

News Releases

April 25, 2006

Extraordinary Gains and Losses in Fiscal 2006

Taiheiyo Cement Corporation today announced that it will record the following extraordinary gains and losses in fiscal 2006 (April 1, 2005-March 31, 2006).

1. Extraordinary gains

Taiheiyo Cement is reforming its investment and business activities and prepared its Taiheiyo 07 Medium-Term Management Plan with the goal of maximizing enterprise value by enhancing profitability and improving its financial position.

As part of these efforts, the company sold listed securities and will record a gain on the sale of stocks and other securities of ¥14.3 billion.

This gain on the sale of stocks and other securities includes the sale of stock in consolidated subsidiaries Nihon Ceratec Co., Ltd. announced November 16, 2005 and Azuma Shipping Co., Ltd. announced February 22, 2006.

2. Extraordinary losses

Ssangyong Cement Industrial Co., Ltd., an equity-method affiliate in South Korea, has been pursuing management restructuring since concluding an agreement to implement a management rationalization plan with Taiheiyo Cement and the council of creditor financial institutions of Ssangyong Cement Industrial in November 2001. Ssangyong Cement Industrial completed this management rationalization plan at the end of November 2005 thanks to improvement in its profit structure as well as significant improvement in its financial stability and liquidity.

At the time of account settlements, the market value of the common stock in Ssangyong Cement Industrial owned by Taiheiyo Cement had decreased by 47% compared to the purchase price based on the stock's price on the Korea Exchange. Taiheiyo Cement examined the prospects of a recovery in the stock price based on trends in the stock price following the completion of the management rationalization plan and trends in the cement industry in South Korea. However, it determined that a recovery to the purchase price within one year is unlikely, and it is writing down the value of this stock based on accounting standards for financial products.

Taiheiyo Cement is also providing an allowance to cover estimated losses at the end of

fiscal 2006 at overseas consolidated subsidiary that owns preferred stock in Ssangyong Cement Industrial.

Extraordinary losses resulting from the foregoing are comprised of a loss on the write-off of investments in securities of ¥21.2 billion and a provision to the allowance for losses on overseas investments of ¥8.7 billion.

These losses will be eliminated in consolidated accounts and therefore not affect earnings. However, the company anticipates a one-time charge of ¥900 million to amortize consolidation adjustments resulting from valuation losses.

3. Future outlook

Taiheiyo Cement today revised its earnings forecasts to reflect the foregoing extraordinary gains and losses.