

# Taiheiyo Cement Corporation

## Reference Materials of Financial Results for the First Half of Fiscal 2010 (From April 1, 2009 through September 30, 2009)

### Contents

Trend in Construction Investments and Domestic Demand of Cement	Page 1
Volume of Sales and Shipment Results by Region	Page 2
Financial Results for the First Half of Fiscal 2010	Pages 3-4
Consolidated Balance Sheets	Page 5
Consolidated Statements of Cash Flows	Page 6
Forecast of Fiscal 2010	Page 7-8
[Reference Information]	
1. Status of the Consolidated Group	Page 9
2. Change in Interest-bearing Debt	Page 9
3. Change in Number of Personnel	Page 9
4. Change in Capital Investment	Page 9
5. Change in Depreciation Expenses	Page 9
6. Change in Research and Development Expenses	Page 10
7. Cement Sales in Overseas Subsidiaries	Page 10
8. Financial Results of Ssangyong Cement	Page 10
9. Overview of Businesses in the U.S.	Page 10
Current Situation and Outlook of the Taiheiyo 10 Medium-Term Management Plan	Page 11-12

November 10, 2009

## 1. Trend in Construction Investments and Domestic Demand of Cement

	Estimate of construction investments (in nominal terms) (100 million yen)	Year-on year change (%)	Domestic Demand (including imports) (Thousand tons)	Year-on year change (%)	Exports (Thousand tons)	Year-on year change (%)
Fiscal 1995	787,523	-3.6	79,743	1.4	14,995	1.4
Fiscal 1996	790,169	0.3	80,377	0.8	13,389	-10.7
Fiscal 1997	828,077	4.8	82,417	2.5	12,427	-7.2
Fiscal 1998	751,906	-9.2	76,573	-7.1	11,219	-9.7
Fiscal 1999	714,269	-5.0	70,719	-7.6	7,558	-32.6
Fiscal 2000	685,039	-4.1	71,515	1.1	7,564	0.1
Fiscal 2001	661,948	-3.4	71,435	-0.1	7,477	-1.2
Fiscal 2002	612,875	-7.4	67,811	-5.1	7,863	5.2
Fiscal 2003	568,401	-7.3	63,514	-6.3	8,554	8.8
Fiscal 2004	536,880	-5.5	59,687	-6.0	9,879	15.5
Fiscal 2005	528,246	-1.6	57,569	-3.5	10,373	5.0
Fiscal 2006	515,676	-2.4	59,089	2.6	10,273	-1.0
Fiscal 2007	513,281	-0.5	58,985	-0.2	9,592	-6.6
Fiscal 2008	(estimated value) 479,000	-6.7	55,506	-5.9	10,017	4.4
Fiscal 2009	(estimated value) 472,300	-1.4	50,087	-9.8	10,672	6.5
Fiscal 2010	(forecasted value) 431,900	-8.6	42,663	-14.8	10,000	-6.3
(For reference)						
First Half of Fiscal 2008			27,356	-3.4		
First Half of Fiscal 2009			24,446	-10.6		
First Half of Fiscal 2010			21,017	-14.0		

[Sources]

Estimate of construction investments:

for Fiscal 1995 to Fiscal 2007, Ministry of Land, Infrastructure, Transport and Tourism

for Fiscal 2008 and Fiscal 2010, Research Institute of Construction and Economy (RICE)

Domestic demand of cement: Japan Cement Association

## 2. Volume of Sales and Shipment Results by Region

### Volume of sales of cement by region (excluding imports)

	Fiscal 2008		Fiscal 2009		First Half of Fiscal 2010	
	Volume of sales (Thousand tons)	Year-on-year change (%)	Volume of sales (Thousand tons)	Year-on-year change (%)	Volume of sales (Thousand tons)	Year-on-year change (%)
Hokkaido	2,573	-5.4	2,299	-10.6	1,222	-7.7
Tohoku	3,848	-9.6	3,354	-12.9	1,459	-13.1
Kanto 1	12,005	-6.2	11,241	-6.4	4,890	-8.1
Kanto 2	4,923	-4.1	4,403	-10.6	1,785	-16.1
Hokuriku	2,757	-7.3	2,578	-6.5	1,191	-9.3
Tokai	6,827	-9.2	6,379	-6.6	2,474	-18.6
Kinki	8,142	0.6	7,026	-13.7	2,731	-24.1
Shikoku	2,091	-13.9	1,824	-12.8	760	-10.4
Chugoku	3,791	-3.8	3,343	-11.8	1,392	-13.2
Kyushu	6,801	-5.4	5,892	-13.4	2,336	-14.5
Okinawa	816	-9.3	825	1.1	364	-2.9
Domestic Total	54,575	-5.9	49,164	-9.9	20,604	-14.0
Exports	10,017	4.4	10,672	6.5	5,564	-0.9
Total	64,592	-4.4	59,835	-7.4	26,168	-11.5

Source: Japan Cement Association

### Shipment of ready-mixed concrete by region

	Fiscal 2008		Fiscal 2009		First Half of Fiscal 2010	
	Shipment (Thousand cubic meters)	Year-on-year change (%)	Shipment (Thousand cubic meters)	Year-on-year change (%)	Shipment (Thousand cubic meters)	Year-on-year change (%)
Hokkaido	4,517	-5.2	3,874	-14.2	1,889	-15.3
Tohoku	7,827	-9.4	6,835	-12.7	2,935	-16.6
Kanto 1	27,409	-9.6	24,155	-11.9	10,278	-12.8
Kanto 2	8,762	-6.2	7,579	-13.5	3,088	-16.7
Hokuriku	5,922	-7.0	5,602	-5.4	2,682	-5.8
Tokai	14,043	-10.4	13,865	-1.3	5,428	-18.4
Kinki	14,321	-5.8	13,610	-5.0	5,809	-14.8
Chugoku	7,604	-5.6	6,536	-14.0	2,721	-12.7
Shikoku	4,740	-14.1	4,199	-11.4	1,782	-8.0
Kyushu	16,736	-7.1	14,753	-11.8	5,678	-16.9
Total	111,881	-8.2	101,009	-9.7	42,288	-14.5

Source: National Federation of Ready-Mixed Concrete Industrial Associations

## Financial Results for the First Half of Fiscal 2010

### Consolidated Statements of Income

(Millions of yen)

Item		First Half of Fiscal 2009	First Half of Fiscal 2010	Change		
Ordinary income and loss	Operating income/loss	Net sales	429,069	357,938	-71,131	
		Cost of sales	352,140	296,884	-55,255	
		Gross profit	76,929	61,053	-15,875	
		Selling, general and administrative expenses	72,421	62,786	-9,634	
		<b>Income (loss) from operations</b>	<b>4,507</b>	<b>-1,732</b>	<b>-6,240</b>	
	Non-operating income and expenses	Income	Interest income	591	304	-287
			Dividends income	841	893	51
			Equity in earnings of unconsolidated subsidiaries and affiliates	-	503	503
			Other	1,935	2,574	639
		Total	3,368	4,275	906	
		Expenses	Interest expenses	5,436	5,002	-433
			Equity in losses of unconsolidated subsidiaries and affiliates	3,922	-	-3,922
			Other	1,897	1,857	-40
			Total	11,256	6,860	-4,395
			<b>Ordinary loss</b>	<b>-3,379</b>	<b>-4,316</b>	<b>-937</b>
Extraordinary gain and loss	Gain		Gain on disposal of non-current assets	1,584	361	-1,222
		Gain on sales of investment securities	657	13	-643	
		Other	127	269	142	
		Total	2,368	644	-1,723	
	Losses	Loss on disposal of non-current assets	955	1,323	368	
		Write-off of fixed assets	893	14	-879	
		Loss on valuation of investment securities	241	197	-44	
		Business withdrawal loss	239	244	4	
		Other	502	749	246	
		Total	2,833	2,528	-304	
<b>Loss before income taxes and minority interests</b>		<b>-3,844</b>	<b>-6,201</b>	<b>-2,356</b>		
Income taxes-current		3,307	1,926	-1,381		
Income taxes-deferred		-759	-122	636		
Minority interests in net income of consolidated subsidiaries		931	-16	-947		
<b>Net loss</b>		<b>-7,323</b>	<b>-7,988</b>	<b>-664</b>		

#### Sales volume of cement (Thousand tons)

	First Half of Fiscal 2009	First Half of Fiscal 2010	Change
Domestic	8,374	7,362	-1,012
Export	2,144	2,415	271

## Segment Information

### (1) Net sales

(Millions of yen)

		1H FY2009	1H FY2010	Change	Main factors of change	
Cement business	Domestic	193,734	177,115	-16,619	Domestic	Domestic cement sales decreased -8.1 bil. yen Unit price for sales of cement in Japan increased +3.9 bil.yen Decreased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -11.8 bil.yen
	Overseas subsidiaries	71,836	50,021	-21,814	Overseas subsidiaries	U. S. -\$160 million (cement: -\$78 million; ready-mixed concrete etc.: -\$82 million) China -\$21 million; Asia +\$11 million Effect of foreign exchange -4.2 bil. yen
Total		265,570	227,136	-38,433		
Mineral Resources business		51,920	43,961	-7,958	Decreased sales of limestone, surplus construction soil, landfill materials, etc.	
Environmental business		34,325	29,057	-5,268	Decreased sales due to reduced volume of excavated waste, sludge, etc.	
Construction Materials business		49,184	43,074	-6,110	Decreased sales due to reduced volume of construction materials.	
Ceramics & Electronics business		17,108	7,039	-10,069	Decreased sales in Ceramics & Electronics business as a result of the market contraction due to economic downturn.	
Other		56,229	46,373	-9,855	Decreased sales in transport and warehouse business due to drop in handling volumes.	
Total		474,339	396,643	-77,695		
Eliminations or corporate assets		-45,269	-38,705	6,563		
Consolidated total		429,069	357,938	-71,131		

### (2) Income from operations

		1H FY2009	1H FY2010	Change	Main factors of change	
Cement business	Domestic	-4,949	-2,906	2,043	Domestic	Unit price for sales of cement in Japan increased +3 bil.yen Domestic cement sales decreased -4.4 bil. yen Manufacturing cost reduction +1.3 bil. yen Impact from rationalization +3.2 bil. yen Decreased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -0.8 bil.yen
	Overseas subsidiaries	6,710	14	-6,696	Overseas subsidiaries	U. S. -\$55 million China -\$3.8 million Effect of foreign exchange -0.2 bil. yen
Total		1,761	-2,892	-4,654		
Mineral Resources business		531	395	-135	Decreased profit due to reduced volume of limestone, surplus construction soil, landfill materials, etc.	
Environmental business		1,770	2,186	415	Increased profit due to improved profitability of consolidated subsidiaries.	
Construction Materials business		-524	328	852	Increased profit due to improved profitability of consolidated subsidiaries.	
Ceramics & Electronics business		-658	-2,422	-1,764	Decreased profit in Ceramics & Electronics business as a result of the market contraction due to economic downturn.	
Other		1,749	1,061	-688	Decreased profit in transport and warehouse business due to drop in handling volumes.	
Total		4,630	-1,343	-5,974		
Eliminations or corporate assets		-122	-388	-266		
Consolidated total		4,507	-1,732	-6,240		

[Reference information]

Foreign exchange rate First half of Fiscal 2009 average: ¥104.89 per dollar; First half of Fiscal 2010 average: ¥95.59 per dollar; difference: ¥9.30  
Exchange rate at end of Dec. 2008: ¥91.03 per dollar; at end of Jun. 2009: ¥96.01 per dollar; difference: ¥4.98

## Consolidated Balance Sheets

(Unit: Millions of yen)

	As of 3/31/09	As of 9/30/09	Change	Main factors of change
Cash and time deposits	61,052	60,853	-199	
Notes and accounts receivable-trade	172,621	153,156	-19,464	
Merchandise and finished goods	36,758	38,410	1,651	
Work in process	12,361	8,741	-3,620	
Raw materials and supplies	46,538	43,352	-3,185	
Other	38,287	37,198	-1,088	
Allowance for doubtful accounts	-1,961	-1,829	131	
<b>Current assets</b>	<b>365,659</b>	<b>339,883</b>	<b>-25,776</b>	
Property, plant and equipment				Property, plant and equipment
Buildings and structures	173,584	170,875	-2,708	Capital investment 18.8 bil. yen
Machinery, equipment and vehicles	151,198	145,546	-5,651	Depreciation expenses -22 bil. yen
Land	173,566	173,509	-56	Loss on retirement and sales -1.7 bil. yen
Other	57,990	68,751	10,761	Foreign exchange effects 7.2 bil. yen
<b>Property, plant and equipment</b>	<b>556,339</b>	<b>558,683</b>	<b>2,343</b>	
Intangible assets				
Goodwill	21,343	20,666	-676	
Other	37,049	37,506	457	
<b>Intangible assets</b>	<b>58,392</b>	<b>58,173</b>	<b>-218</b>	
Investments and other assets				
Investments in securities	103,153	101,734	-1,418	
Other	84,072	81,181	-2,891	
Allowance for doubtful accounts	-9,530	-9,142	388	
<b>Investments and other assets</b>	<b>177,695</b>	<b>173,773</b>	<b>-3,921</b>	
<b>Non-current assets</b>	<b>792,426</b>	<b>790,630</b>	<b>-1,796</b>	
<b>Total assets</b>	<b>1,158,086</b>	<b>1,130,513</b>	<b>-27,572</b>	
Notes and accounts payable-trade	100,877	77,577	-23,299	
Short-term loans payable	280,702	284,223	3,520	
Commercial papers	22,000	10,000	-12,000	
Current portion of bonds	785	20,785	20,000	
Current portion of bonds with subscription rights to shares	-	12,087	12,087	
Income taxes payable	2,292	2,488	196	
Provision for bonuses	5,740	5,253	-486	
Provision for directors' bonuses	26	7	-19	
Provision loss on movement of head office	428	-	-428	
Provision for loss on assignment of business	5,438	5,438	-	
Other provisions	818	846	27	
Other	65,156	55,806	-9,349	
<b>Current liabilities</b>	<b>484,266</b>	<b>474,515</b>	<b>-9,750</b>	
Bonds payable	73,181	63,363	-9,817	
Bonds with subscription rights to shares	34,137	22,035	-12,102	
Long-term bank loans payable	232,559	235,053	2,493	
Provision for retirement benefits	34,215	35,494	1,279	
Provision for directors' retirement benefits	1,083	811	-271	
Provision for loss on business of subsidiaries and affiliates	138	138	-	
Provision for special repairs	361	388	27	
Other	78,104	77,813	-290	
<b>Non-current liabilities</b>	<b>453,780</b>	<b>435,098</b>	<b>-18,682</b>	
<b>Total liabilities</b>	<b>938,047</b>	<b>909,614</b>	<b>-28,433</b>	
Capital stock	69,499	69,499	-	
Capital surplus	60,745	60,743	-1	
Retained earnings	89,743	81,766	-7,977	
Treasury stock	-1,702	-2,476	-774	
<b>Shareholders' equity</b>	<b>218,286</b>	<b>209,532</b>	<b>-8,753</b>	
Unrealized gain on other securities	4,952	7,746	2,793	
Deferred gains or losses on hedges	-97	-74	22	
Revaluation reserve for land	4,559	4,548	-10	
Foreign currency translation adjustments	-41,379	-34,567	6,812	
Accumulated other comprehensive losses	-2,567	-2,707	-139	
<b>Valuation and translation adjustments</b>	<b>-34,531</b>	<b>-25,053</b>	<b>9,477</b>	
Minority interests in consolidated subsidiaries	36,284	36,420	136	
<b>Total net assets</b>	<b>220,038</b>	<b>220,899</b>	<b>860</b>	
<b>Total liabilities and total net assets</b>	<b>1,158,086</b>	<b>1,130,513</b>	<b>-27,572</b>	

## Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	First Half of Fiscal 2009	First Half of Fiscal 2010	Change	Main factors of change
<b>Cash flows from operating activities</b>	-11,794	14,712	26,506	
Loss before income taxes and minority interests	-3,844	-6,201	-2,356	
Depreciation and amortization	24,610	23,930	-679	
Decrease in notes and accounts receivable-trade	365	20,570	20,204	
Increase (decrease) in notes and accounts payable-trade	-5,257	-23,243	-17,986	
Other	-27,668	-342	27,325	
<b>Cash flows from investing activities</b>	-69,031	-14,552	54,479	
Purchase of non-current assets	-23,649	-22,504	1,144	
Proceeds from sale of non-current assets	3,381	1,062	-2,319	
Purchase of investments in securities	-52,344	-118	52,225	
Proceeds from sales of investments in securities	1,720	6,349	4,629	
Other	1,859	658	-1,200	
<b>Cash flows from financing activities</b>	79,103	-1,909	-81,012	
Increase (decrease) in interest-bearing debt	80,498	-23	-80,522	
Cash dividend paid	-2,822	-	2,822	
Other	1,428	-1,885	-3,313	
Effect of exchange rate changes on cash and cash equivalents	-1,094	960	2,054	
Decrease in cash and cash equivalents	-2,816	-788	2,028	
Other	718	-126	-845	
Cash and cash equivalents at beginning of the period	60,051	56,299	-3,752	
Cash and cash equivalents at end of the period	57,953	55,383	-2,569	

Increase (decrease) in interest-bearing debt	As of 3/31/09	As of 9/30/09	Difference
Bonds payable	73,181	63,363	-9,817
Current portion of bonds	785	20,785	20,000
Bonds with subscription rights to shares	34,137	22,035	-12,102
Current portion of bonds with subscription rights to shares	-	12,087	12,087
Long-term loans payable	232,559	235,053	2,493
Short-term loans payable	280,702	284,223	3,520
Commercial papers	22,000	10,000	-12,000
Total interest-bearing liabilities	643,367	647,548	4,181

Non-consolidated results as of 9/30/09: 368 billion yen

Year-on-year change	As of 3/31/09	As of 9/30/09	Difference
Equity ratio (%)	15.9	16.3	0.4
Equity ratio based on market value (%)	11.7	9.9	-1.8
Net assets per share (yen)	195.80	197.64	1.84
Current ratio (%)	75.5	71.6	-3.9

Year-on-year change	First Half of Fiscal 2009	First Half of Fiscal 2010	Difference
Net loss per share (yen)	-7.80	-8.53	-0.73

Forecast of Fiscal 2010

[Preconditions]

- Domestic production: 42.66 million tons (down 14.8% year-on-year)
- Predicted foreign exchange rate for Fiscal 2010: 92.8 yen/ US dollar (10.69 yen higher than previous fiscal year)

(Unit: Millions of yen)

		Fiscal 2009	Fiscal 2010	Differences
Net sales	Cement business (domestic)	396,414	358,081	-38,333
	Overseas subsidiaries	145,277	102,501	-42,776
	Cement business (total)	541,691	460,582	-81,109
	Mineral Resources business	104,027	88,538	-15,489
	Environmental business	67,511	61,322	-6,189
	Construction Materials business	110,359	91,806	-18,553
	Ceramics & Electronics business	27,297	16,902	-10,395
	Other	114,123	101,842	-12,281
	Total	965,011	820,992	-144,019
	Eliminations or corporate assets	-93,177	-83,992	9,185
Consolidated		871,833	737,000	-134,833
Operating income	Cement business (domestic)	-7,399	818	8,217
	Overseas subsidiaries	10,154	-1,135	-11,289
	Cement business (total)	2,755	-317	-3,072
	Mineral Resources business	1,696	943	-753
	Environmental business	3,840	4,423	583
	Construction Materials business	2,423	1,619	-804
	Ceramics & Electronics business	-2,320	-3,356	-1,036
	Other	3,826	2,573	-1,253
	Total	12,222	5,885	-6,337
	Eliminations or corporate assets	-1,045	-885	160
Consolidated		11,176	5,000	-6,176
Ordinary income		-4,880	500	5,380
Extraordinary income (losses)		-28,029	-5,000	23,029
Income before income taxes and minority interests		-32,909	-4,500	28,409
Net loss		-35,371	-4,500	30,871



Sales volume of cement (Thousand tons)

	Fiscal 2009	Fiscal 2010	Change
Domestic	17,259	14,887	-2,372
Export	4,259	5,265	1,006

Breakdown of increase/decrease in net sales of Cement business

Domestic: -38.3 bil. yen

Domestic cement sales expected to decrease -19.3 bil. yen

Unit price for sales of cement in Japan expected to increase +5.9 bil.yen

Decreased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -32.7 bil.yen

Overseas subsidiaries: -42.8 bil. yen

U. S. -\$317 million

China -\$14 million

Asia +\$33 million

Other -\$4 million

Effect of foreign exchange -12.8 bil. yen

Breakdown of increase/decrease in operating income of Cement business

Domestic: +8.2 bil. yen

Domestic cement sales expected to decrease -10 bil. yen

Unit price for sales of cement in Japan expected to increase +4.6 bil.yen

Impact from rationalization +6.8 bil. yen

Manufacturing cost reduction + 7.5 bil. yen

Decreased profit from companies producing ready-mixed concrete -0.5 bil.yen

Overseas subsidiaries: -11.3 bil. yen

U. S. -\$109 million

China +\$7 million

Asia -\$2 million

Other -\$4 million

Effect of foreign exchange -0.3 bil. yen

[Reference Information]

1. Status of the Consolidated Group

(No. of companies)

	As of 3/31/07	As of 3/31/08	As of 3/31/09	As of 9/30/09	As of 3/31/10 (forecast)
Consolidated subsidiaries	174	174	172	170	164
Equity method subsidiaries	15	14	14	15	15
Equity method affiliates	55	54	51	50	50
Total of companies within the scope of consolidation	244	242	237	235	229
Subsidiaries outside the scope of consolidation	124	129	125	121	118
Affiliates outside the scope of consolidation	94	96	87	88	87
Total of companies outside the scope of consolidation	218	225	212	209	205
Total	462	467	449	444	434

2. Change in Interest-bearing Debt

(100 million yen)

	As of 3/31/07	As of 3/31/08	As of 3/31/09	As of 9/30/09	As of 3/31/10 (forecast)
The Company	3,399	3,420	3,650	3,680	3,500
Consolidated subsidiaries	2,702	2,482	2,783	2,795	2,850
Whole group	6,101	5,902	6,433	6,475	6,350

3. Change in Number of Personnel

(No. of persons)

	As of 3/31/07	As of 3/31/08	As of 3/31/09	As of 9/30/09
The Company	3,317	3,312	3,306	3,290
Consolidated subsidiaries	13,988	14,579	15,228	13,890
Whole group	17,305	17,891	18,534	17,180

4. Change in Capital Investment

(100 million yen)

	Fiscal 2007	Fiscal 2008	Fiscal 2009	First Half of Fiscal 2010	Fiscal 2010 (forecast)
The Company	195	169	196	54	155
Consolidated subsidiaries	273	396	404	134	303
Whole group	468	565	600	188	458

5. Change in Depreciation Expenses

(100 million yen)

	Fiscal 2007	Fiscal 2008	Fiscal 2009	First Half of Fiscal 2010	Fiscal 2010 (forecast)
The Company	148	176	228	106	213
Consolidated subsidiaries	241	259	289	114	259
Whole group	389	435	517	220	472

#### 6. Change in Research and Development Expenses

(100 million yen)

	Fiscal 2007	Fiscal 2008	Fiscal 2009	First Half of Fiscal 2010	Fiscal 2010 (forecast)
The Company	42	40	40	18	42
Consolidated subsidiaries	10	11	10	4	8
Whole group	52	51	50	22	50

#### 7. Cement Sales in Overseas Subsidiaries (Sum of the sales of the consolidated subsidiaries)

(10 thousand tons)

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010 (forecast)
U.S.	678	579	432	287
Asia	920	974	940	962
Other regions	10	13	16	13

#### 8. Financial Results of Ssangyong Cement

	Fiscal 2007 actual	Fiscal 2008 actual	Fiscal 2009 actual	First Half of Fiscal 2010
Sales of cement clinker	1,260	1,297	1,331	10 thousand tons 687
Net sales	10,383	10,155	11,723	100 million won 5,535
Income (loss) from operations	-70	54	-156	250
Ordinary income(loss)	-514	39	-1,653	320
Net income(loss)	-541	44	-1,687	317
Outstanding balance of loans	As of 12/31/06 10,938	As of 12/31/07 9,868	As of 12/31/08 11,849	As of 6/30/09 9,269

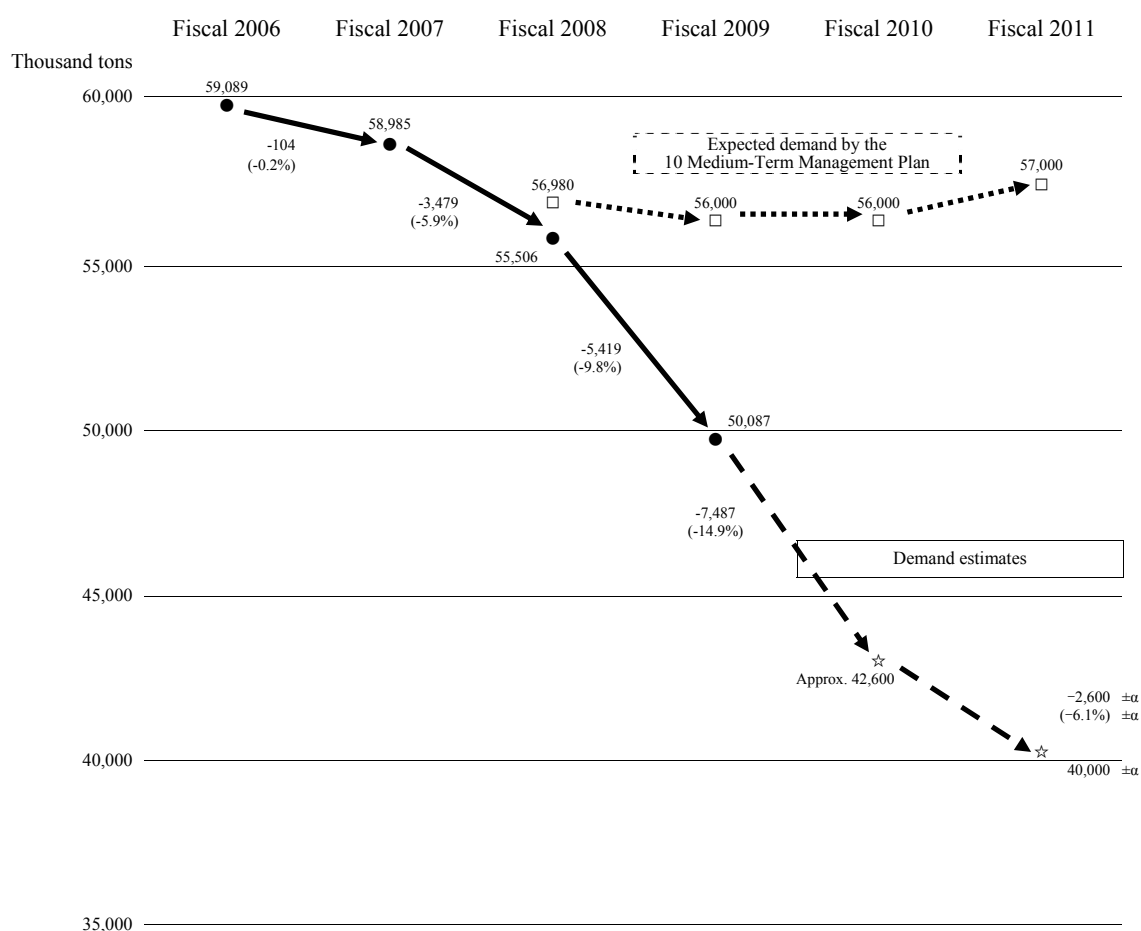
#### 9. Overview of Businesses in the U.S. (Taiheiy Cement U.S.A., Inc., on a consolidated basis)

(\$ thousands)

	Fiscal 2008 actual	Fiscal 2009 actual	First Half of Fiscal 2010	Fiscal 2010 (forecast)
Net sales	1,010,088	910,241	296,869	593,803
Income (loss) from operations	176,011	54,013	-20,388	-55,429
Net income(loss)	139,170	27,019	-14,049	-36,815

## Current Situation and Outlook of the Taiheiyo 10 Medium-Term Management Plan

### 1. Trend in Domestic Demand of Cement



(Reference)

- i) The Group's production capacity: 23,630 thousand tons (at the beginning of Fiscal 2010: JCA)  
 \*Figures include the capacity of Tosoh Corporation.
- ii) Domestic sales volume (at capacity of 40 million tons): 15,440 Thousand tons (including solidification materials)

### 2. Current situation and review of the Taiheiyo 10 Medium-Term Management Plan

#### 1) Comparisons between the 10 Med-Term Plan's numerical targets and forecasted results for Fiscal 2010 (100 millions of yen)

	Consolidated		Non-consolidated	
	10 Med-Term Plan	Fiscal 2010 forecast	10 Med-Term Plan	Fiscal 2010 forecast
Net sales	10,229	7,370	3,690	2,800
Operating income (Operating margin)	792 (7.7%)	50 (0.7%)	246 (6.7%)	10 (0.4%)
Income (loss) from operations	635	5	266	30
Net income(loss)	278	-45	134	15

#### 2) Review of numerical targets

Based on the following assumptions, net sales will fall to “¥729 billion (consolidated) and ¥272 billion

(non-consolidated).” Even though in this difficult situation, we are planning to implement various measures in an effort to maintain adequate profit levels to enable us to deliver stable dividends, investments for growth and an improved financial position.

(Assumptions) Domestic demand: 40 million tons, other factors in line with current conditions  
Overseas and the group companies’ business performance: in line with Fiscal 2010 forecasts

3) Review of the positioning of the 10 Medium-Term Management Plan

i) Numerical targets and approaches are kept unchanged

Our objective: To become a leading Pacific Rim company

Basic approach: To focus on core businesses and build a balanced earnings structure between domestic and overseas operations

ii) To position the period through Fiscal 2011 as a stage to strengthen our foundations for growth strategies

3. Transition programs for growth strategies

- Prompt and steady implementation of “structural reform without exceptions”
- Expansion of growing businesses

Specific issues to be addressed

i) To review and restructure the domestic production structure, including contract sales and production, in order to respond to a sharp decrease in domestic cement demand

: Assumption: forecasted domestic demand of cement 40 +/- α million tons.

: Our current export stands at an amount greater than 4 million tons. However, overseas sales are unprofitable compared to domestic sales; therefore we will gradually reduce the volume of export from Japan.

: While giving due consideration to already developed relationships and the key intent of existing contracts, we will propose stricter terms in negotiations with contract sales and production firms in light of the significantly falling demand.

: Prior to the decision regarding specific actions (selection of plants in which cement production is to be suspended), we will consider the possibility of halting the cement kiln to cope with demand changes.

: We will pursue every possible way to transform the application of certain cement production-related facilities, principally to waste treatment facilities.

ii) Review of the domestic cement sales structure and streamlining of logistics

: To review the structure of sales and logistics systems to deal with the drastic decline in domestic demand.

: To embark on an urgent reduction in logistics costs in order to achieve an annual cost reduction of 2-3 billion yen.

iii) Revision of organization and personnel structure

: To achieve a streamlined structure through eliminating and consolidating organizations.

: To establish a competitive personnel structure that can cope with decreasing domestic demand.

iv) Growth strategies for overseas business

: Rolling out environmental technologies in the overseas markets, exploration of opportunities in new countries and regions, strengthening of the downstream business development.

The details, times of implementation and effects on the Group’s income of the growth strategies will be disclosed by the end of March 2010.