

[Financial Summary]

GUIDANCE FOR TOHO's BUSINESS AND FINANCIAL PERFORMANCE

I. Five-Year Financial Summary

Fiscal Years		FY2005	FY2006	FY2007	FY2008	FY2009
		Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Net Sales	Millions of yen	31,706	38,098	44,904	41,042	21,691
Operating Income(Loss)	Millions of yen	8,980	10,943	13,752	7,080	(1,553)
Ordinary Income (Loss)	Millions of yen	8,948	10,830	13,312	6,590	(2,174)
Net Income (Loss)	Millions of yen	5,123	6,234	7,783	4,102	(2,648)
Net Assets	Millions of yen	24,524	29,980	35,240	37,771	34,900
Total Assets	Millions of yen	35,616	41,076	54,517	79,533	89,472
Net Asset per Share	Yen	403.06	493.00	579.59	621.16	573.81
Net Income (Loss) per Share	Yen	83.33	102.75	128.28	67.61	(43.65)
Net Income (Loss) per Share (diluted)	Yen	—	—	—	—	—
Dividend per Share (non-consolidate)	Yen	15.00	25.00	28.00	15.00	5.00
(At half-year end)	Yen	(—)	(—)	(12.50)	(10.00)	(—)
Equity Ratio	(%)	68.8	72.8	64.5	47.4	38.9
Return on Equity (ROE)	(%)	23.22	22.91	23.92	11.26	-7.31
Payout Ratio	(%)	21.4	28.4	24.3	15.0	—
Price Earning Ratio (PER)	(Times)	101.28	56.16	19.96	17.79	—
Net Cash provided by (used in) Operating Activities	Millions of yen	8,696	5,960	9,334	3,517	3,555
Net Cash Provided by (used in) Investing Activities	Millions of yen	(2,848)	(4,984)	(15,624)	(23,806)	(20,235)
Net Cash provided by (used in) Financing Activities	Millions of yen	(5,425)	(1,522)	4,560	24,771	12,599
Cash and Cash Equivalents at Year-End	Millions of yen	2,609	2,063	334	4,816	735
Number of Employees (Part-time and others)		646 (72)	683 (86)	799 (80)	860 (70)	848 (31)

II. Performance for the year ended March 31, 2010

Overview

In the fiscal year under review, exports increased from the worst period of the global economic crisis that began two years ago, and with capital investment ceasing to fall, the Japanese economy has begun to show signs of recovery, but the employment situation remained severe.

In the titanium industry, demand decreased significantly for products for both aircrafts and general industry.

Under such conditions, Toho Titanium's titanium metal business experienced reduced sales of titanium sponge and titanium ingots, and with sales prices also declining, sales fell, and we recorded a loss.

Meanwhile, mainly due to a recovery in demand for electronic components, our catalysts and chemicals business experienced increases in both sales and income.

As a result of the foregoing, performance in the term under reviews was as follows: sales decreased 47.1% from the previous term to ¥21.691 billion, operating loss totaled ¥1.553 billion, ordinary loss totaled ¥2.174 billion, and net loss totaled ¥2.648 billion, due to a reversal in deferred tax assets.

Performance by Segment

Titanium Metal

In terms of demand for titanium metal in the current period, there were repeated delivery delays for new-type Boeing 787 aircrafts, while in products for general industry, there were delays and cancellations for capital investment in chemical plants and other things, and therefore this was a very difficult period of adjustment.

Under such conditions, sales volumes for titanium sponge, titanium ingots and fabricated titanium products all fell in comparison with the previous term, and sales prices also fell. Because of this, sales of titanium sponge fell 37.8% from the previous term to ¥3.783 billion, sales of titanium ingots fell 66.5% to ¥6.865 billion, and sales of fabricated titanium products and others fell 55.2% to ¥3.047 billion.

In response to reduced demand, Toho Titanium has reduced its production for titanium sponge 40% from the capacity as of April 2009, and 55% from the capacity as of October 2009.

As a result, sales in this segment reduced significantly from the previous term, by 59.0% to ¥13.696 billion, and operating loss totaled ¥1.499 billion.

Catalysts and Chemicals

Regarding catalyst products, there was a delay in recovery for demand from developed countries for polypropylene, which is the main application for our core product, "THC," a Toho High-efficiency Catalyst, and as a result, sales decreased slightly from the previous term.

Our core electronic component materials products are ultra-fine nickel powder and high-purity titanium dioxide. Demand for core electronic components recovered mainly through general-purpose goods for Asia, and sales of electronic component materials increased from the previous term.

As a result, sales in this segment increased by 4.2% from the previous term, to ¥7.994 billion, and operating income increased 51.6% to ¥1.783 billion, due to cost improvements.

Sales by Segment/Products

(Millions of yen)

Business Segment	Products	FY2009 (For the year ended March 31, 2010)	FY2008 (For the year ended March 31, 2009)	YOY Change (%)
Titanium Metal	Sponge	3,783	6,078	-37.8%
	Ingot	6,865	20,483	-66.5%
	Fabricated and others	3,047	6,810	-55.2%
	Subtotal	13,696	33,372	-59.0%
Catalysts and Chemicals	Catalyst products and electronic component materials	7,994	7,670	+4.2%
Total		21,691	41,042	-47.1%

Operating Income by Segment

(Millions of yen)

Business Segment	FY2009 (For the year ended March 31, 2010)	FY2008 (For the year ended March 31, 2009)	YOY Change (%)
Titanium Metal	(1,499)	8,440	—
Catalysts and Chemicals	1,783	1,176	+51.6%
Total	283	9,616	-97.0%
Corporate (Elimination)	(1,837)	(2,536)	—
Consolidated Total	(1,553)	7,080	—

(Note) As of this fiscal year, our business segments have changed, and the above has been compiled based on the business segments following these changes.

Financial Position

Total assets increased by ¥9.939 billion from the end of the previous term, to ¥89.472 billion. This was mainly a result of an increase in property, plant and equipment due to new construction of a titanium sponge plant in Wakamatsu-ku in Kitakyushu City, despite decreases in accounts receivables-trade due to reduced sales and cash and deposits.

Total liabilities increased by ¥12.809 billion from the end of the previous term to ¥54.571 billion, due mainly to an increase in long-term loans payable relating to loan for expansion of production capacity mentioned above.

Net assets decreased by ¥2.87 billion to ¥34.9 billion, due mainly to a reduction in retained earnings. The main factors for this were the posting of a net loss of ¥2.648 billion, and ¥303 million in dividends of surplus. As a result of the foregoing, the equity capital ratio fell from 47.4% at the end of the previous term to 38.9%.

Cash Flows

Cash flows from operating activities totaled ¥3.555 billion. Fund-increasing factors included ¥4.221 billion in depreciation and amortization and a ¥2.887 billion reduction in accounts receivables -trade, while fund-decreasing factors included a net loss before income taxes of ¥1.86 billion and a ¥1.014 billion reduction in accounts payable-trade.

Cash flows from investing activities totaled ¥-20.235 billion, due to an expense of ¥19.481 billion for acquisition of property, plant and equipment, etc.

Cash flows from financing activities totaled ¥12.599 billion, with proceeds of ¥14.5 billion from long-term loans payable and a net ¥1.7 billion increase in short-term loans payable, and outflows of ¥2.855 billion in repayments of long-term loans payable, etc.

As a result of the foregoing, the total of cash and cash equivalents at the end of this term decreased by ¥4.081 billion from last term to ¥735 million.

Research and Development Activities

As well as focusing on strengthening our existing business, Toho Titanium Group utilizes our technology to work towards research and development aimed at further expanding our business area, and at developing new business.

In the fiscal year under review, research and development expenses for the entire Group totaled ¥1.362 billion, including ¥456 million in basic research expenses not allocated to any segment.

Details about each business segment's research contents, and research and development expenses, are outlined below.

Titanium Metal

We continually promote improvements in production technology targeting productivity and quality for titanium sponge and titanium ingots. By putting the technology that we have developed into practical use at our newly constructed Wakamatsu and Yahata plants, along with process improvements at our existing plants, we intend to strengthen our competitiveness. Research and development expenses incurred in this business segment totaled ¥345 million.

Catalysts and Chemicals

In catalysts and chemicals business, we work towards research and development for improving quality, enhancing technological capability and developing new products, etc in products such as catalysts, ultra-fine nickel powder and high-purity titanium dioxide, while also working to share technology in order to demonstrate synergy as the catalysts and chemicals division.

Research and development expenses incurred in this business segment totaled ¥560 million.

Others

Japan Solar Silicon Co., Ltd., in which Toho Titanium invests in the form of a joint venture, is now constructing a mass-production plant for polycrystalline silicon for use in solar power generation, and is planning to begin production during 2010. Toho Titanium's titanium-manufacturing technology is being used in the production of polycrystalline silicon.

III. Dividend Policy

Regarding profit allocation, our basic policy is to provide "shareholder returns that reflect performance," and we make decisions with attention given to the need for internal reserves for strengthening business foundations, and maintaining stable dividends.

Decisions on dividend payments to shareholders are made with consideration given to capital investment and our financial position, and our basic policy is to maintain a rate of at least 20% of net income.

As for year-end dividend for the current term, although we recorded a loss, in the light of steady dividends, we offered payments of ¥5 per share. Because we cut interim dividends, annual dividend will be ¥5 per share.

IV. Medium- to Long-Term Strategies and Challenges to be Addressed

Based on management philosophy and mission, Toho Titanium engages in business with the aims of growing titanium into a more major material, and becoming the world-leading producers, leading this growth.

With the basic policy of focusing on profitability, we aim to "maintain a return on assets (ROA) at least 15%, and an operating income margin of at least 15%, over the medium-long term," with a view towards securing earnings of at least a certain level in any business environment.

Titanium Metal

1) Titanium sponge

Although we remain in a period of adjustment, we expect a full-scale recovery in demand for titanium metals for both aircrafts and general industry during 2011, and thereafter return to a growth path once more.

Our titanium-sponge-manufacturing Wakamatsu plant, for which construction began during 2007 in Wakamatsu-ku in Kitakyushu City, began commercial operations in April of this year. The Wakamatsu plant has an annual production capacity of 12,000 tons of titanium sponge, and initially began commercial operations at 50% of production capacity. In the future we plan to gradually expand production by confirming stable operations, while also gaining approval from customers for aircrafts.

2) Titanium ingots

Regarding titanium ingots, as well as establishing a recycling system at our Yahata plant, we will create efficient and strategic production systems at our Chigasaki, Hitachi and Yahata plants.

3) Titanium fabricated products

Regarding titanium fabricated products, by cooperation between two subsidiaries. Toho Technical Service Co., Ltd., who fabricates and sells titanium products, and TESCO Co., Ltd., who performs construction of facilities such as titanium tubes and tanks, we will strive to increase sales.

Catalysts and Chemicals

At catalysts and chemicals division, by boosting synergy in technology and sales through joint operation of our catalyst and electronic component materials businesses, while also by deepening each unique technology, we will supply useful titanium-related products.

Challenges facing each product are outlined below.

1) Catalyst products

For catalyst products, with sales, research, technology and manufacturing all integrated, we will promote accurate understanding of and swift response to consumer demands, and early commercialization of development products, and will also aim to achieve increased sales to existing customers and entry into new customers, whilst also working to reduce costs and improve quality.

2) Electronic component materials

For ultra-fine nickel powder and high-purity titanium dioxide, our core products in the electronic component materials, we will work to expand business by enhancing our production capacity and improving productivity in response to increased demand, whilst simultaneously promoting development of small-grain goods.

V. Business Risks

1) Demand fluctuation risks resulting from demand for specialized applications occupying a large percentage of demand.

Demand for titanium sponge, which is one of our titanium metal business's core products, is centered on demand for aircraft applications. Our catalyst product, "THC," is a catalyst used almost entirely for propylene polymerization. Furthermore, among our electronic component materials, most of the demand for ultra-fine nickel powder and high-purity titanium dioxide is for use in multi-layer ceramic capacitors (MLCC) applications. As such, when Toho Titanium Group's business is viewed by segment, demand for use in specialized applications accounts for a large percentage of demand, and sales volumes tend to fluctuate significantly according to peaks and troughs in the industries of the relevant applications.

In particular, titanium sponge for use in aircrafts has up until now switched between peaks and troughs over a wide range, due to trends in global economic conditions and air passenger numbers, as well as trends in demand from airline companies for aircraft renewal and maintenance. In the future, demand may drop due to deteriorating economic conditions and the actualization of geopolitical risks.

Also, titanium ingots for general-industry are mainly exported indirectly to Asian and Middle Eastern regions for use in electric, chemical and desalination plants. Therefore, demand may drop due to fluctuations in regional political and economic conditions.

By diversifying our business, developing new applications for products, and supplying competitive products, Toho Titanium Group endeavors to minimize these effects, but our performance may be adversely affected by changes in circumstances in the target application industry.

2) Price fluctuation risks

Prices for Toho Titanium Group's products, including titanium metals, tend to fluctuate significantly due to demand trends. Depending on demand trends, product prices may fall, and the Group's performance may be adversely affected.

3) Exchange rate risks due to our high export ratio

For our titanium metal business's titanium sponge, our catalysts and chemicals's THC, and our electronic component materials, exports account for a large percentage of sales volume, and in the current year's fiscal results, exports accounted for 37.3% of Toho Titanium Group's overall sales. Because many sales of exports are performed with US dollars, we are affected by exchange rates. Although Toho Titanium Group endeavors to minimize exchange rate risks, by hedging through exchange contract trading for short-term fluctuations, the Group's performance may be adversely affected by exchange rate fluctuations.

4) Risks from natural disasters such as earthquakes

Most of Toho Titanium Group's products are produced in-house, and problems in production and sale of products may arise due to damage caused to plant facilities by natural disasters. In particular, our Chigasaki plant is located in the Tokai area where measures against earthquake disasters are intensified. In order to prevent damage caused by these natural disasters, Toho Titanium Group endeavors to implement countermeasures such as strengthening facilities' resistance to earthquakes, preparing disaster prevention equipment, strengthening disaster prevention systems, and implementing emergency drills, while also reducing risks by establishing multiple locations. However, the Group's performance and financial condition may be adversely

affected by natural disasters, depending on their scale and nature.

5) Environmental and safety risks

As a company with manufacturing sites, Toho Titanium Group recognizes occupational safety and environmental protection as being items of utmost importance in carrying out business operations. Therefore, we make every possible effort to maintain safe operation and environmental protection, by improving equipment and technology, and strengthening management systems. However, in the event of an accident or disaster, the Group's performance may be adversely affected due to operations being stopped or constrained, or due to countermeasure costs arising.

6) Risks concerning quality

Toho Titanium Group is a materials manufacturer, and our social mission is to steadily supply products and services that satisfy consumers. Therefore, as well as putting quality control systems based on ISO9001 in place, we also devote every possible effort towards quality management through maintenance and continual improvements. However, should instances of poor quality or quality accidents happen to occur, the Group's performance may be adversely affected due to countermeasure costs arising, or due to declining evaluations of the Group's products.

7) Risks concerning relationships with parent company and other companies

Toho Titanium is a subsidiary of JX Holdings, Inc.

JX Holdings has many subsidiaries and affiliates, including JX Nippon Oil & Energy Corporation, JX Nippon Oil & Gas Exploration Corporation, engaged in oil business, and JX Nippon Mining & Metals Corporation, engaged in metal business, and has formed the "JX Group." Among these, Toho Titanium is positioned as an independent company in the segment "Other businesses." Toho Titanium's relationship with JX Group includes: 1) sales of high-purity titanium from Toho Titanium to JX Nippon Mining & Metals Corporation (in current fiscal year results, these accounted for 3.6% of Toho Titanium Group's sales); 2) dispatch of directors and auditors from JX Group to Toho Titanium; 3) temporary transfers of employees from JX Group to Toho Titanium; and 4) partial sharing of back-office section functions through a contract services company.

Regarding Toho Titanium's relationship with our parent company, our basic policy is to coordinate and cooperate, with the aim of improving the corporate value of both companies, while ensuring the independence of Toho Titanium. Transaction terms are decided upon following discussions and negotiations, and although Toho Titanium is not subject to any constraints, if changes were to arise in our parent company's basic policy on transactions with Toho Titanium Group, the Group's performance may be adversely affected.

VI. Financial Statements

Consolidated Balance Sheets

	As of March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	4,816	735
Notes and accounts receivable-trade	7,751	4,863
Merchandise and finished goods	4,854	5,685
Work in process	4,843	3,083
Raw materials and supplies	2,645	3,059
Deferred tax assets	509	48
Other	341	514
Allowance for doubtful accounts	(32)	(2)
Total current asset	25,728	17,987
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,559	7,069
Machinery, equipment and vehicles	12,788	11,129
Tools, furniture and fixtures	469	427
Land	2,679	2,679
Lease assets	990	637
Construction in progress	29,566	48,066
Total property, plant and equipment	53,053	70,010
Intangible assets		
Software	335	285
Other	3	3
Total intangible assets	338	289
Investments and other assets		
Investment securities	95	341
Deferred tax assets	52	3
Other	288	864
Allowance for doubtful accounts	(25)	(24)
Total investments and other assets	411	1,184
Total noncurrent assets	53,804	71,484
Total assets	79,533	89,472

As of March 31, 2009 As of March 31, 2010

Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,222	1,208
Short-term loans payable	9,655	14,292
Lease obligations	416	318
Income taxes payable	566	72
Provision for bonuses	697	450
Provision for directors' bonuses	62	1
Other	1,437	2,786
Total current liabilities	15,057	19,129
Noncurrent liabilities		
Long-term loans payable	25,845	34,553
Lease obligations	623	351
Provision for retirement benefits	139	260
Deferred tax liabilities	-	246
Other	96	31
Total noncurrent liabilities	26,705	35,442
Total liabilities	41,762	54,571
Net assets		
Shareholders' equity		
Capital stock	4,812	4,812
Capital surplus	5,872	5,872
Retained earnings	27,075	24,124
Treasury stock	(74)	(75)
Total shareholders' equity	37,685	34,733
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	24	81
Deferred gains or losses on hedges	(21)	0
Total valuation and translation adjustments	2	82
Minority interests	82	84
Total net assets	37,771	34,900
Total liabilities and net assets	79,533	89,472

Consolidated Statements of Income

	For the year ended March 31, 2009	For the year ended March 31, 2010
Net sales	41,042	21,691
Cost of sales	28,254	18,636
Gross profit	12,787	3,054
Selling, general and administrative expenses	5,707	4,608
Operating income (loss)	7,080	(1,553)
Non-operating income		
Dividends income	10	6
Foreign exchange gains	-	12
Gain on sales of goods	46	17
Miscellaneous income	11	42
Total non-operating income	67	79
Non-operating expenses		
Interest expenses	347	600
Foreign exchange losses	148	-
Miscellaneous loss	61	100
Total non-operating expenses	557	700
Ordinary income (loss)	6,590	(2,174)
Extraordinary income		
Reversal of allowance for doubtful accounts	20	31
Gain on sales of noncurrent assets	562	-
Gain on sales of investment securities	8	-
Subsidy income	104	295
State subsidy	19	28
Total extraordinary income	715	356
Extraordinary loss		
Loss on retirement of noncurrent assets	261	40
Loss on valuation of investment securities	23	-
Loss on valuation of golf club membership	12	-
Loss on sales of golf club memberships	-	1
Loss on cancel of lease contracts	25	-
Total extraordinary loss	323	42
Total net income (loss)	6,982	(1,860)
Income taxes-current	2,311	72
Income taxes-deferred	549	707
Total income taxes	2,861	780
Minority interests in income	18	7
Net income (loss)	4,102	(2,648)

Consolidated Statements of Cash Flows

	For the year ended March 31, 2009	For the year ended March 31, 2010
Net cash provided by (used in) operating activities		
Total net income (loss)	6,982	(1,860)
Depreciation	4,066	4,221
Increase (decrease) in allowance for doubtful accounts	(18)	(30)
Increase (decrease) in provision for bonuses	(163)	(246)
Increase (decrease) in provision for directors' bonuses	(79)	(60)
Increase (decrease) in provision for retirement benefits	48	120
Interest and dividends income	(10)	(6)
Loss (gain) on sales and valuation of investment securities	15	-
Interest expenses	347	600
Loss on valuation of golf club membership	12	-
Loss (gain) on sales of property, plant and equipment	(562)	-
Loss on retirement of property, plant and equipment	261	40
Decrease (increase) in notes and accounts receivable-trade	1,497	2,887
Decrease (increase) in inventories	(1,701)	513
Increase (decrease) in notes and accounts payable-trade	(1,239)	(1,014)
Increase (decrease) in accounts payable-other	(112)	(208)
Increase (decrease) in accrued expenses	(144)	(7)
Increase (decrease) in accrued consumption taxes	(222)	22
Other	(188)	(361)
Subtotal	8,788	4,610
Interest and dividends income received	8	5
Interest expenses paid	(301)	(600)
Income taxes paid	(4,977)	(460)
Net cash provided by (used in) operating activities	3,517	3,555
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(24,439)	(19,481)
Proceeds from sales of property, plant and equipment	632	-
Purchase of investment securities	(20)	(155)
Proceeds from sales of investment securities	12	-
Payments of loans receivable	-	(665)
Other	8	66
Net cash provided by (used in) investment activities	(23,806)	(20,235)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	17,650	2,250
Decrease in short-term loans payable	(12,400)	(550)
Proceeds from long-term loans payable	21,500	14,500
Repayment of long-term loans payable	(200)	(2,855)
Purchase of treasury stock	(2)	(0)
Cash dividends paid	(1,547)	(303)
Cash dividends paid to minority shareholders	(9)	(5)
Repayments of lease obligations	(219)	(436)
Net cash provided by (used in) financing activities	24,771	12,599
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	4,482	(4,081)
Cash and cash equivalents at the beginning of period	334	4,816
Cash and cash equivalents at the end of period	4,816	735