

Summary of Consolidated Financial Results of Taiheiyo Cement Corporation for the First Half of Fiscal 2008 Ended September 30, 2007

November 13, 2007

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

Fiscal 2007 1H: April 1, 2006-September 30, 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. FY3/08 consolidated interim results (April 1, 2007 – September 30, 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	%
1H FY3/08	459,356	1.0	25,826	-15.2	21,034	-17.2	8,542	7.9
1H FY3/07	454,916	6.4	30,456	23.9	25,404	44.5	7,917	—
FY3/07	940,630	—	76,692	—	67,907	—	24,408	—

	EPS	Diluted EPS
	Yen	Yen
1H FY3/08	9.11	8.42
1H FY3/07	8.46	8.17
FY3/07	26.08	25.20

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of Yen	Millions of Yen	%	Yen
1H FY3/08	1,261,419	343,519	24.1	323.33
1H FY3/07	1,256,095	306,873	21.5	288.47
FY3/07	1,256,980	329,637	23.3	312.98

(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 FY3/08	28,414	-20,956	-7,407	66,640
1H FY3/07	17,120	-15,819	-21,579	73,693
FY3/07	62,613	-37,702	-53,272	65,657

2. Dividends

	Dividends per share		
	1H	Year-end	Annual
	Yen	Yen	Yen
FY3/07	2.00	2.00	4.00
FY3/08	2.00	—	5.00
FY3/08(forecast)	—	3.00	

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
FY3/08	932,000	-0.9	56,000	-27.0	49,000	-27.8	22,500	-7.8	24.00

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 FY3/08 (As of 9/30/07)	FY3/07 (As of 3/31/07)	Change	1H FY3/07 (As of 9/30/06)
Assets				
Current assets				
Cash and time deposits	71,300	70,142	1,157	78,569
Notes and accounts receivable	209,131	206,927	2,203	206,264
Inventories	87,792	80,412	7,379	79,794
Deferred income taxes	5,175	5,385	-209	4,483
Short-term loans	13,299	13,732	-433	14,066
Other current assets	16,606	16,773	-166	14,633
Allowance for doubtful accounts	-1,445	-1,848	402	-3,830
Current assets	401,860	391,526	10,334	393,981
Fixed assets				
A. Tangible fixed assets				
Buildings and structures	189,498	191,675	-2,176	190,670
Machinery, equipment	173,396	173,575	-179	169,795
Land	174,414	174,927	-513	175,904
Construction in progress	18,873	14,783	4,090	18,001
Other tangible fixed assets	24,984	25,324	-340	25,000
Tangible fixed assets	581,167	580,285	881	579,372
B. Intangible fixed assets				
Goodwill	19,534	19,725	-190	19,066
Other intangible fixed assets	26,126	25,339	787	26,969
Intangible fixed assets	45,661	45,064	596	46,036
C. Investments and other assets				
Investment securities	175,029	183,365	-8,336	173,182
Long-term loans	5,036	4,931	105	6,075
Deferred income taxes	17,724	16,945	779	16,074
Other investments and assets	50,938	51,658	-720	59,187
Allowance for doubtful accounts	-15,999	-16,799	800	-17,814
Investments and other assets	232,730	240,102	-7,372	236,705
Fixed assets	859,558	865,453	-5,894	862,113
Total assets	1,261,419	1,256,980	4,439	1,256,095

(Unit: Millions of Yen)

Item	1H FY3/08 (As of 9/30/07)	FY3/07 (As of 3/31/07)	Change	1H FY3/07 (As of 9/30/06)
Liabilities				
Current liabilities				
Notes and accounts payable	115,927	116,751	-823	113,196
Short-term borrowings	289,555	282,058	7,496	289,055
Commercial Paper	14,000	11,000	3,000	2,000
Bonds (due within one year)	1,522	1,574	-52	37,099
Income taxes payable	6,386	4,654	1,731	6,469
Deferred income taxes	27	106	-78	15
Bonus reserve	6,610	6,825	-215	6,171
Bonus reserve for directors and corporate auditors	9	65	-56	-
Other reserves	755	719	36	663
Other current liabilities	74,627	74,867	-240	75,750
Current liabilities	509,420	498,623	10,797	530,422
Fixed liabilities				
Bonds	74,086	74,349	-263	63,011
Convertible bonds	34,182	34,196	-14	34,211
Long-term borrowings	192,267	206,973	-14,706	214,560
Deferred income taxes	20,625	23,843	-3,218	18,469
Deferred income taxes from revaluation excess	6,061	6,061	-	6,072
Accrued for retirement benefits	35,387	34,919	468	33,434
Accrued for retirement benefits to directors and corporate auditors	1,074	2,384	-1,309	2,042
Special repair reserve	312	250	62	123
Other fixed liabilities	44,481	45,738	-1,257	46,873
Fixed liabilities	408,479	428,718	-20,239	418,800
Total liabilities	917,900	927,342	-9,441	949,222
Net asset				
Shareholders' equity				
Capital stock	69,499	69,499	-	69,499
Additional paid in capital	60,751	59,868	883	59,602
Retained earnings	132,795	126,127	6,668	111,479
Treasury stock	-1,660	-1,669	8	-1,754
Shareholders' equity	261,386	253,826	7,560	238,827
Valuation and translation adjustment				
Unrealized gain on other securities	20,013	25,485	-5,472	24,469
Loss on deferred hedge	51	21	30	6
Revaluation excess	4,669	4,677	-8	4,696
Foreign currency translation adjustments	19,240	10,720	8,519	1,935
Accumulated other comprehensive income (loss)	-1,805	-1,740	-64	-
Valuation and translation adjustment	42,169	39,165	3,004	31,108
Minority interests	39,963	36,646	3,316	36,937
Total net asset	343,519	329,637	13,881	306,873
Total liabilities and total net asset	1,261,419	1,256,980	4,439	1,256,095

Consolidated Statements of Income

(Unit: Millions of Yen)

Item		1H FY3/08 (4/1/07-9/30/07)	1H FY3/07 (4/1/06-9/30/06)	YoY change	FY3/07 (4/1/06-3/31/07)		
Operating income/loss	Sales	459,356	454,916	4,439	940,630		
	Cost of sales	363,852	355,922	7,930	728,386		
	Selling, general and administrative expenses	69,678	68,538	1,140	135,551		
	Income from operation	25,826	30,456	-4,630	76,692		
Non-operating income and expenses	Income	Interest and dividends received	1,716	1,286	429	2,835	
		Other non-operating income	3,104	2,114	989	6,240	
		Total	4,820	3,401	1,418	9,075	
	Expenses	Interest expenses	5,540	5,488	51	11,460	
		Equity in losses of unconsolidated subsidiaries and affiliates	2,572	1,468	1,103	3,339	
		Other non-operating expenses	1,498	1,495	2	3,061	
Total	9,611	8,453	1,158	17,860			
Ordinary income		21,034	25,404	-4,370	67,907		
Extraordinary gains and losses	Gains	Gain on disposal of fixed assets	994	1,254	-259	2,566	
		Gain on sale of investment securities	340	59	281	496	
		Gain on dilution of ownership in affiliated companies	20	-	20	-	
		Gain on return of retirement benefit trust	-	-	-	2,101	
		Other extraordinary gains	63	618	-555	835	
		Total	1,419	1,932	-512	6,001	
	Losses	Loss on disposal of fixed assets	1,810	3,685	-1,874	8,400	
		Provision for allowance for doubtful accounts	19	1,794	-1,775	1,167	
		Liquidation of unconsolidated subsidiaries and affiliates	98	-	98	802	
		Loss on sale of investment securities	13	218	-205	406	
		Stock valuation loss	115	64	50	839	
		Loss on Impairment of fixed assets	2,383	2,807	-424	8,328	
		Special allowance to employees retired under early retirement scheme	-	18	-18	70	
		Loss on change in equity in affiliated companies	-	202	-202	208	
		Loss of compensation on business retreat	715	-	715	-	
		Other extraordinary losses	194	1,188	-993	2,815	
		Total	5,350	9,980	-4,629	23,039	
		Net income before income taxes		17,103	17,357	-253	50,869
		Income taxes		9,843	8,763	1,079	19,867
Income taxes from previous year		-2,252	-	-2,252	-		
Income tax adjustments		-501	-690	189	3,666		
Minority interest income		1,471	1,366	104	2,926		
Net income		8,542	7,917	624	24,408		

Consolidated Statements of Changes in Shareholders' Equity for 1H FY3/08

1H FY3/08 (April 1, 2007 – September 30, 2007)

(¥ million)

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	69,499	59,868	126,127	-1,669	253,826
Changes during the period					
Dividends			-1,874		-1,874
Net income			8,542		8,542
Acquisition of treasury stock				-149	-149
Disposal of treasury stock		883		157	1,041
Changes in items other than shareholders' equity (net)					
Total changes during the period	-	883	6,668	8	7,560
Balance at September 30, 2007	69,499	60,751	132,795	-1,660	261,386

	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) *	Total valuation and translation adjustments		
Balance at March 31, 2006	25,485	21	4,677	10,720	-1,740	39,165	36,646	329,637
Changes during the period								
Dividends								-1,874
Net income								8,542
Acquisition of treasury stock								-149
Disposal of treasury stock								1,041
Changes in items other than shareholders' equity (net)	-5,472	30	-8	8,519	-64	3,004	3,316	6,321
Total changes during the period	-5,472	30	-8	8,519	-64	3,004	3,316	13,881
Balance at September 30, 2007	20,013	51	4,669	19,240	-1,805	42,169	39,963	343,519

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

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	-	4,691	3,260	36,152	35,768	305,155
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	4	-1,324	-5,043	1,169	-3,874
Total changes during the period	-3,730	6	4	-1,324	-5,043	1,169	1,717
Balance at September 30, 2006	24,469	6	4,696	1,935	31,108	36,937	306,873

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	1H FY3/08 (4/1/07 – 9/30/07)	1H FY3/07 (4/1/06 – 9/30/06)	YoY change	FY3/07 (4/1/06 – 3/31/07)
I Cash flows from operating activities					
Net income before income taxes		17,103	17,357	-253	50,869
Depreciation and amortization		21,245	18,868	2,377	38,960
Amortization of goodwill		528	852	-323	946
Equity in losses of unconsolidated subsidiaries and affiliates		2,572	1,468	1,103	3,339
Stock valuation loss		115	64	50	839
Gain on return of retirement benefit trust		-	-	-	-2,101
Decrease in accrued retirement benefits		-983	-2,186	1,203	-5,146
Increase/decrease in accrued retirement benefits to directors and corporate auditors		-73	-255	182	85
Increase/decrease in bonus reserve		-248	-143	-104	404
Increase in bonus reserve for directors and corporate auditors		-56	-	-56	65
Increase/decrease in allowance for doubtful accounts		-1,216	2,615	-3,832	-388
Increase/decrease in other reserves		98	23	74	206
Interest and dividends received		-1,716	-1,286	-429	-2,835
Interest expenses		5,540	5,488	51	11,460
Gain on sale of investment securities		-340	-59	-281	-496
Loss on sale of investment securities		13	218	-205	406
Gain on dilution of ownership in affiliated companies		-20	-	-20	-
Loss on dilution of ownership in affiliated companies		-	202	-202	208
Liquidation of unconsolidated subsidiaries and affiliates		98	-	98	802
Gain on disposal of fixed assets		-994	-1,254	259	-2,566
Loss on disposal of fixed assets		1,810	3,685	-1,874	8,400
Loss on impairment of fixed assets		2,383	2,807	-424	8,328
Increase in notes and accounts receivable		-2,157	-9,690	7,532	-9,845
Increase in inventories		-6,366	-5,767	-599	-5,502
Increase/decrease in notes and accounts payable		251	-7,223	7,475	-6,545
Payment of bonuses to directors and corporate auditors		-8	-79	71	-79
Other		657	10,885	-10,227	10,219
Subtotal		38,236	36,593	1,643	100,035
Interest and dividends received		1,686	1,795	-108	2,913
Interest paid		-5,607	-6,458	851	-11,576
Income taxes paid		-8,787	-14,809	6,022	-28,758
Income taxes refunded		2,885	-	2,885	-
Net cash provided by operating activities		28,414	17,120	11,294	62,613

Item	Term	1H FY3/08 (4/1/07 – 9/30/07)	1H FY3/07 (4/1/06 – 9/30/06)	YoY change	FY3/07 (4/1/06 – 3/31/07)
II	Cash flows from investing activities				
	Decrease in time deposits	–	502	–502	923
	Increase in time deposits	–148	–	–148	–
	Purchase of property, plant and equipment	–24,645	–20,614	–4,031	–46,597
	Proceeds from sale of fixed assets	3,167	4,943	–1,776	7,819
	Payments for purchase of other depreciable assets	–197	–386	188	–341
	Proceeds from sale of other depreciable assets	23	–	23	3
	Payments for purchase of investment securities	–454	–2,714	2,260	–2,049
	Proceeds from sale of investment securities	909	1,227	–317	1,154
	Payments for sale of stock in subsidiaries due to change in the scope of consolidation	–	–12	12	–12
	Long-term loans made	–928	–918	–10	–3,430
	Collections of long-term loans receivable	1,169	1,765	–596	4,976
	Other	149	387	–238	–147
	Net cash used in investing activities	–20,956	–15,819	–5,136	–37,702
III	Cash flows from financing activities				
	Net decrease in short-term borrowings	–6,361	–17,688	11,326	–37,067
	Net increase in commercial paper	3,000	2,000	1,000	11,000
	Proceeds from long-term borrowings	28,845	58,724	–29,879	93,344
	Repayment of long-term borrowings	–32,536	–47,555	15,019	–77,586
	Proceeds from issuance of bonds	575	10,990	–10,415	23,270
	Redemption of bonds	–890	–25,527	24,636	–61,989
	Issue of shares	1,470	137	1,332	157
	Disposal of treasury stock	1,041	261	779	707
	Repayment of treasury stocks	–149	–137	–11	–271
	Cash dividend payments by parent company	–1,874	–2,339	465	–4,209
	Cash dividend payments to minority shareholders	–526	–445	–81	–628
	Net cash used in financing activities	–7,407	–21,579	14,172	–53,272
IV	Effect of exchange rate changes on cash and cash equivalents	886	–200	1,086	598
V	Increase/decrease in cash and cash equivalents	938	–20,479	21,417	–27,761
VI	Cash and cash equivalents at beginning of term	65,657	93,489	–27,832	93,489
VII	Cash and cash equivalents at beginning of term resulting from change in scope of consolidation	44	682	–638	–90
VIII	Increase in cash and cash equivalents at beginning of term resulting from merger of consolidated subsidiaries	–	–	–	19
IX	Cash and cash equivalents at end of term	66,640	73,693	–7,053	65,657

Segment Information

Segment information

(Unit: Millions of Yen)

	1H FY3/08 (4/1/07 – 9/30/07)								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	279,438	41,385	28,923	42,941	31,533	35,133	459,356	–	459,356	
(2) Intersegment sales and transfers	7,682	10,491	3,026	3,986	3	22,882	48,071	(48,071)	–	
Total	287,121	51,876	31,949	46,927	31,537	58,015	507,428	(48,071)	459,356	
Operating expenses	267,274	49,989	29,956	47,186	31,666	55,236	481,309	(47,778)	433,530	
Operating income	19,846	1,887	1,992	–258	–128	2,779	26,118	(292)	25,826	

Overseas sales

(Unit: Millions of Yen)

		1H FY3/08 (4/1/07 – 9/30/07)			
		North America	Asia	Other	Total
I	Overseas sales	62,867	44,773	10,291	117,932
II	Consolidated sales	–	–	–	459,356
III	Ratio of overseas sales to consolidated sales	13.7%	9.7%	2.2%	25.7%