

Taiheiyo Cement Corporation

Reference Materials of Financial Results for the First Half of Fiscal 2012 (From April 1, 2011 through September 30, 2011)

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November 11, 2011

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	476,961	-7.1	55,506	-5.9	10,017	4.4
Fiscal 2009	481,517	-0.1	50,087	-9.8	10,672	6.5
Fiscal 2010	(estimated value) 424,000	-11.9	42,732	-14.7	11,054	3.6
Fiscal 2011	(estimated value) 411,300	-3.0	41,614	-2.6	9,967	-9.8
Fiscal 2012	(forecasted value) 446,400	8.5	41,500	-0.3	10,800	8.4
(For reference)						
First Half of Fiscal 2010			21,017	-14.0		
First Half of Fiscal 2011			19,820	-5.7		
First Half of Fiscal 2012			20,157	1.7		

[Sources]

Estimate of construction investments:

for Fiscal 1995 to Fiscal 2011, Ministry of Land, Infrastructure, Transport and Tourism

for Fiscal 2012, Research Institute of Construction and Economy (RICE)

Domestic demand of cement:

for Fiscal 1995 to Fiscal 2011, Japan Cement Association

for Fiscal 2012, forecast by the company

2. Volume of Sales and Shipment Results by Region

Volume of sales of cement by region (excluding imports)

	Fiscal 2010		Fiscal 2011		First Half of Fiscal 2012	
	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	2,240	-2.6	2,030	-9.4	1,121	-2.0
Tohoku	3,011	-10.2	2,860	-5.0	1,302	-7.5
Kanto 1	9,508	-15.4	9,461	-0.5	4,855	7.7
Kanto 2	3,812	-13.4	3,848	1.0	1,856	0.4
Hokuriku	2,331	-9.6	2,342	0.5	1,141	-4.2
Tokai	5,064	-20.6	4,873	-3.8	2,292	1.1
Kinki	5,505	-21.6	5,561	1.0	2,659	2.5
Shikoku	1,661	-8.9	1,633	-1.7	710	-3.7
Chugoku	2,924	-12.5	2,700	-7.7	1,282	1.1
Kyushu	5,137	-12.8	4,969	-3.3	2,242	0.3
Okinawa	783	-5.1	763	-2.5	360	4.0
Domestic Total	41,976	-14.6	41,040	-2.2	19,819	1.4
Exports	11,054	3.6	9,967	-9.8	5,155	-1.6
Total	53,030	-11.4	51,007	-3.8	24,974	0.8

Source: Japan Cement Association

Shipment of ready-mixed concrete by region

	Fiscal 2010		Fiscal 2011		First Half of Fiscal 2012	
	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	3,475	-10.3	3,227	-7.2	1,919	17.0
Tohoku	6,030	-11.8	5,780	-4.2	2,695	-6.4
Kanto 1	20,024	-17.1	20,944	4.6	10,833	7.9
Kanto 2	6,442	-15.0	6,539	1.5	3,120	0.8
Hokuriku	5,225	-6.7	5,279	1.0	2,549	-4.3
Tokai	10,995	-20.7	10,668	-3.0	5,223	6.6
Kinki	11,466	-15.8	11,282	-1.6	5,585	5.7
Chugoku	5,823	-10.9	5,508	-5.4	2,611	0.6
Shikoku	3,938	-6.2	3,694	-6.2	1,576	-5.5
Kyushu	12,612	-14.5	12,358	-2.0	5,615	2.3
Total	86,030	-14.8	85,278	-0.9	41,725	3.6

Source: National Federation of Ready-Mixed Concrete Industrial Associations

Financial Results for the First Half of Fiscal 2012

Consolidated Statements of Income

(Millions of yen)

Item		First Half of Fiscal 2011	First Half of Fiscal 2012	Change		
Ordinary income and loss	Operating income/loss	Net sales	343,014	347,203	4,189	
		Cost of sales	285,801	284,106	-1,694	
		Gross profit	57,213	63,097	5,884	
		Selling, general and administrative expenses	59,014	57,333	-1,680	
		Operating income	-1,801	5,763	7,565	
	Non-operating income and expenses	Income	Interest income	265	231	-34
			Dividends income	772	462	-309
			Other	2,110	2,199	88
		Total		3,148	2,893	-255
		Expenses	Interest expenses	4,919	4,749	-170
			Equity in losses of unconsolidated subsidiaries and affiliates	629	273	-356
			Other	3,524	2,520	-1,004
			Total		9,073	7,543
	Ordinary income or loss		-7,726	1,113	8,840	
Extraordinary income and losses	Income	Gain on disposal of non-current assets	8,101	586	-7,514	
		Gain on sales of investment securities	1,084	16	-1,067	
		Other	806	272	-533	
		Total		9,991	876	-9,115
	Losses	Loss on disposal of non-current assets	729	631	-98	
		Loss on sale of investment securities	2,543	12	-2,530	
		Loss on valuation of investment securities	2,243	165	-2,078	
		Loss on disaster	-	1,465	1,465	
		Loss on adjustment for changes of accounting standard for asset retirement obligations	4,056	-	-4,056	
		Other	2,057	1,399	-493	
	Total		11,630	3,674	-7,956	
	Income before income tax and minority interests		-9,366	-1,684	7,681	
	Income taxes-current		4,460	3,680	-779	
Income taxes-deferred		-729	-2,301	-1,571		
Income taxes total		3,730	1,379	-2,351		
Net income before minority interests		-13,096	-3,063	10,032		
Minority interests		51	319	268		
Net income		-13,148	-3,383	9,764		

Sales volume of cement (Thousand tons)

	First Half of Fiscal 2011	First Half of Fiscal 2012	Change
Domestic	6,761	6,853	92
Export	2,208	1,689	-520

Segment Information

(1) Net sales

(Millions of yen)

		First Half of Fiscal 2011	First Half of Fiscal 2012	Change	Main factors of change	
Cement business	Domestic	164,559	173,281	8,721	Domestic	Domestic cement sales increased +0.8 bil. yen Decline in domestic cement selling price -0.6 bil. yen Decrease in export volume -2.0 bil. yen Decline in export cement selling price -0.9 bil. yen Increased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +11.3 bil. yen
	Overseas subsidiaries	43,314	46,060	2,745	Overseas subsidiaries	U. S. +\$13 million Cement +\$1 million Ready-mixed concrete etc. +\$12 million China +\$37 million; Asia +\$27 million Effect of foreign exchange -4.9 bil. yen
Total		207,874	219,342	11,467		
Mineral Resources business		39,161	39,905	743	Increased sales of aggregate for the Hokkaido Shinkansen and other materials.	
Environmental business		28,391	30,760	2,368	Increased sales from accepting waste from disasters and the increase in the processing of coal ash.	
Construction Materials business		37,001	35,370	-1,631	Decreased sales due to reduced volume of construction materials.	
Ceramics & Electronics business		17,194	21,412	4,218	Increased sales in Ceramics & Electronics business as a result of the market environment recovery.	
Other		47,882	29,674	-18,208	Decreased sales due to exclusion from consolidation of Azuma Shipping Co., Ltd. group.	
Total		377,506	376,464	-1,041		
Eliminations or corporate assets		-34,492	-29,260	5,231		
Consolidated total		343,014	347,203	4,189		

(2) Operating income

		First Half of Fiscal 2011	First Half of Fiscal 2012	Change	Main factors of change	
Cement business	Domestic	216	5,376	5,159	Domestic	Domestic cement sales decreased +0.5 bil. yen Decline in domestic cement selling price -0.4 bil. yen Decline in net export revenue -0.9 bil. yen Variable cost etc. reduction +0.9 bil. yen Decreased fixed cost +4.2 bil. yen Increased income from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +0.8 bil. yen
	Overseas subsidiaries	-3,190	-3,480	-289	Overseas subsidiaries	U. S. -\$16 million China +\$15 million Asia -\$5 million Effect of foreign exchange +0.3 bil. yen
Total		-2,973	1,895	4,869		
Mineral Resources business		274	756	481	Increased sales of aggregate for the Hokkaido Shinkansen and other materials.	
Environmental business		2,362	3,118	756	Increased sales from the increase in the processing of coal ash.	
Construction Materials business		-1,689	-1,110	578	Improvement in profits due to the effects of restructuring a construction subsidiary.	
Ceramics & Electronics business		-860	-147	712	Increased profit in Ceramics & Electronics business as a result of the market environment recovery.	
Other		1,295	1,297	1		
Total		-1,590	5,810	7,401		
Eliminations or corporate assets		-210	-46	164		
Consolidated total		-1,801	5,763	7,565		

[Reference information]

Foreign exchange rate First Half of Fiscal 2011 average: ¥91.36 per dollar; First Half of Fiscal 2012 average: ¥82.01 per dollar; difference: ¥9.35
Exchange rate at end of Dec. 2010: ¥81.49 per dollar; at end of Jun. 2011: ¥80.73 per dollar; difference: ¥0.76

Consolidated Balance Sheets

(Unit: Millions of yen)

	As of 3/31/11	As of 9/30/11	Change	Main factors of change
Cash and deposits	67,290	77,628	10,338	
Notes and accounts receivable-trade	150,064	144,247	-5,817	
Merchandise and finished goods	27,168	27,190	21	
Work in process	6,166	7,270	1,103	
Raw materials and supplies	35,260	36,414	1,154	
Other	38,796	41,214	2,417	
Allowance for doubtful accounts	-1,810	-2,186	-376	
Total current assets	322,936	331,778	8,842	
Property, plant and equipment				Property, plant and equipment and intangible assets
Buildings and structures	158,150	154,244	-3,906	Capital investment 12.0 bil. yen
Machinery, equipment and vehicles	117,902	110,158	-7,743	Depreciation expense -20.2 bil. yen
Land	153,479	152,936	-542	Loss on retirement and sales -0.7 bil. yen
Other	51,444	55,932	4,488	Asset retirement obligation 0 bil. yen
Property, plant and equipment	480,977	473,272	-7,704	Increase due to a merger 0.1 bil. yen
Intangible assets				Foreign exchange effects -1.0 bil. yen
Goodwill	15,607	14,360	-1,247	Others 0 bil. yen
Other	31,095	30,427	-668	
Intangible assets	46,702	44,787	-1,915	
Investments and other assets				
Investment securities	87,466	86,880	-586	
Other	66,420	67,117	697	
Allowance for doubtful accounts	-5,762	-5,482	279	
Investments and other assets	148,125	148,515	390	
Total noncurrent assets	675,805	666,575	-9,229	
Total assets	998,741	998,354	-387	
Notes and accounts payable-trade	78,757	73,301	-5,456	
Short-term loans payable	282,336	273,969	-8,366	
Commercial papers	12,000	-	-12,000	
Current portion of bonds	20,326	20,353	27	
Income taxes payable	3,323	3,707	383	
Provision for bonuses	4,152	4,070	-81	
Provision for directors' bonuses	7	7	-	
Provision for loss on assignment of business	5,953	5,953	-	
Provision for loss on disaster	6,542	2,596	-3,946	
Other provision	878	885	6	
Other	58,599	63,476	4,876	
Total current liabilities	472,877	448,321	-24,556	
Bonds payable	51,954	42,349	-9,605	
Long-term loans payable	199,554	206,068	6,513	
Provision for retirement benefits	23,945	23,590	-355	
Provision for directors' retirement benefits	626	492	-133	
Provision for loss on business of subsidiaries and affiliates	138	138	-	
Provision for special repairs	319	353	34	
Provision for asset removal	2,427	2,402	-25	
Asset retirement obligations (non-current)	6,251	6,123	-127	
Other	73,827	73,755	-72	
Total non-current liabilities	359,044	355,273	-3,770	
Total liabilities	831,922	803,594	-28,327	

	As of 3/31/11	As of 9/30/11	Change	Main factors of change
Capital stock	69,499	86,174	16,675	
Capital surplus	33,962	50,636	16,674	
Retained earnings	82,952	77,275	-5,677	
Treasury stock	-918	-922	-3	
Total shareholders' equity	185,495	213,163	27,668	
Valuation difference on available-for-sale securities	2,393	1,406	-986	
Deferred gains or losses on hedges	54	-4	-59	
Revaluation reserve for land	4,447	4,429	-17	
Foreign currency translation adjustments	-49,503	-47,979	1,523	
Adjustment for employee retirement benefit of overseas subsidiary	-2,446	-2,301	145	
Total accumulated other comprehensive income	-45,053	-44,448	604	
Minority interests	26,378	26,044	-333	
Total net assets	166,819	194,759	27,939	
Total liabilities and net assets	998,741	998,354	-387	

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	First Half of Fiscal 2011	First Half of Fiscal 2012	Change	Main factors of change
Net cash provided by (used in) operating activities	7,749	11,992	4,243	
Loss before income taxes and minority interests	-9,366	-1,684	7,682	
Depreciation and amortization	21,302	20,227	-1,075	
Decrease (increase) in notes and accounts receivable-trade	6,087	6,262	175	
Increase (decrease) in notes and accounts payable-trade	-6,932	-6,019	913	
Other	-3,342	-6,794	-3,452	
Net cash provided by (used in) investing activities	-1,491	-7,248	-5,757	
Purchase of property, plant, and equipment	-13,647	-7,974	5,673	
Proceeds from sale of property, plant, and equipment	10,495	977	-9,518	
Purchase of investment securities	-186	-320	-134	
Proceeds from sales of investment securities	3,118	157	-2,961	
Other	-1,273	-89	1,184	
Net cash provided by (used in) in financing activities	-47,506	6,208	53,714	
Decrease (increase) in interest-bearing liabilities	-46,320	-23,279	23,041	
Proceeds of issuance of common stock	-	33,350	33,350	
Cash dividend paid	-	-2,372	-2,372	
Other	-1,185	-1,490	-305	
Effect of exchange rate changes on cash and cash equivalents	-773	-78	695	
Net increase (decrease) in cash and cash equivalents	-42,022	10,872	52,894	
Other	-3	41	44	
Cash and cash equivalents at beginning of term	113,480	61,265	-52,215	
Cash and cash equivalents at end of term	71,455	72,180	725	

Increase (decrease) in interest-bearing liabilities	As of 3/31/11	As of 9/30/11	Difference
Bonds payable	51,954	42,349	-9,605
Current portion of bonds	20,326	20,353	27
Long-term loans payable	199,554	206,068	6,513
Short-term loans payable	282,336	273,969	-8,366
Commercial papers	12,000	0	-12,000
Total interest-bearing liabilities	566,171	542,740	-23,430

Year-on-year change	As of 3/31/11	As of 9/30/11	Difference
Equity ratio (%)	14.1	16.9	2.8
Equity ratio based on market value (%)	13.2	17.6	4.4
Equity per share (yen)	149.3	137.4	-11.9
Current ratio (%)	68.3	74.0	5.7
Net D/E ratio	3.6	2.8	-0.8

Year-on-year change	First Half of Fiscal 2011	First Half of Fiscal 2012	Difference
Net loss per share (yen)	-13.98	-3.45	10.53

Forecast of Fiscal 2012

[Preconditions]

- Domestic production: Fiscal 2012 41.50 million tons
- Foreign exchange rate: 80.0 yen/ US dollar (7.78 yen higher than Fiscal 2011)

(Unit: Millions of yen)

		Fiscal 2011 (actual)	Fiscal 2012 (forecast)	Differences
Net sales	Cement business (domestic)	348,583	350,994	2,411
	Overseas subsidiaries	90,757	96,060	5,303
	Cement business (total)	439,340	447,054	7,714
	Mineral Resources business	82,728	83,449	721
	Environmental business	58,037	66,330	8,293
	Construction Materials business	84,536	84,589	53
	Ceramics & Electronics business	42,878	29,894	-12,984
	Other	85,448	67,883	-17,565
	Total	792,969	779,199	-13,770
	Eliminations or corporate assets	-66,493	-61,199	5,294
Consolidated	726,475	718,000	-8,475	
Operating income	Cement business (domestic)	14,098	19,306	5,208
	Overseas subsidiaries	-6,146	-4,224	1,922
	Cement business (total)	7,951	15,082	7,131
	Mineral Resources business	1,689	2,017	328
	Environmental business	5,209	6,016	807
	Construction Materials business	-239	1,434	1,673
	Ceramics & Electronics business	-1,088	-296	792
	Other	3,596	2,907	-689
	Total	17,119	27,160	10,041
	Eliminations or corporate assets	-686	-160	526
Consolidated	16,433	27,000	10,567	
Ordinary income	7,412	18,200	10,788	
Extraordinary income (losses)	7,592	1,300	-6,292	
Income before income tax and minority interests	15,005	19,500	4,495	
Net income (loss)	4,450	11,300	6,850	

Sales volume of cement (Thousand tons)

	Fiscal 2011 (actual)	Fiscal 2012 (forecast)	Change
Domestic	14,121	14,159	38
Export	4,024	3,958	-66

Main factors of changes in Net sales

[Cement]

Domestic:

Domestic cement sales expected to increase +0.3 bil. yen

Unit price for sales of cement in Japan expected to increase +0.4 bil. yen

Decline in export cement selling price -2.0 bil. yen

Increased sales from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. +3.0 bil. yen

Overseas subsidiaries:

U. S. +\$44 million

China +\$65 million

Asia +\$64 million

Other +\$6 million

Effect of foreign exchange -9.7 bil. yen

Main factors of changes in Operating income

[Cement]

Domestic:

Domestic cement sales expected to increase +0.2 bil. yen

Unit price for sales of cement in Japan expected to increase +0.3 bil. yen

Variable cost etc. reduction +1.9 bil. yen

Decreased fixed cost +2.0 bil. yen

Decreased profit from companies producing ready-mixed concrete and merchandising firms of ready-mixed concrete etc. -0.1 bil. yen

Overseas subsidiaries:

U. S. -\$12 million

China +\$20 million

Asia +\$2 million

Effect of foreign exchange +0.2 bil. yen

[Construction Materials]

Improvement in profits due to the effects of restructuring a construction subsidiary +1.2 bil. yen

[Reference Information]

1. Status of the Consolidated Group

(No. of companies)

	As of 3/31/09	As of 3/31/10	As of 3/31/11	As of 9/30/11
Consolidated subsidiaries	172	167	149	149
Equity method subsidiaries	14	16	12	12
Equity method affiliates	51	48	40	39
Total of companies within the scope of consolidation	237	231	201	200
Subsidiaries outside the scope of consolidation	125	117	100	98
Affiliates outside the scope of consolidation	87	87	73	74
Total of companies outside the scope of consolidation	212	204	173	172
Total	449	435	374	372

2. Change in Interest-bearing Debt

(100 million yen)

	As of 3/31/09	As of 3/31/10	As of 3/31/11	As of 9/30/11	As of 3/31/12 (forecast)
The Company	3,650	4,064	3,261	3,066	2,980
Consolidated subsidiaries	2,783	2,726	2,400	2,361	2,300
Whole group	6,433	6,790	5,661	5,427	5,280

3. Change in Number of Personnel

(No. of persons)

	As of 3/31/09	As of 3/31/10	As of 3/31/11	As of 9/30/11
The Company	3,306	3,238	2,340	2,304
Consolidated subsidiaries	15,228	13,671	13,532	12,471
Whole group	18,534	16,909	15,872	14,775

4. Change in Capital Investment

(100 million yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	First Half of Fiscal 2012	Fiscal 2012 (forecast)
The Company	196	127	150	62	174
Consolidated subsidiaries	404	263	174	58	200
Whole group	600	390	324	120	374

5. Change in Depreciation Expenses

(100 million yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	First Half of Fiscal 2012	Fiscal 2012 (forecast)
The Company	228	217	180	84	178
Consolidated subsidiaries	289	270	251	118	224
Whole group	517	487	431	202	402

6. Change in Experiment and Research Expenses

(100 million yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	First Half of Fiscal 2012	Fiscal 2012 (forecast)
The Company	40	37	31	14	31
Consolidated subsidiaries	10	9	9	4	9
Whole group	50	46	40	18	40

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

(10 thousand tons)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012 (forecast)
U.S.A.	432	277	255	267
Asia	940	943	1,003	1,117
Other regions	16	13	13	16

8. Financial Results of Ssangyong Cement

	Fiscal 2009 actual	Fiscal 2010 actual	Fiscal 2011 actual	First Half of Fiscal 2012
Sales of cement clinker	1,331	1,395	1,436	10 thousand tons 715
Net sales	11,723	10,836	10,368	100 million won 5,195
Operating income (loss)	-156	707	438	-105
Ordinary income (loss)	-1,653	762	293	-306
Net income (loss)	-1,687	742	293	-306
Outstanding balance of loans	As of 12/31/08 11,849	As of 12/31/09 7,580	As of 12/31/10 6,101	As of 6/30/11 7,859

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

(\$ thousands)

	Fiscal 2009 actual	Fiscal 2010 actual	Fiscal 2011 actual	First Half of Fiscal 2012	Fiscal 2012 (forecast)
Net sales	910,241	574,753	493,356	251,815	537,000
Operating income (loss)	54,013	-82,558	-98,455	-62,963	-111,000
Net income (loss)	27,019	-53,876	-31,759	-42,501	-5,000