

News Releases

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Taiheiyo Cement Group Medium-Term Business Plan

The Taiheiyo Cement Group has finalized its Medium-Term Business Plan 2007 as a new medium-term plan covering the three years from fiscal 2005(the year to 31 March 2006) to fiscal 2007(the year to 31 March 2008). An outline of the plan is provided below.

1. Medium-term vision and basic policy

(1) Medium-term group vision

Be a leading company in the Pacific Rim

(2) Basic policy

The Medium-Term Business Plan 2007 represents a milestone for the Taiheiyo Cement Group as it embarks on a new path for growth. With the goal of maximizing enterprise value, the group seeks to enhance profitability and improve its financial structure through swift reforms to its business and organizational structures.

2. Themes

(1) Increase operating cash flow

1) Enhance profitability of cement businesses

- Domestic business: stabilize earnings
- Overseas business: maximize earnings

2) Focus investment on priority and growth businesses

- Overseas businesses
- Mineral-resource and environmental businesses
- Ceramics and electronics businesses

(2) Strengthen group management

1) Further identify and focus on priority businesses

2) Establish group management system

3) Clarify group headquarters functions

3. Consolidated business targets

(¥ billion)

	FY 2004 forecast	FY 2007 target	Difference
Net sales	865	885	20
Operating income	45	76	31
Ordinary income	36	64	28
Net income	16	29	13
Operating cash flow	54	76	22
Total assets	1,270	1,238	-32
Interest-bearing debt	680	630	-50
ROA	2.8%	5.2%	2.4%
Debt redemption years	12.6 years	8.3 years	-4.3 years

4. Capital expenditures

Planned capital expenditures of about ¥150 billion over three years

5. Consolidated net sales and operating income by business segment

(¥ billion)

Business segment	Net sales			Operating income		
	FY 2004 forecast	FY 2007 target	Difference	FY 2004 forecast	FY 2007 target	Difference
Cement	505.4	497.0	-8.4	31.5	48.4	16.9
Mineral resources	91.7	93.3	1.6	2.2	3.3	1.1
Environmental	60.2	61.4	1.2	3.5	4.4	0.9
Construction materials	104.1	111.7	7.6	1.8	3.6	1.8
Ceramics & electronics	68.5	100.1	31.6	2.1	9.8	7.7

Other	113.2	110.5	-2.7	5.5	7.0	1.5
Eliminations	-78.0	-89.0	-11.0	-1.8	-0.5	1.3
Total	865.0	885.0	20.0	45.0	76.0	31.0

Note: The “other” business segment comprises the real estate, logistics, engineering, information systems, and other businesses

6. Basic policies for each business segment

(1) Domestic cement business

Domestic cement demand forecasts

FY 2005 54 million tons

FY 2006 53 million tons

FY 2007 52 million tons Basic policies

1) Enhance cost competitiveness

- Manufacturing costs

Expand use of recycled resources

- Sales and distribution costs

Pursue efficient sales organization and optimize distribution facilities

2) Restructure manufacturing system

- Change business structure

Change to environmental business of Chichibu Taiheiyo Cement Corporation

3) Normalize cement prices

- Correct price imbalance and converge on a fair price range

Correct unprofitable and low prices, reduce regional price differences, and pass higher costs for coal and other raw materials onto prices

- Restore and maintain order in logistics

Develop a logistics system based on transparency, fairness, and simplicity

4) Increase brand strength and reliability

- Improve quality assurance system

Take common approach to issues in the ready-mixed concrete and secondary-products segments

- Pursue environmental protection activities

(2) Overseas cement business

Further develop trilateral business structure in the Pacific Rim region, comprising North America, China, and Southeast Asia

- 1) Maximize earnings in existing businesses
- 2) Expand business by prioritizing investment in growth markets
- 3) Continue strengthening export business

(3) Mineral resources business

Effectively use the group's abundant resources, technology, and infrastructure to expand business and improve the earnings structure

- 1) Continue to expand volume and improve the earnings structure of the aggregates and mineral product businesses
- 2) Expand business using surplus construction soil and other recycled resources
- 3) Pursue overseas business with a focus on cement plants, limestone, and the environment

(4) Environmental business

Expand environmental business both inside and outside of cement plants

- 1) Increase sales by using waste as raw materials and expand usage volume by improving technology to use waste as fuel
- 2) Expand business through technological and business development
- 3) Expand laterally into ash water treatment
- 4) Expand ecocement business

(5) Construction materials business

- 1) Improve earnings through further development of existing businesses and expand business amid decline in construction demand
- 2) Vigorously identify and focus on priority businesses and further improve management

(6) Ceramics and electronics business

- 1) Stabilize existing businesses by adding new technology and acquiring new customers
- 2) Establish an efficient production system and cut costs

3) Invest to boost production to increase sales and invest in new technology and businesses

(7) Real estate business

Raise group-wide asset efficiency

7. Strengthen group management

(1) Define the positioning of each of our businesses to further identify and focus on priority ones

(2) Invest in and develop growth businesses and accelerate our withdrawal from or reorganization of unprofitable businesses

8. Corporate social responsibility initiatives

(1) Develop and strengthen compliance systems

(2) Contribute to protecting the global environment

(3) Restructure quality assurance system

(4) Advance the activities of the cement industry committee of the World Business Council for Sustainable Development