FY3/06 (4/1/05 – 3/31/06)
I Cash flows from operating activities					
Net income before income taxes		17,357	-18,777	36,134	19,471
Depreciation and amortization		18,868	18,733	135	38,610
Amortization of difference between equity in net assets of consolidated subsidiaries and affiliates		-	575	-575	69
Amortization of goodwill		852	-	852	-
Equity in losses of unconsolidated subsidiaries and affiliates		1,468	3,950	-2,481	5,545
Stock valuation loss		64	512	-447	1,121
One-time amortization of consolidation adjustments		-	-	-	949
Decrease in accrued retirement benefits		-2,186	-1,654	-532	-2,613
Increase/decrease in accrued retirement benefits to directors and corporate auditors		-255	-223	-31	9
Increase/decrease in bonus reserve		-143	138	-282	371
Increase/decrease in allowance for doubtful accounts		2,615	-1,224	3,839	-90
Increase/decrease in other reserves		23	273	-249	-6
Interest and dividends received		-1,286	-2,024	737	-4,306
Interest expenses		5,488	5,648	-159	11,228
Gain on sale of investment securities		-59	-1,287	1,227	-13,899
Loss on sale of investment securities		218	79	138	306
Gain on dilution of ownership in affiliated companies		-	-20	20	-1,496
Loss on dilution of ownership in affiliated companies		202	-	202	-
Liquidation of unconsolidated subsidiaries and affiliates		-	83	-83	129
Gain on disposal of fixed assets		-1,254	-443	-811	-4,435
Loss on disposal of fixed assets		3,685	4,440	-755	8,389
Loss on impairment of fixed assets		2,807	31,789	-28,981	33,435
Increase/decrease in notes and accounts receivable		-9,690	3,105	-12,795	-6,335
Increase in inventories		-5,767	-7,849	2,082	-1,257
Increase/decrease in notes and accounts payable		-7,223	-10,265	3,041	3,309
Payment of bonuses to directors and corporate auditors		-79	-58	-20	-58
Other		10,885	11,323	-438	-8,168
Subtotal		36,593	36,827	-234	80,280
Interest and dividends received		1,795	2,277	-481	4,557
Interest paid		-6,458	-5,241	-1,216	-10,808
Income taxes paid		-14,809	-3,005	-11,804	-12,569
Net cash provided by operating activities		17,120	30,857	-13,737	61,460

Item	Term	1H FY3/07 (4/1/06 – 9/30/06)	1H FY3/06 (4/1/05 – 9/30/05)	YoY change	FY3/06 (4/1/05 – 3/31/06)
II	Cash flows from investing activities				
	Increase/decrease in time deposits	502	473	29	694
	Purchase of property, plant and equipment	-20,614	-20,635	21	-41,898
	Proceeds from sale of fixed assets	4,943	1,752	3,191	16,334
	Payments for purchase of other depreciable assets	-386	-1,110	724	-871
	Proceeds from sale of other depreciable assets	-	0	-0	1
	Payments for purchase of investment securities	-2,714	-5,931	3,216	-14,003
	Proceeds from sale of investment securities	1,227	1,572	-345	14,660
	Payments for sale of stock in subsidiaries due to change in the scope of consolidation	-12	-	-12	-
	Long-term loans made	-918	-5,607	4,688	-4,640
	Collections of long-term loans receivable	1,765	3,547	-1,781	5,460
	Other	387	2,661	-2,273	1,636
	Net cash used in investing activities	-15,819	-23,277	7,458	-22,627
III	Cash flows from financing activities				
	Net decrease in short-term borrowings	-17,688	-3,519	-14,169	-23,702
	Net increase in commercial paper	2,000	-	2,000	-
	Proceeds from long-term borrowings	58,724	9,807	48,917	54,870
	Repayment of long-term borrowings	-47,555	-35,100	-12,455	-79,029
	Proceeds from issuance of bonds	10,990	30,200	-19,210	51,350
	Redemption of bonds	-25,527	-10,645	-14,882	-20,922
	Issue of shares	137	392	-255	2,544
	Disposal of treasury stock	261	3,121	-2,859	3,210
	Repayment of treasury stocks	-137	-106	-31	-256
	Cash dividend payments by parent company	-2,339	-2,330	-8	-2,330
	Cash dividend payments to minority shareholders	-445	-319	-126	-383
	Net cash used in financing activities	-21,579	-8,499	-13,080	-14,649
IV	Effect of exchange rate changes on cash and cash equivalents	-200	694	-894	1,758
V	Increase/decrease in cash and cash equivalents	-20,479	-225	-20,254	25,941
VI	Cash and cash equivalents at beginning of term	93,489	67,473	26,016	67,473
VII	Cash and cash equivalents at beginning of term resulting from change in scope of consolidation	682	-	682	-203
VIII	Increase in cash and cash equivalents at beginning of term resulting from merger of consolidated subsidiaries	-	13	-13	279
IX	Cash and cash equivalents at end of term	73,693	67,261	6,431	93,489

Segment Information

Segment information

(Unit: Millions of Yen)

	1H FY3/07 (4/1/06 – 9/30/06)								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	276,907	37,929	30,287	41,310	34,232	34,249	454,916	(-)	454,916	
(2) Intersegment sales and transfers	6,583	10,259	2,729	3,871	1	16,861	40,305	(40,305)	-	
Total	283,490	48,188	33,016	45,181	34,233	51,110	495,222	(40,305)	454,916	
Operating expenses	259,284	46,132	31,571	45,331	33,693	48,471	464,484	(40,024)	424,460	
Operating income	24,206	2,056	1,445	-150	540	2,639	30,737	(281)	30,456	

Overseas sales

(Unit: Millions of Yen)

		1H FY3/07 (4/1/06 – 9/30/06)			
		North America	Asia	Other	Total
I	Overseas sales	64,574	41,142	8,568	114,285
II	Consolidated sales	-	-	-	454,916
III	Ratio of overseas sales to consolidated sales	14.2%	9.0%	1.9%	25.1%