

Summary of Consolidated Financial Results of Taiheiyo Cement Corporation for the Fiscal 2007 Ended March 31, 2007

May 15, 2007

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

Fiscal 2006 : April 1, 2005-March 31, 2006
Fiscal 2007 : April 1, 2006-March 31, 2007
Fiscal 2008 1H: April 1, 2007-September 30, 2007
Fiscal 2008 : April 1, 2007-March 31, 2008

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 results (April 1, 2006 – March 31, 2007)

(1) Consolidated results of operations

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

	Net Sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY3/07	940,630	3.7	76,692	23.7	67,907	36.4	24,408	168.2
FY3/06	906,657	3.9	62,011	28.7	49,792	30.1	9,101	-36.9

	EPS	Diluted EPS	ROE	ROA	Operating income to net sales
	Yen	Yen	%	%	%
FY3/07	26.08	25.20	8.7	5.4	8.2
FY3/06	9.63	9.29	3.6	3.9	6.8

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of Yen	Millions of Yen	%	Yen
FY3/07	1,256,980	329,637	23.3	312.98
FY3/06	1,278,245	269,387	21.1	287.91

(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
FY3/07	62,613	-37,702	-53,272	65,657
FY3/06	61,460	-22,627	-14,649	93,489

2. Dividends

	Dividends per share			Total amount of cash dividends (annual)	Dividends payout ratio (consolidated)	Ratio of total amount of dividends to shareholders' equity (consolidated)
	1H	Year-end	Annual			
	Yen	Yen	Yen	Millions of Yen	%	%
FY3/06	—	2.50	2.50	2,370	26.0	0.9
FY3/07	2.00	2.00	4.00	3,791	15.3	1.3
FY3/08(forecast)	2.00	3.00	5.00	—	14.6	—

3. FY3/08 consolidated earnings forecast (April 1, 2007 – March 31, 2008)

	Sales		Operating income		Ordinary income		Net income		EPS
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
1H FY3/08	468,000	2.9	26,000	-14.6	19,000	-25.2	6,700	-15.4	7.16
FY3/08	973,000	3.4	73,000	-4.8	63,000	-7.2	32,000	31.1	34.18

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	FY3/07 (As of 3/31/07)	FY3/06 (As of 3/31/06)	Change
Assets			
Current assets			
Cash and time deposits	70,142	98,891	-28,748
Notes and accounts receivable	206,927	197,455	9,472
Inventories	80,412	73,995	6,417
Deferred income taxes	5,385	4,245	1,139
Short-term loans	13,732	16,353	-2,620
Other current assets	16,773	14,827	1,945
Allowance for doubtful accounts	-1,848	-3,546	1,698
Current assets	391,526	402,222	-10,695
Fixed assets			
A. Tangible fixed assets			
Buildings and structures	191,675	194,305	-2,630
Machinery, equipment	173,575	171,228	2,346
Land	174,927	179,662	-4,734
Construction in progress	14,783	13,662	1,120
Other tangible fixed assets	25,324	24,529	795
Tangible fixed assets	580,285	583,388	-3,102
B. Intangible fixed assets			
Trade rights	-	14,262	-14,262
Consolidation adjustments	-	5,843	-5,843
Goodwill	19,725	-	19,725
Other intangible fixed assets	25,339	27,487	-2,148
Intangible fixed assets	45,064	47,592	-2,528
C. Investments and other assets			
Investment securities	183,365	180,110	3,255
Long-term loans	4,931	6,205	-1,273
Deferred income taxes	16,945	15,714	1,230
Other investments and assets	51,658	58,488	-6,830
Allowance for doubtful accounts	-16,799	-15,478	-1,320
Investments and other assets	240,102	245,041	-4,938
Fixed assets	865,453	876,022	-10,569
Total assets	1,256,980	1,278,245	-21,265

(Unit: Millions of Yen)

Item	FY3/07 (As of 3/31/07)	FY3/06 (As of 3/31/06)	Change
Liabilities			
Current liabilities			
Notes and accounts payable	116,751	119,987	-3,235
Short-term borrowings	282,058	328,742	-46,683
Commercial Paper	11,000	-	11,000
Bonds (due within one year)	1,574	61,754	-60,180
Income taxes payable	4,654	12,952	-8,298
Deferred income taxes	106	5	101
Bonus reserve	6,825	6,362	463
Bonus reserve for directors and corporate auditors	65	-	65
Other reserves	719	629	90
Other current liabilities	74,867	63,495	11,371
Current liabilities	498,623	593,929	-95,305
Fixed liabilities			
Bonds	74,349	53,054	21,295
Convertible bonds	34,196	34,000	196
Long-term borrowings	206,973	181,904	25,069
Deferred income taxes	23,843	21,009	2,833
Deferred income taxes from revaluation excess	6,061	6,077	-15
Accrued for retirement benefits	34,919	33,314	1,604
Accrued for retirement benefits to directors and corporate auditors	2,384	2,313	70
Special repair reserve	250	133	116
Other fixed liabilities	45,738	47,352	-1,613
Fixed liabilities	428,718	379,160	49,557
Total liabilities	927,342	973,090	-45,747
Minority interests	-	35,768	-
Shareholders' equity			
Capital stock	-	69,499	-
Additional paid in capital	-	59,515	-
Retained earnings	-	105,973	-
Revaluation excess	-	4,691	-
Unrealized gain on other securities	-	28,199	-
Foreign currency translation adjustments	-	3,260	-
Treasury stock	-	-1,752	-
Total shareholders' equity	-	269,387	-
Total liabilities, minority interests and total shareholders' equity	-	1,278,245	-
Net asset			
Shareholders' equity			
Capital stock	69,499	-	-
Additional paid in capital	59,868	-	-
Retained earnings	126,127	-	-
Treasury stock	-1,669	-	-
Shareholders' equity	252,085	-	-
Valuation and translation adjustment			
Unrealized gain on other securities	25,485	-	-
Loss on deferred hedge	21	-	-
Revaluation excess	4,677	-	-
Foreign currency translation adjustments	10,720	-	-
Accumulated other comprehensive income (loss)	-1,740	-	-
Valuation and translation adjustment	39,165	-	-
Minority interests	36,646	-	-
Total net asset	329,637	-	-
Total liabilities and total net asset	1,256,980	-	-

Consolidated Statements of Income

(Unit: Millions of Yen)

Item		FY3/07 (4/1/06–3/31/07)	FY3/06 (4/1/05–3/31/06)	Change		
Operating income/loss	Sales	940,630	906,657	33,973		
	Cost of sales	728,386	708,258	20,127		
	Selling, general and administrative expenses	135,551	136,386	-834		
	Income from operation	76,692	62,011	14,681		
Non-operating income and expenses	Income	Interest and dividends received	2,835	4,306	-1,470	
		Other non-operating income	6,240	4,259	1,980	
		Total	9,075	8,565	509	
	Expenses	Interest expenses	11,460	11,228	231	
		Equity in losses of unconsolidated subsidiaries and affiliates	3,339	5,545	-2,206	
		Other non-operating expenses	3,061	4,010	-948	
		Total	17,860	20,784	-2,923	
	Ordinary income		67,907	49,792	18,115	
Extraordinary gains and losses	Gains	Gain on disposal of fixed assets	2,566	4,435	-1,868	
		Gain on sale of investment securities	496	13,899	-13,402	
		Gain on dilution of ownership in affiliated companies	—	1,496	-1,496	
		Gain on return of retirement benefit trust	2,101	—	2,101	
		Other extraordinary gains	835	1,961	-1,126	
		Total	6,001	21,792	-15,791	
	Losses	Loss on disposal of fixed assets	8,400	8,389	10	
		Provision for allowance for doubtful accounts	1,167	3,896	-2,728	
		Liquidation of unconsolidated subsidiaries and affiliates	802	129	673	
		Loss on sale of investment securities	406	306	99	
		Stock valuation loss	839	1,121	-281	
		Loss on Impairment of fixed assets	8,328	33,435	-25,106	
		Special allowance to employees retired under early retirement scheme	70	263	-193	
		One-time amortization of consolidation adjustments	—	949	-949	
		Loss on change in equity in affiliated companies	208	—	208	
		Other extraordinary losses	2,815	3,621	-805	
		Total	23,039	52,113	-29,073	
		Net income before income taxes		50,869	19,471	31,397
		Income taxes		19,867	23,226	-3,359
Income tax adjustments		3,666	-14,108	17,774		
Minority interest income		2,926	1,251	1,674		
Net income		24,408	9,101	15,306		

Consolidated Statements of Retained Earnings

(Unit: Millions of Yen)

Item	FY3/06 (4/1/05-3/31/06)	
Additional paid in capital		
I Additional paid in capital at beginning of term		58,605
II Increase in additional paid in capital		910
Gain on disposal of treasury stock	910	
III Additional paid in capital at end of term		59,515
Retained earnings		
I Retained earnings at beginning of term		101,337
II Increase in retained earnings		9,171
Net income	9,101	
Reversal of land revaluation difference	70	
III Decrease in retained earnings		4,536
Dividends	2,330	
Bonuses to directors and corporate auditors	48	
Decrease due to increase in consolidated subsidiaries	129	
Decrease due to decrease in companies subject to equity method	1,843	
Loss on cancellation of combined shares through merger	182	
IV Retains earnings at end of term		105,973

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

FY3/07 (April 1, 2006 – March 31, 2007)

(¥ 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 *1			-2,339		-2,339
Dividends			-1,869		-1,869
Bonuses to directors and corporate auditors			-65		-65
Net income			24,408		24,408
Increase due to increase in consolidated subsidiaries			87		87
Decrease due to increase in consolidated subsidiaries			-87		-87
Increase due to merger of consolidated subsidiaries			32		32
Reversal of land revaluation excess			12		12
Reversal of accrued retirement benefits to directors and corporate auditors			-24		-24
Acquisition of treasury stock				-271	-271
Disposal of treasury stock		353		354	707
Changes in items other than shareholders' equity (net)					
Total changes during the period		353	20,154	83	20,590
Balance at March 31, 2007	69,499	59,868	126,127	-1,669	253,826

	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	Accumulated other comprehensive income (loss) *2	Total valuation and translation adjustments		
Balance at March 31, 2006	28,199	–	4,691	3,260	–	36,152	35,768	305,155
Changes during the period								
Dividends *1								-2,339
Dividends								-1,869
Bonuses to directors and corporate auditors								-65
Net income								24,408
Increase due to increase in consolidated subsidiaries								87
Decrease due to increase in consolidated subsidiaries								-87
Increase due to merger of consolidated subsidiaries								32
Reversal of land revaluation excess								12
Reversal of accrued retirement benefits to directors and corporate auditors								-24
Acquisition of treasury stock								-271
Disposal of treasury stock								707
Changes in items other than shareholders' equity (net)	-2,713	21	-13	7,460	-1,740	3,013	878	3,891
Total changes during the period	-2,713	21	-13	7,460	-1,740	3,013	878	24,482
Balance at March 31, 2007	25,485	21	4,677	10,720	-1,740	39,165	36,646	329,637

*1 Appropriation of profit approved at general meeting of stockholders in June, 2006

*2 Appropriation of unfunded retirement benefit obligation due to change in accounting standards at overseas subsidiaries

Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

Item	Term	FY3/07	FY3/06	Change
		(4/1/06 – 3/31/07)	(4/1/05 – 3/31/06)	
I Cash flows from operating activities				
Net income before income taxes		50,869	19,471	31,397
Depreciation and amortization		38,960	38,610	350
Amortization of difference between equity in net assets of consolidated subsidiaries and investment cost		—	69	-69
Amortization of goodwill		946	—	946
Equity in losses of unconsolidated subsidiaries and affiliates		3,339	5,545	-2,206
Stock valuation loss		839	1,121	-281
One-time amortization of consolidation adjustments		—	949	-949
Gain on return of retirement benefit trust		-2,101	—	-2,101
Decrease in accrued retirement benefits		-5,146	-2,613	-2,533
Increase in accrued retirement benefits to directors and corporate auditors		85	9	76
Increase in bonus reserve		404	371	32
Increase in bonus reserve for directors and corporate auditors		65	—	65
Decrease in allowance for doubtful accounts		-388	-90	-297
Increase/decrease in other reserves		206	-6	212
Interest and dividends received		-2,835	-4,306	1,470
Interest expenses		11,460	11,228	231
Gain on sale of investment securities		-496	-13,899	13,402
Loss on sale of investment securities		406	306	99
Gain on changes of ownership in subsidiaries and affiliates		—	-1,496	1,496
Loss on changes of ownership in subsidiaries and affiliates		208	—	208
Liquidation of unconsolidated subsidiaries and affiliates		802	129	673
Gain on disposal of fixed assets		-2,566	-4,435	1,868
Loss on disposal of fixed assets		8,400	8,389	10
Loss on impairment of fixed assets		8,328	33,435	-25,106
Increase in notes and accounts receivable		-9,845	-6,335	-3,510
Increase in inventories		-5,502	-1,257	-4,245
Increase/Decrease in notes and accounts payable		-6,545	3,309	-9,855
Payment of bonuses to directors and corporate auditors		-79	-58	-20
Other		10,219	-8,168	18,388
Subtotal		100,035	80,280	19,754
Interest and dividends received		2,913	4,557	-1,644
Interest paid		-11,576	-10,808	-767
Income taxes paid		-28,758	-12,569	-16,189
Net cash provided by operating activities		62,613	61,460	1,153

Term	FY3/07 (4/1/06 – 3/31/07)	FY3/06 (4/1/05 – 3/31/06)	Change
Item			
II Cash flows from investing activities			
Increase/decrease in time deposits	923	694	229
Purchase of property, plant and equipment	-46,597	-41,898	-4,698
Proceeds from sale of fixed assets	7,819	16,334	-8,515
Payments for purchase of other depreciable assets	-341	-871	529
Proceeds from sale of other depreciable assets	3	1	1
Payments for purchase of investment securities	-2,049	-14,003	11,953
Proceeds from sale of investment securities	1,154	14,660	-13,505
Payments for sale of stock in subsidiaries due to change in the scope of consolidation	-12	—	-12
Long-term loans made	-3,430	-4,640	1,209
Collections of long-term loans receivable	4,976	5,460	-483
Other	-147	1,636	-1,783
Net cash provided by/used in investing activities	-37,702	-22,627	-15,074
III Cash flows from financing activities			
Net decrease in short-term borrowings	-37,067	-23,702	-13,364
Net increase in commercial paper	11,000	—	11,000
Proceeds from long-term borrowings	93,344	54,870	38,474
Repayment of long-term borrowings	-77,586	-79,029	1,442
Proceeds from issuance of bonds	23,270	51,350	-28,080
Redemption of bonds	-61,989	-20,922	-41,067
Issue of shares	157	2,544	-2,387
Disposal of treasury stock	707	3,210	-2,502
Repayment of treasury stocks	-271	-256	-14
Cash dividend payments by parent company	-4,209	-2,330	-1,878
Cash dividend payments to minority shareholders	-628	-383	-244
Net cash used in financing activities	-53,272	-14,649	-38,623
IV Effect of exchange rate changes on cash and cash equivalents	598	1,758	-1,159
V Increase/decrease in cash and cash equivalents	-27,761	25,941	-53,702
VI Cash and cash equivalents at beginning of term	93,489	67,473	26,016
VII Cash and cash equivalents at beginning of term resulting from change in scope of consolidation	-90	-203	113
VIII Increase in cash and cash equivalents at beginning of term resulting from merger of consolidated subsidiaries	19	279	-259
IX Cash and cash equivalents at end of term	65,657	93,489	27,832

Segment Information

Segment information

(Unit: Millions of Yen)

	FY3/07 (4/1/06 – 3/31/07)								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	565,520	78,529	62,322	96,629	66,912	70,715	940,630	(—)	940,630	
(2) Intersegment sales and transfers	14,464	23,002	5,381	8,584	7	45,575	97,015	(97,015)	—	
Total	579,985	101,531	67,704	105,214	66,919	116,291	1,037,646	(97,015)	940,630	
Operating expenses	519,791	97,013	64,952	102,466	65,903	109,694	959,821	(95,884)	863,937	
Operating income	60,193	4,518	2,752	2,747	1,015	6,597	77,824	(1,131)	76,692	

Overseas sales

(Unit: Millions of Yen)

		FY3/07 (4/1/06 – 3/31/07)			
		North America	Asia	Other	Total
I	Overseas sales	127,642	89,096	16,352	233,091
II	Consolidated sales	—	—	—	940,630
III	Ratio of overseas sales to consolidated sales	13.6%	9.5%	1.7%	24.8%