

# Financial Results FY2005

--Fiscal year ended March 2006--

- [ 1 ] Outline of achievement and business environment
- [ 2 ] Closing of accounts analysis and forecasts
- [ 3 ] Company Targets

May 10, 2006

Toho Titanium Co., Ltd

[ 1 ] Outline of achievement and business environment

# Operating Results (consolidated)

(Millions of Yen)

	FY2004	FY2005	Fy2006 Forecasts \$=110yen	Differences	
				05-04	06-05
Net Sales	26,066	31,706	35,000	(○)5,640	(○)3,294
Operating income	2,628	8,980	9,000	(○)6,352	(○)20
Income before Special Items	2,481	8,948	9,000	(○)6,467	(○)52
Net Income	1,876	5,123	5,300	(○)3,247	(○)177

Exchange sensitivity

(¥1/\$ = ¥65million/year)

Cash dividends	5.00	15.00	15.00	Division conversion (FY 2004)
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# Fy2005 review

## Titanium section

- Good business environment continuance

  - Price improvement and a sales amount increase of sponge for mill products

  - Price sudden rise of sponge for steel additive

  - Price improvement and a sales amount increase of ingot

- Announcement of reinforcement plan

  - Reinforcement plan of ingot (9,000→19,000 t /y)

    - April, 2008 start-up of operations (Kitakyusyu city)

  - Reinforcement plan for sponge (15,000→22,000 t /y)

    - FY 2011 Planned completion date (Chigasaki city)

    - \*first stage

      - Reinforcement to 15,700t (August 2007 completion)

# Fy2005 review

## Electronic

- Amount of sales hitting bottom → Recovery tendency

## Consolidated subsidiaries

- Reinforcement plan of Catalyst (Toho Catalyst Co., Ltd)  
June 2007 Completion (135 t /year→175 t /year)
- Toho Technical Service Co., Ltd  
Sales achievement of 3 billion yen or higher

## Stocks policy

- Division of stocks (2 : 1)  
increase in number of Stockholder  
March 31, 2005 : 6,618→ March 31, 2006 : 27,603

# Titanium section

## 【Business environment】

Strong demand for aircraft continues

### Sponge shipment in Japan

CY 2005 30,549 t (record-high upward revision)

CY 2006 36,000 t (Titanium society forecast)

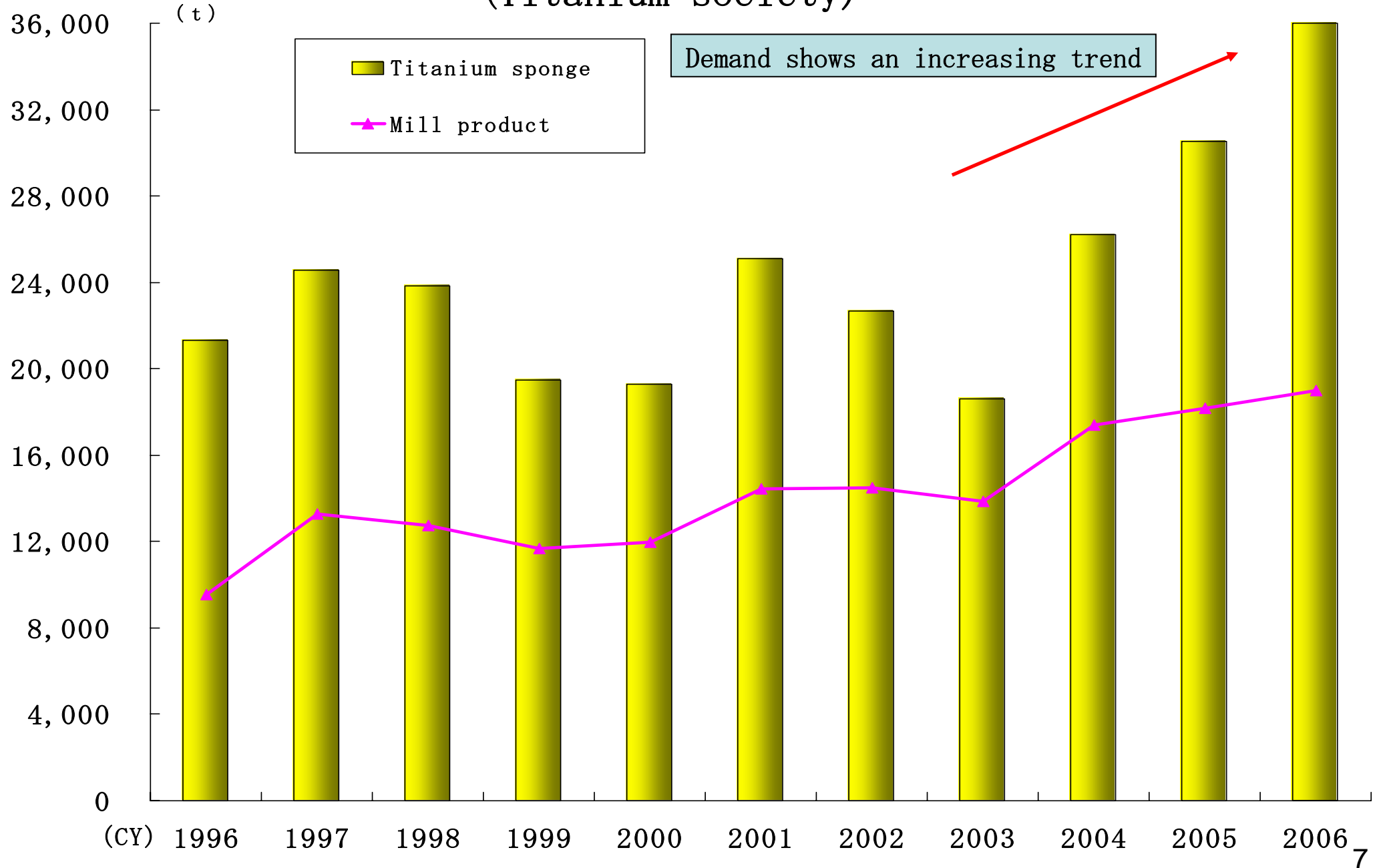
General industrial-use good continues strong

### Mill product shipment

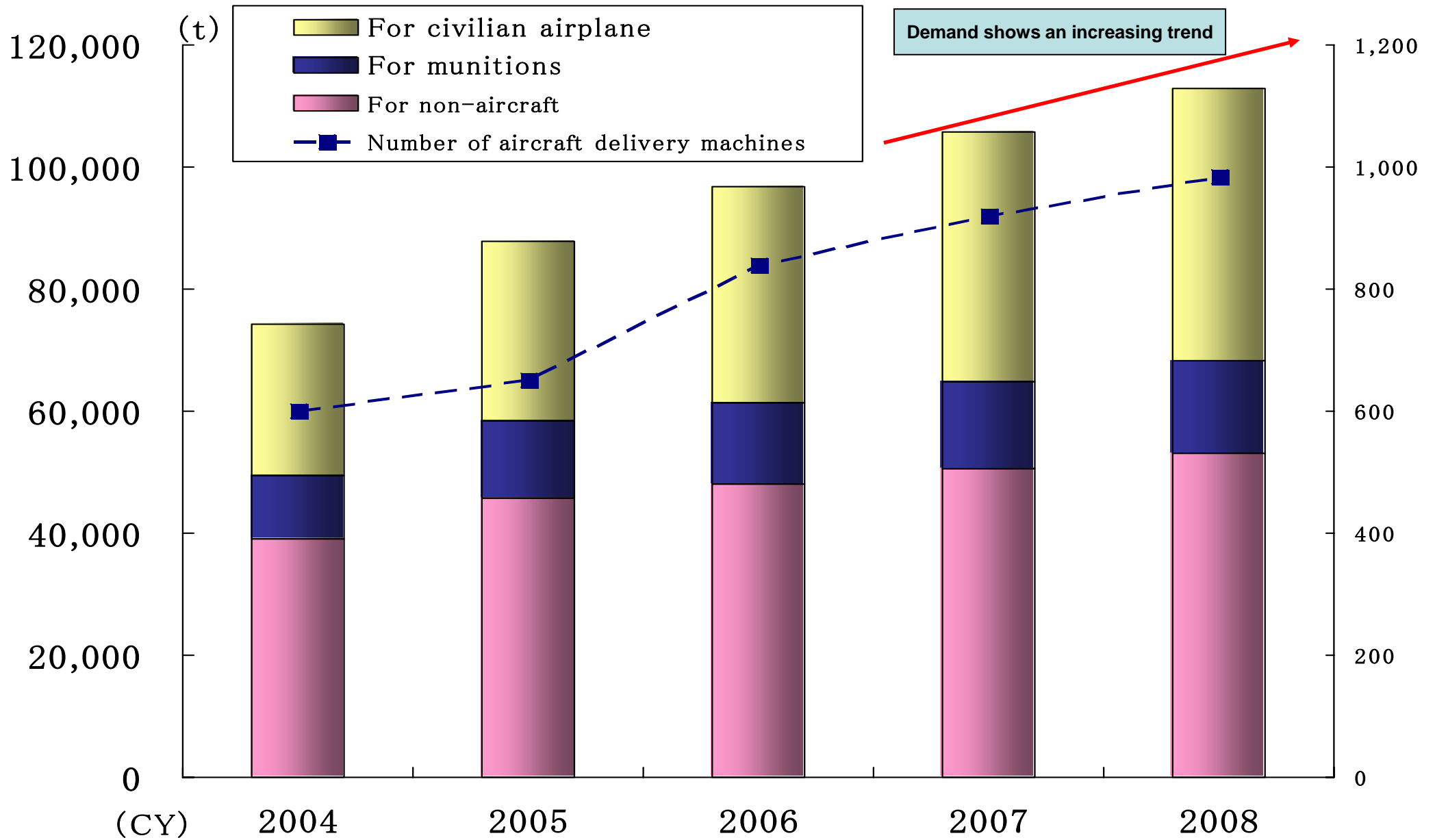
CY 2005 18,147 t (record-high upward revision )

CY 2006 19,000 t ( Titanium society forecast )

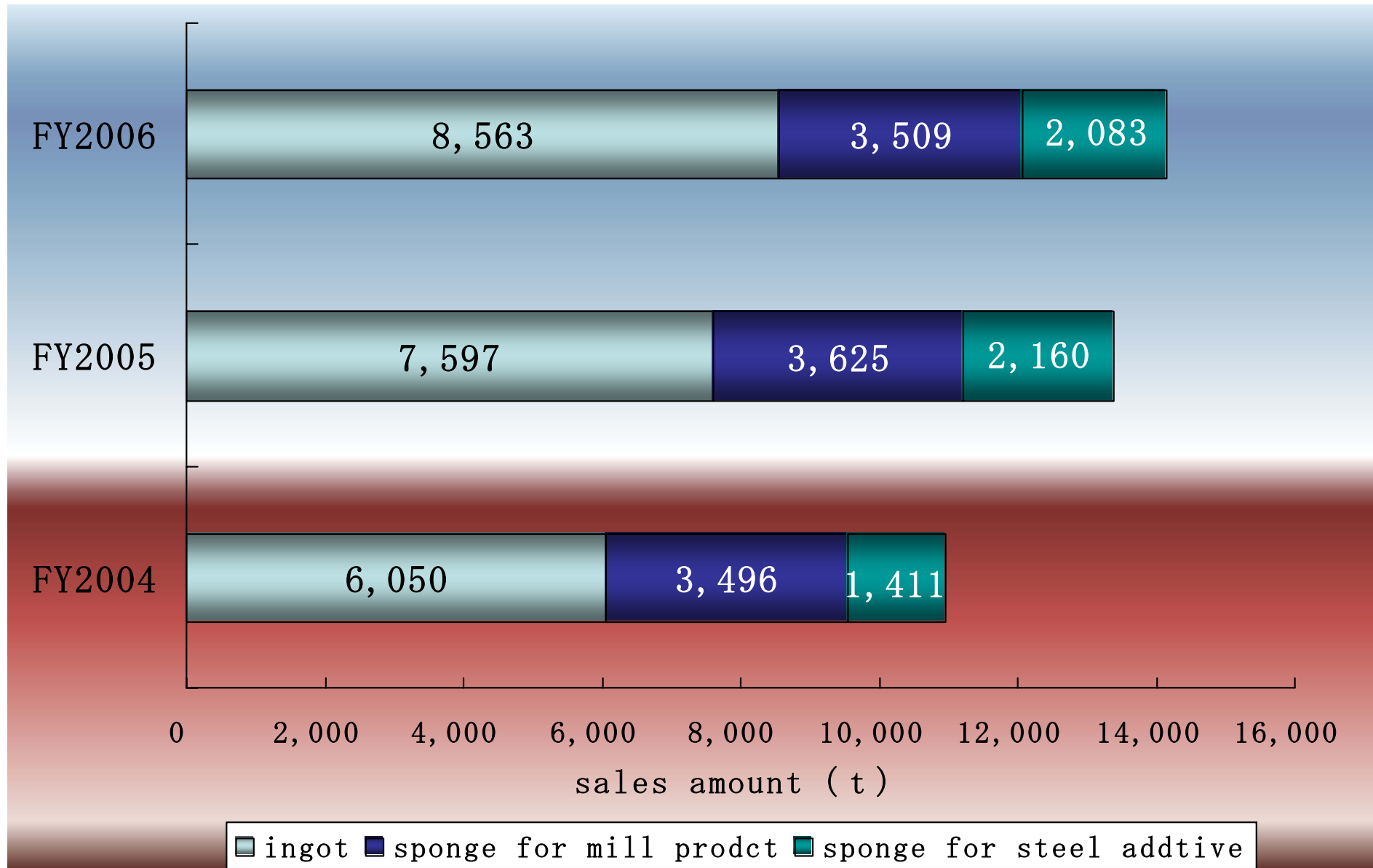
# Mill product • Titanium sponge Shipment amount (results and forecasts) (Titanium society)



# Worldwide demand forecasts for sponge for mill products (Our estimate)



# Titanium product sales trends ( t /year)



# Titanium section

## 【Policy】

Maintenance of stable operation

Production ceiling is pursued by existing equipment

Promotion in line with reinforcement investment capacity

Examination of further reinforcement target capacity

Titanium sponge, Titanium ingot

Development of new smelting method

# Electronic

## 【 Business environment 】

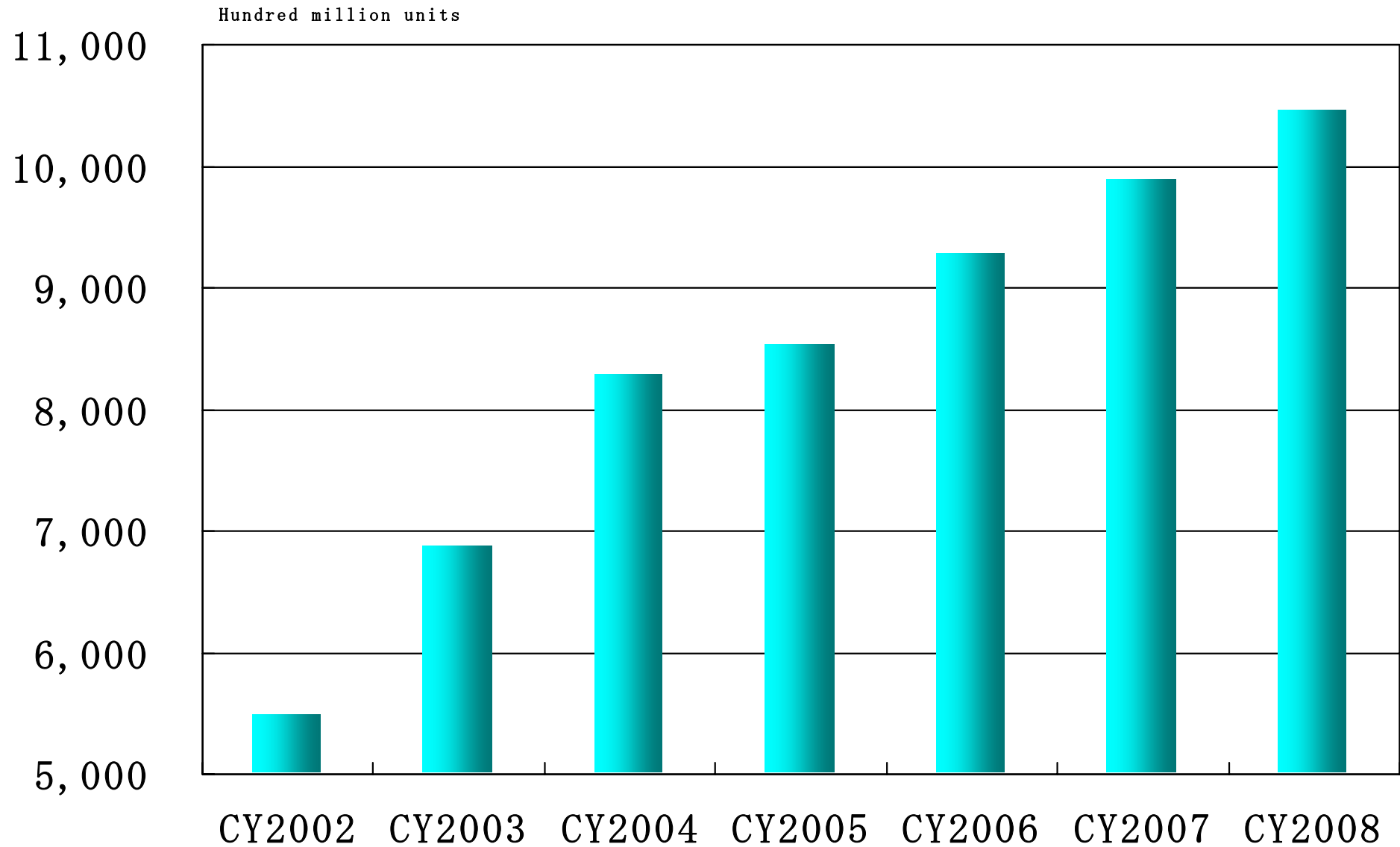
- In electronic parts and multi-layer ceramic capacitors, strong growth is expected against a background of growth in cellular phone, personal computer, and digital consumer electronics

## 【 Policy 】

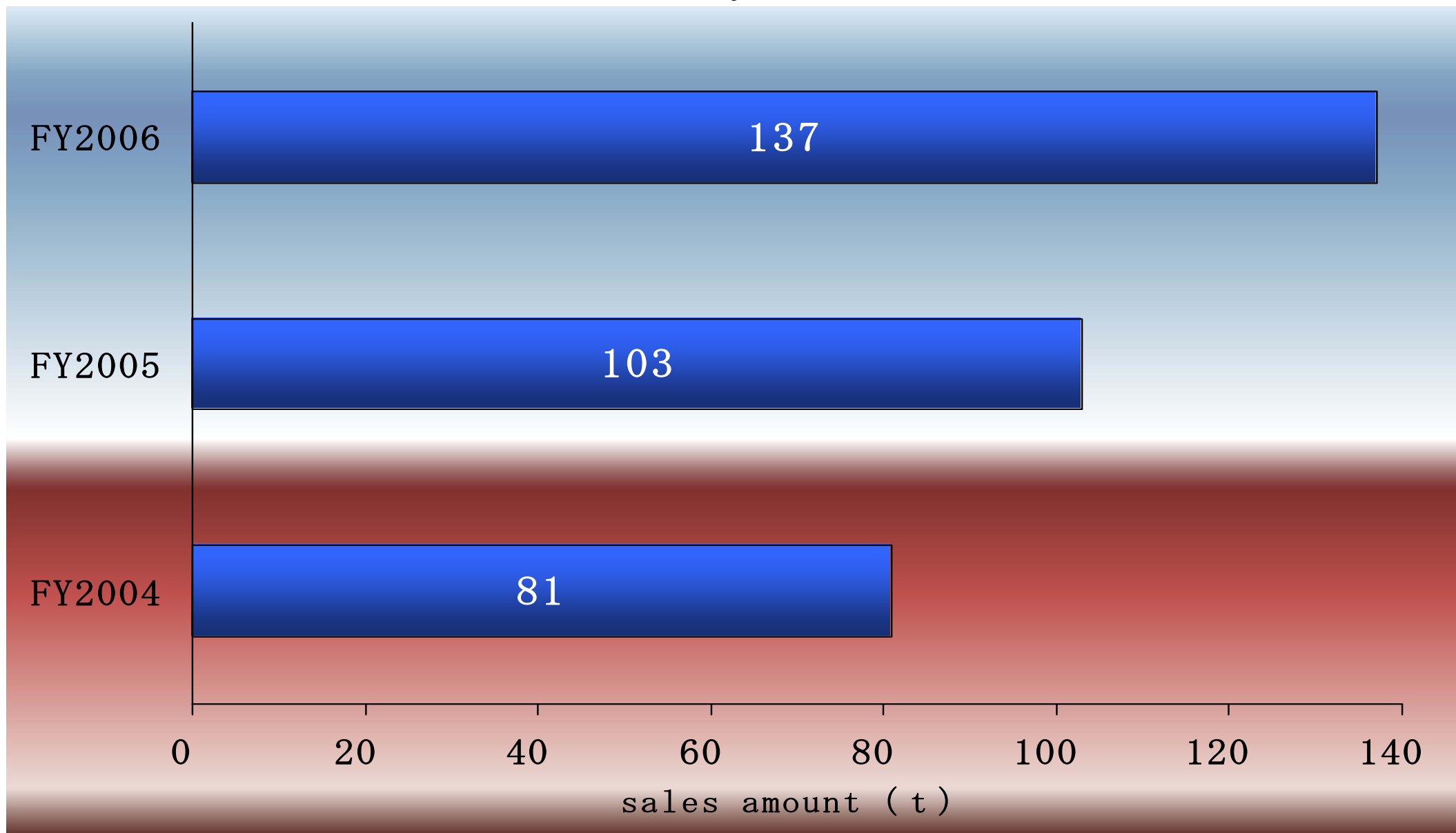
- Establishment of business earnings base by increasing sales

# MLCC production volume trends

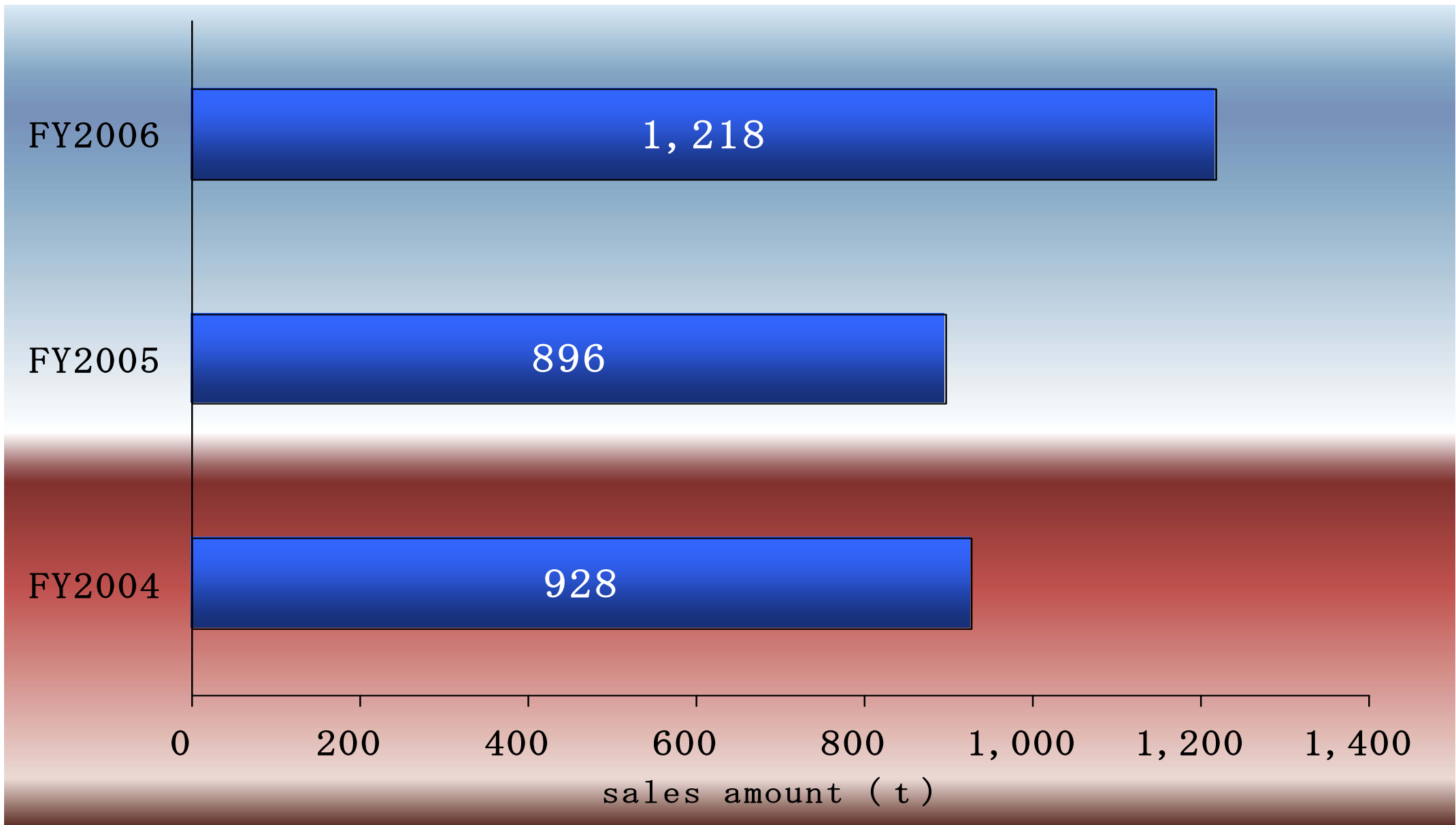
(Forecasts by Electronic Materials Manufacturers Association of Japan)



# Ultra-fine nickel powder Sales trends ( t /year)



# High-purity titanium dioxide Sales trends ( t /year)



# Catalyst

( Business environment )

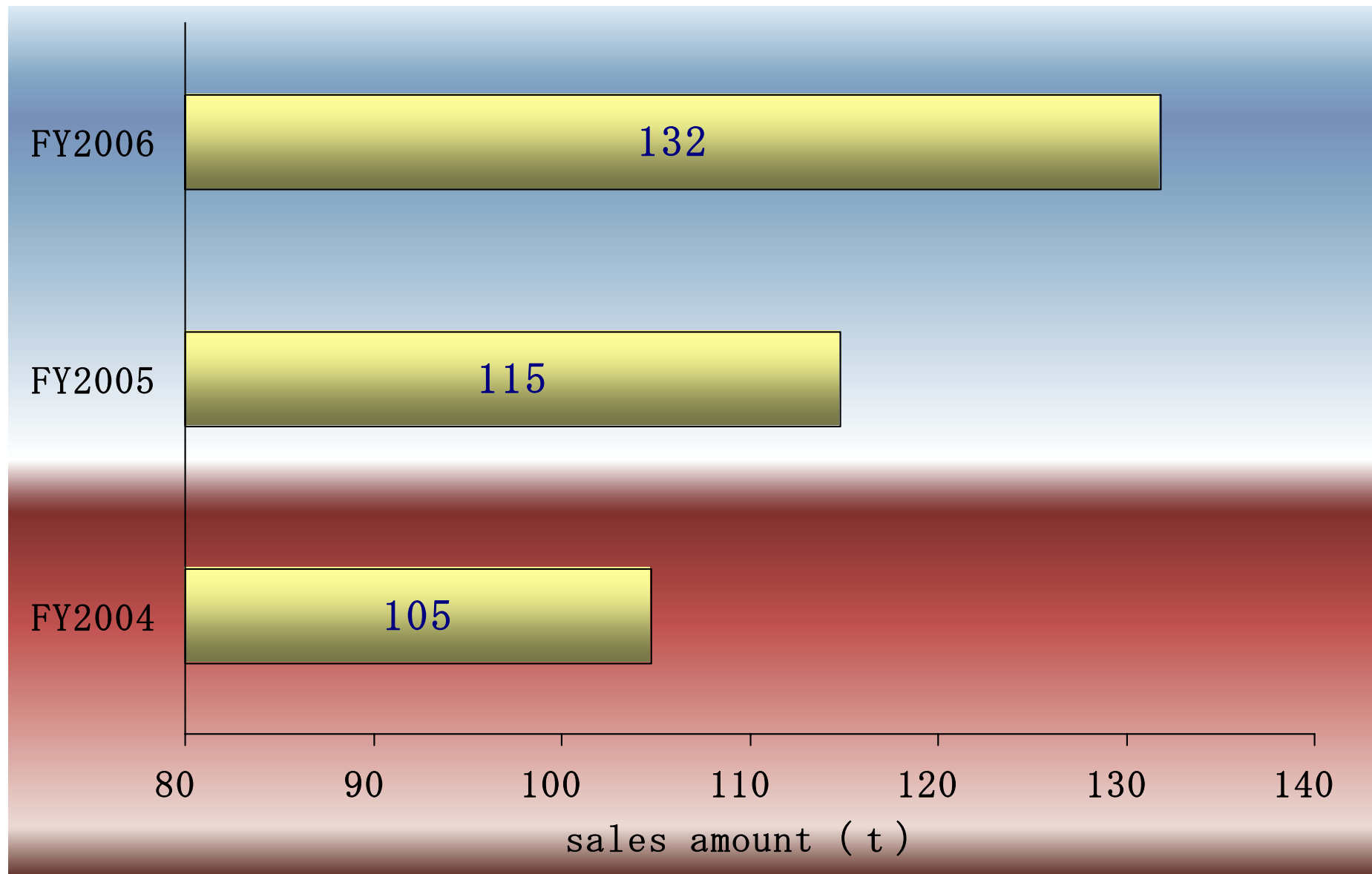
- PP demand extends mainly an Asian market.

Growth rate of 6~7% per year.

( Policy )

- Promotion in line with reinforcement investment capacity.
- Target for next ability reinforcement.
- Development of new generation catalyst.

# THC Sales trends ( t /year)



# Research and development

- New establishment of research and development building
  - Consolidating of group research facilities
  - Efficiency improvement and synergy effect of development
  - Creation of space
- Promotion of new business
  - Development theme of creating business at early stage

# Outline of research and development building

Amount of investment      785 million yen

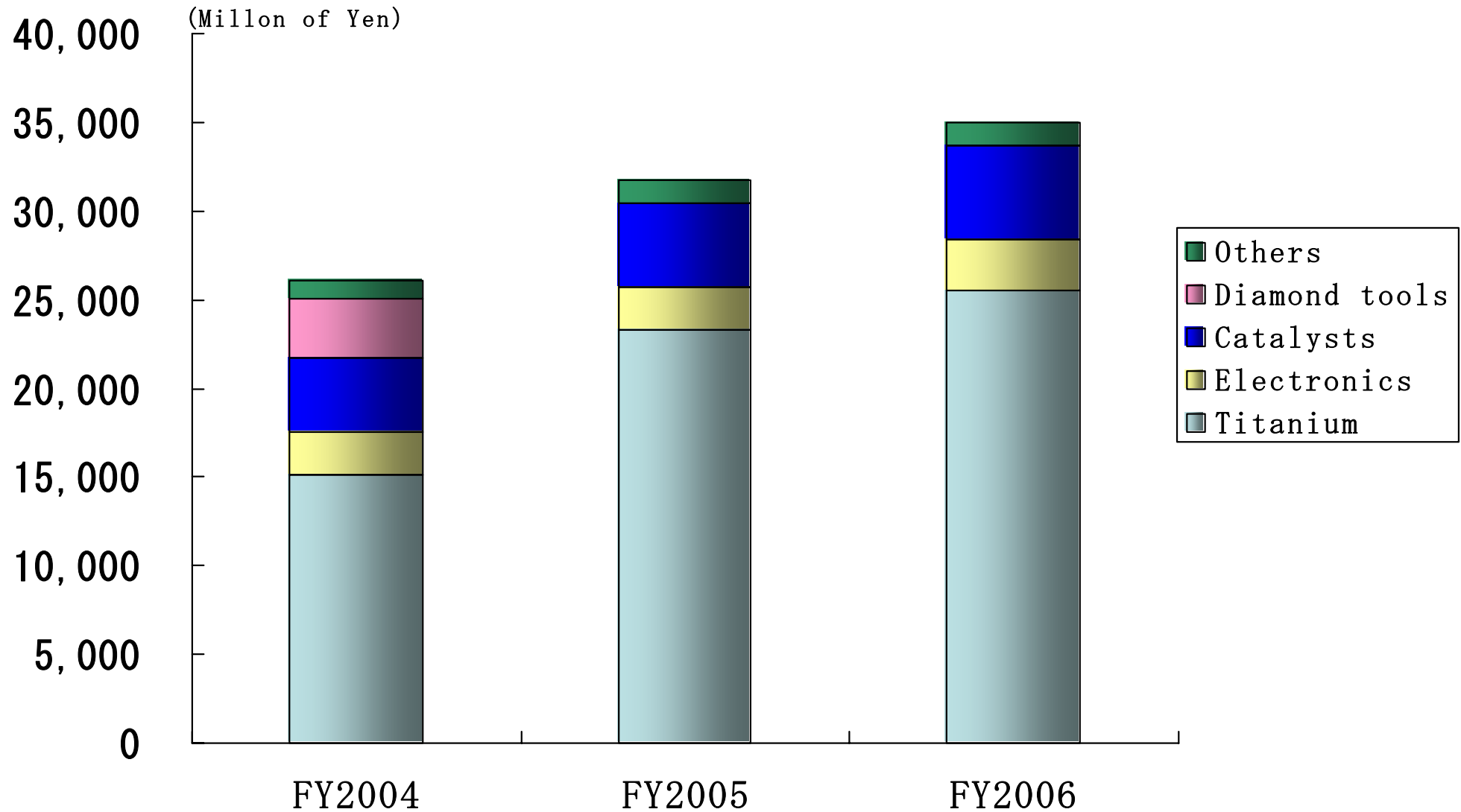
Outline of building      four-story, iron-frame structure

Architectural area      approximately 3,100m<sup>2</sup>

Content                      Our company's research and development facility and evaluation equipment and affiliates in Chigasaki factory area are consolidated.

[ 2 ] Closing of accounts analysis and forecasts

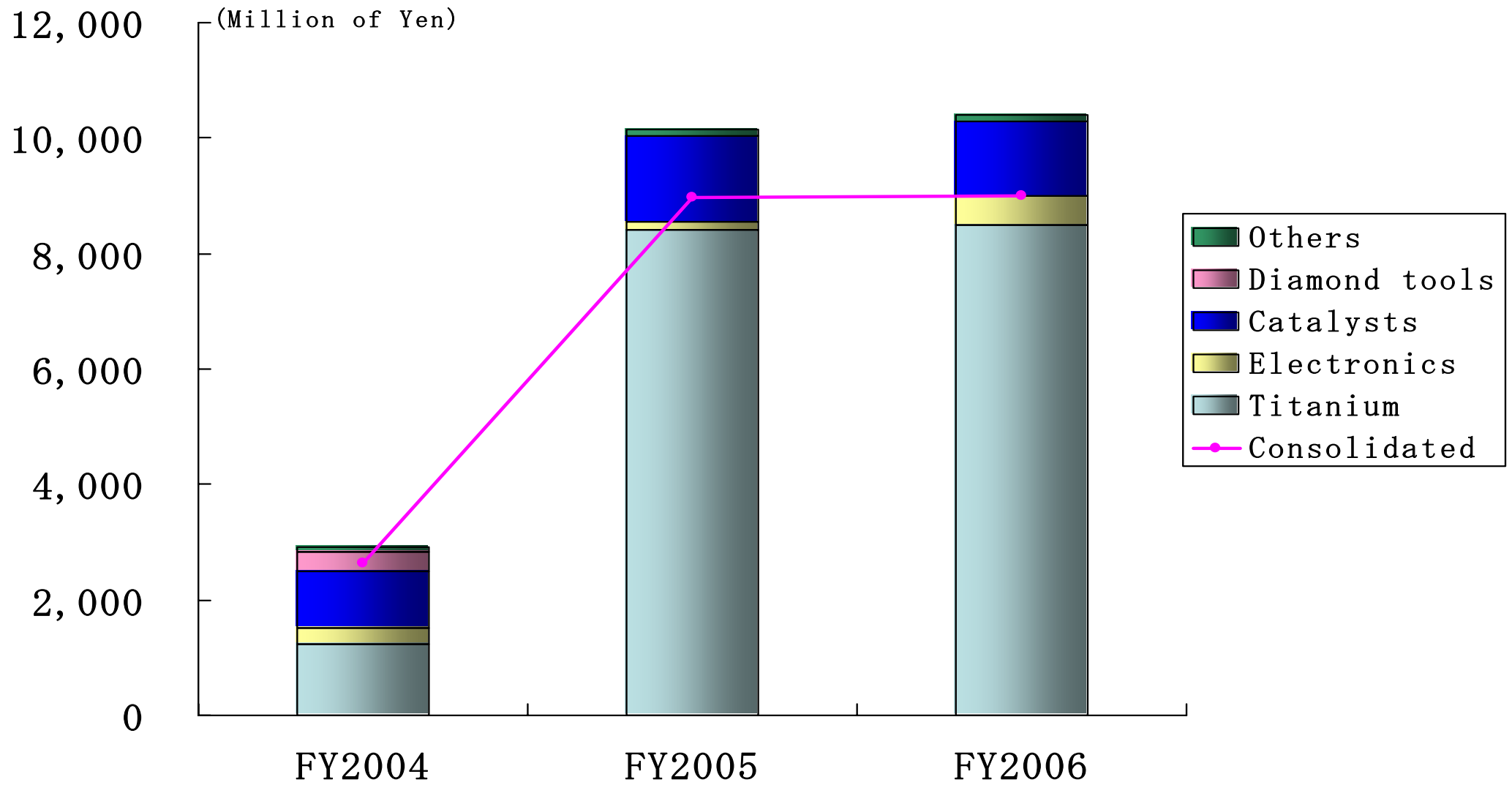
# Sales trends by segment



## Sales trends by segment (Millions of Yen)

	FY2004	FY2005	FY2006 Forecasts	Differences	
				05—04	06—05
Titanium	15,114	23,312	25,500	(○)8,198	(○)2,188
Electronics	2,387	2,372	2,900	(×)15	(○)528
Catalysts	4,256	4,747	5,300	(○)491	(○)553
Diamond tools	3,270	—	—	(×)3,270	—
Others	1,039	1,275	1,300	(○)236	(○)25
<b>Total</b>	<b>26,066</b>	<b>31,706</b>	<b>35,000</b>	<b>(○)5,640</b>	<b>(○)3,294</b>

# Operating profit trends by segment



## Operating profit trends by segment (Millions of Yen)

	FY2004	FY2005	FY2006 forecasts	Differences	
				05-04	06-05
Titanium	1,803	8,405	8,490	(○)6,602	(○)85
Electronic	272	150	520	(×)122	(○)370
Catalyst	985	1,494	1,270	(○)509	(×)224
Diamond tool	340	—	—	(×)340	—
Others	80	104	120	(○)24	(○)16
Eliminations	-852	-1,173	-1,400	(×)321	(×)227
<b>Total</b>	<b>2,628</b>	<b>8,980</b>	<b>9,000</b>	<b>(○)6,352</b>	<b>(○)20</b>

Outline of operating income difference (FY2005 & FY2006)  
(Billions of Yen)

FY2005

89.8

(Positive factors)

22.2

Improvement in price of sponge for mill products 6.5

Ingot earnings improvement 10.0

Other section earnings improvement 5.7

(Negative factors)

▲ 22.0

price decrease in sponge for steel etc ▲ 12.0

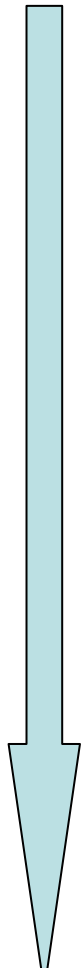
Change of method of evaluating catalyst inventory ▲ 2.5

(Last-In First-Out → First-In First-Out)

Research and development spending increase ▲ 7.5

FY2006

90.0



	FY 2004	FY 2005	FY2006 forecasts			Differences	
			1H	2H	Total	05-04	06-05
Sponge production (t)	9,285	13,125	6,887	6,806	13,693	(○) 3,840	(○) 568
Sponge sales amount (t)	4,907	5,786	2,733	2,859	5,592	(○) 879	(×) 194
For mill product (t)	3,496	3,626	1,737	1,772	3,509	(○) 130	(×) 117
For steel (t)	1,411	2,160	996	1,087	2,083	(○) 749	(×) 77
Ingot sales amount (t)	6,050	7,597	4,188	4,375	8,563	(○) 1,547	(○) 966
High-purity titanium sales amount (t)	141	146	78	71	149	(○) 5	(○) 3
Sales (Millions of Yen)	15,114	23,312	12,500	13,000	25,500	(○) 8,198	(○) 2,188
Operating income (Millions of Yen)	1,803	8,405	4,170	4,320	8,490	(○) 6,602	(○) 85

Operating income The main difference

Metallic titanium section

(Millions of Yen)		05-04	06-05
Sponge	Amount	(○) 350	(×) 60
	Price	(○) 3,100	(×) 550
	Exchange etc.	(○) 404	(×) 200
	Subtotal	(○) 3,854	(×) 810
Ingot	Amount	(○) 240	(○) 300
	Price etc.	(○) 2,144	(○) 700
	Subtotal	(○) 2,384	(○) 1,000
Others		(○) 364	(×) 105
Total		(○) 6,602	(○) 85

	FY	FY	FY2006 forecasts			Differences	
	2004	2005	1H	2H	Total	05-04	06-05
Ultra fine nickel powder sales amount (t)	81	103	63	74	137	(○) 22	(○) 34
High-purity titanium dioxide sales amount (t)	928	896	601	617	1,218	(×) 32	(○) 322
Sales (Millions of Yen)	2,387	2,372	1,400	1,500	2,900	(×) 15	(○) 528
Operating income (millions of Yen)	272	150	220	300	520	(×) 122	(○) 370

Operating income The main difference

## Electronic Materials section

(Millions of Yen)		05-04	06-05
Ultra fine nickel powder	Amount	(○) 40	(○) 50
	Price etc.	(±) 0	(○) 150
	Subtotal	(○) 40	(○) 200
High-purity titanium dioxide	Amount	(×) 10	(○) 50
	Price etc.	(×) 95	(○) 110
	Subtotal	(×) 105	(○) 160
Others		(×) 57	(○) 10
Total		(×) 122	(○) 370

	FY	FY	FY2006 forecasts			Differences	
	2004	2005	1H	2H	Total	05-04	06-05
THC sales amount (t)	105	115	64	68	132	(○) 10	(○) 17
Sales (Millions of Yen)	4,256	4,747	2,600	2,700	5,300	(○) 491	(○) 553
Operating income (millions of Yen)	985	1,494	500	770	1,270	(○) 509	(×) 224

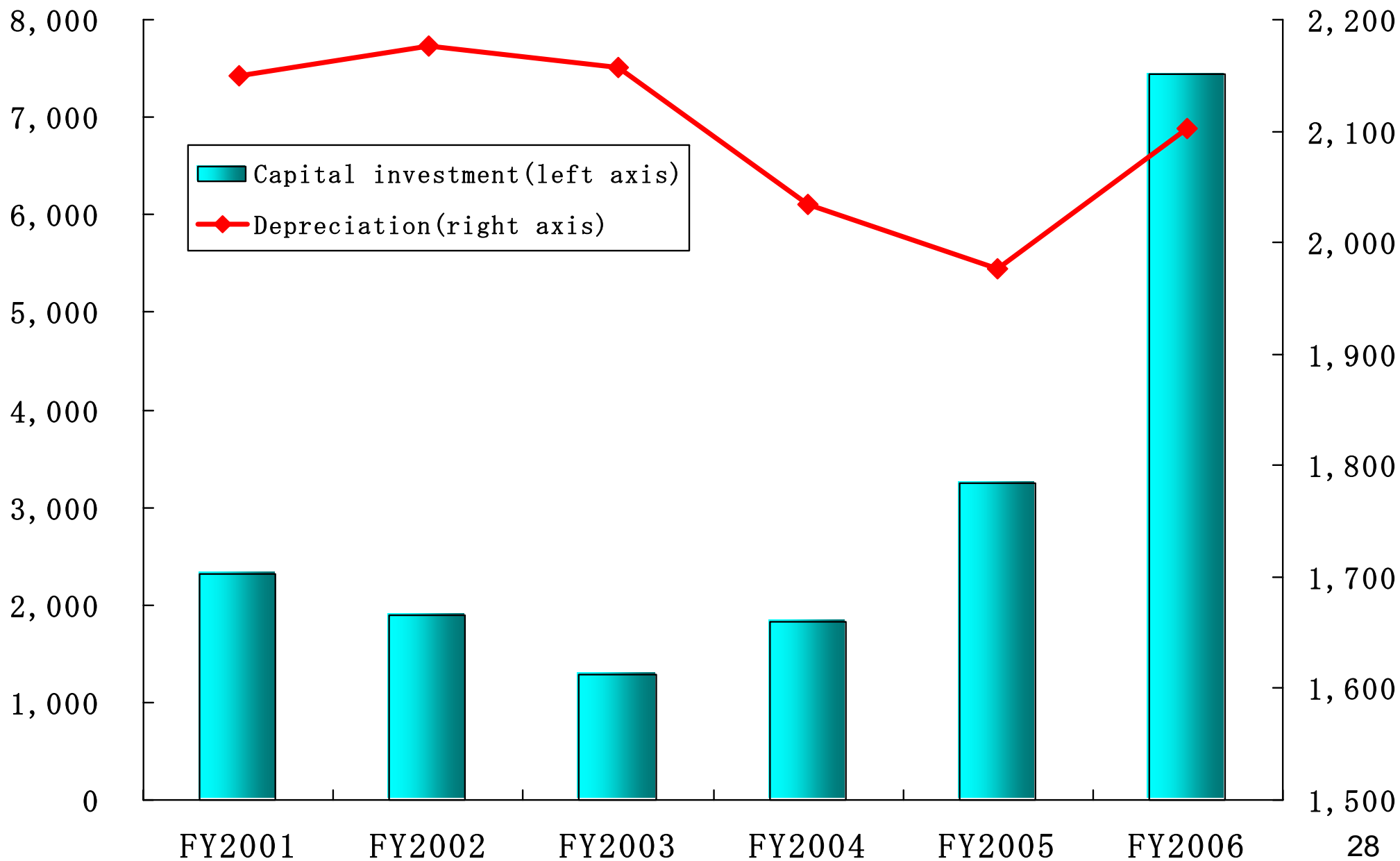
Operating income    The main difference

Catalyst section

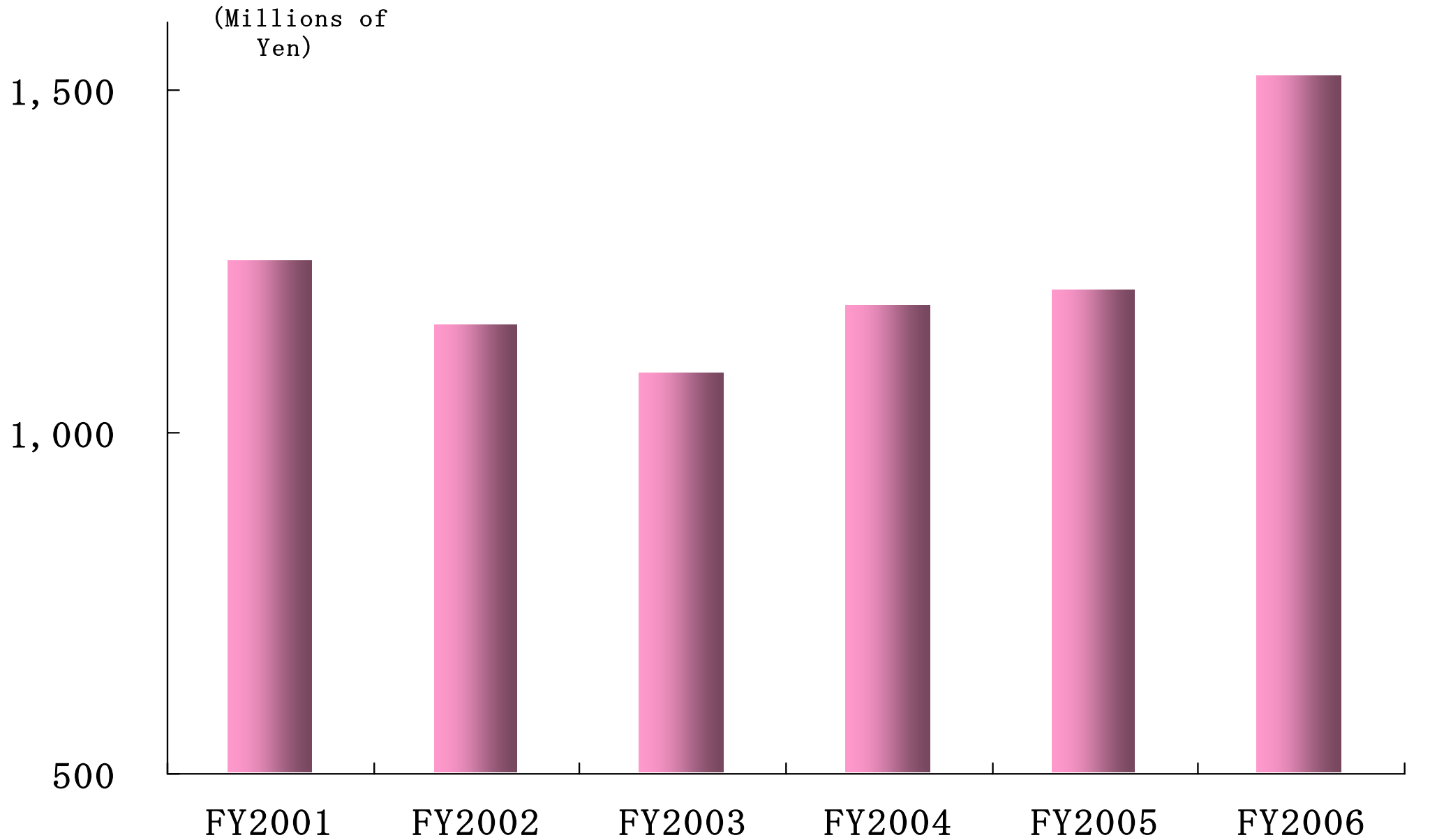
(Millions of Yen)	05-04	06-05
Amount	(○) 170	(○) 360
Price • Composition	(○) 370	(×) 180
Others	(×) 31	(×) 404
<b>Total</b>	<b>(○) 509</b>	<b>(×) 224</b>

# Capital investment and depreciation

(Millions of Yen)



# Research and development spending



# Consolidated Balance sheet (Millions of Yen)

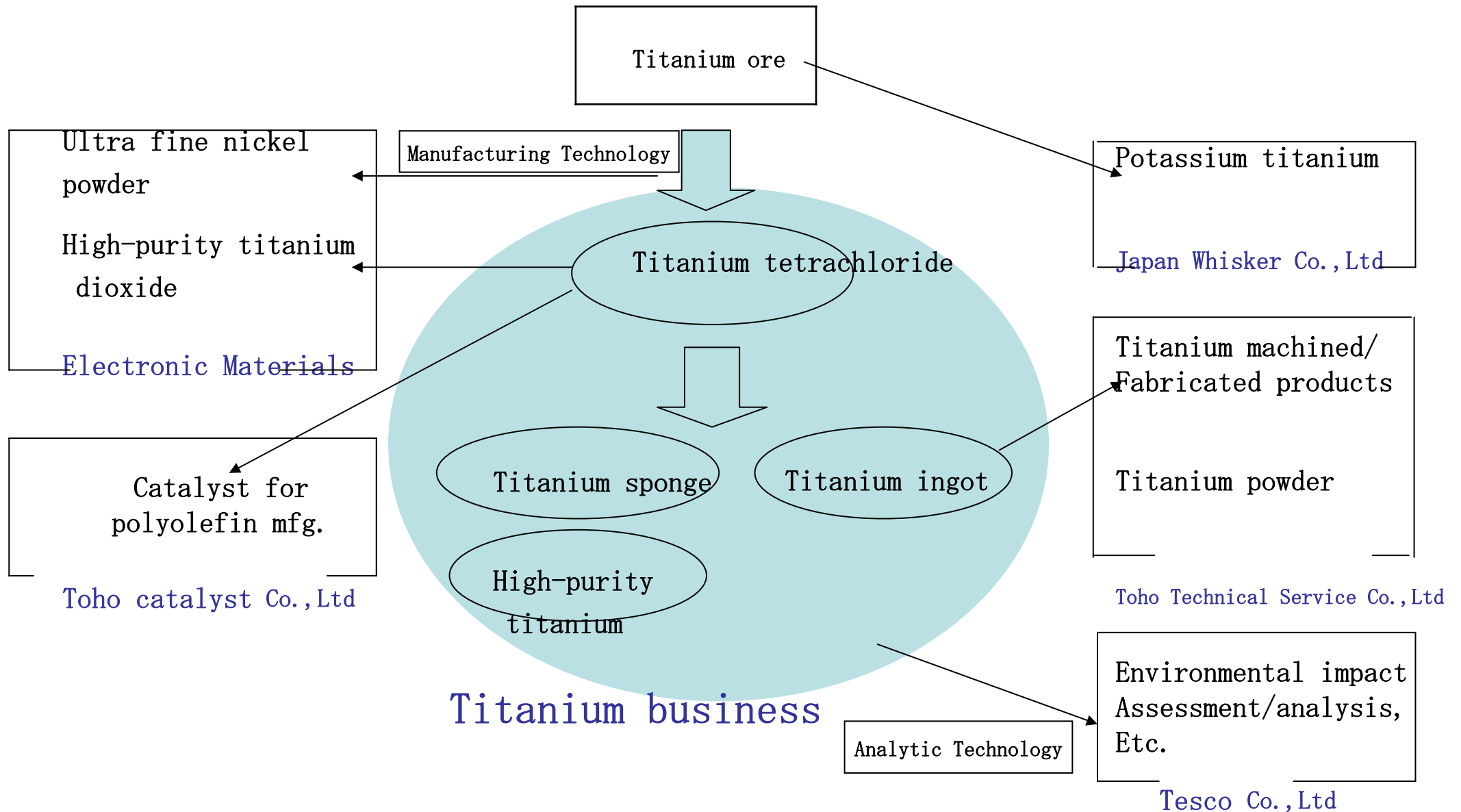
	Mar 31 2005	Mar 31 2006	Differences	Breakdown
(Total Asset)	31,868	35,616	3,748	
Current Assets	15,154	18,152	2,998	Notes and accounts receivable, trade 1,783 Inventories 910
Fixed Assets	16,714	17,464	750	Construction progress 381
(Liabilities)	12,246	11,055	△1,191	
Current Liabilities	10,399	9,861	△538	Short-term borrowing △4,414 Accrued income taxes 3,315
Long-term Liabilities	1,847	1,194	△653	Long-term debt △700
(Minority Interest in Consolidated Subsidiaries)	19	36	17	
(Total Shareholders' Equity)	19,603	24,525	4,922	Retained earnings 4,800
<b>Total</b>	<b>31,868</b>	<b>35,616</b>	<b>3,105</b>	

# Consolidated Cash Flows (Millions of Yen)

	FY2004	FY2005	Differences
Income before income taxes	2,454	8,476	6,022
Increase in inventories	1,364	△910	△2,274
Other, net	2,329	1,130	△1,199
Net cash provided by operating activities	6,147	8,696	2,549
Payments for acquisition of property, plant and equipment	△1,819	△3,245	△1,426
Subsidiary company stocks clearance	2,740	345	△2,395
Other, net	△53	52	105
Net cash used in investing activities	868	△2,848	△3,716
Repayments of bank loans	△5,210	△5,114	96
Cash dividends paid	△227	△303	△76
Other, net	△32	△8	24
Net cash provided by (used in) financing activities	△5,469	△5,425	44
balance	1,546	423	△1,123

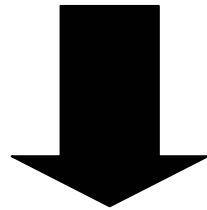
[ 3 ] company targets

# Group Dynamism— our key to the global leadership in titanium products



Business objective

Improvement of group synthesis power

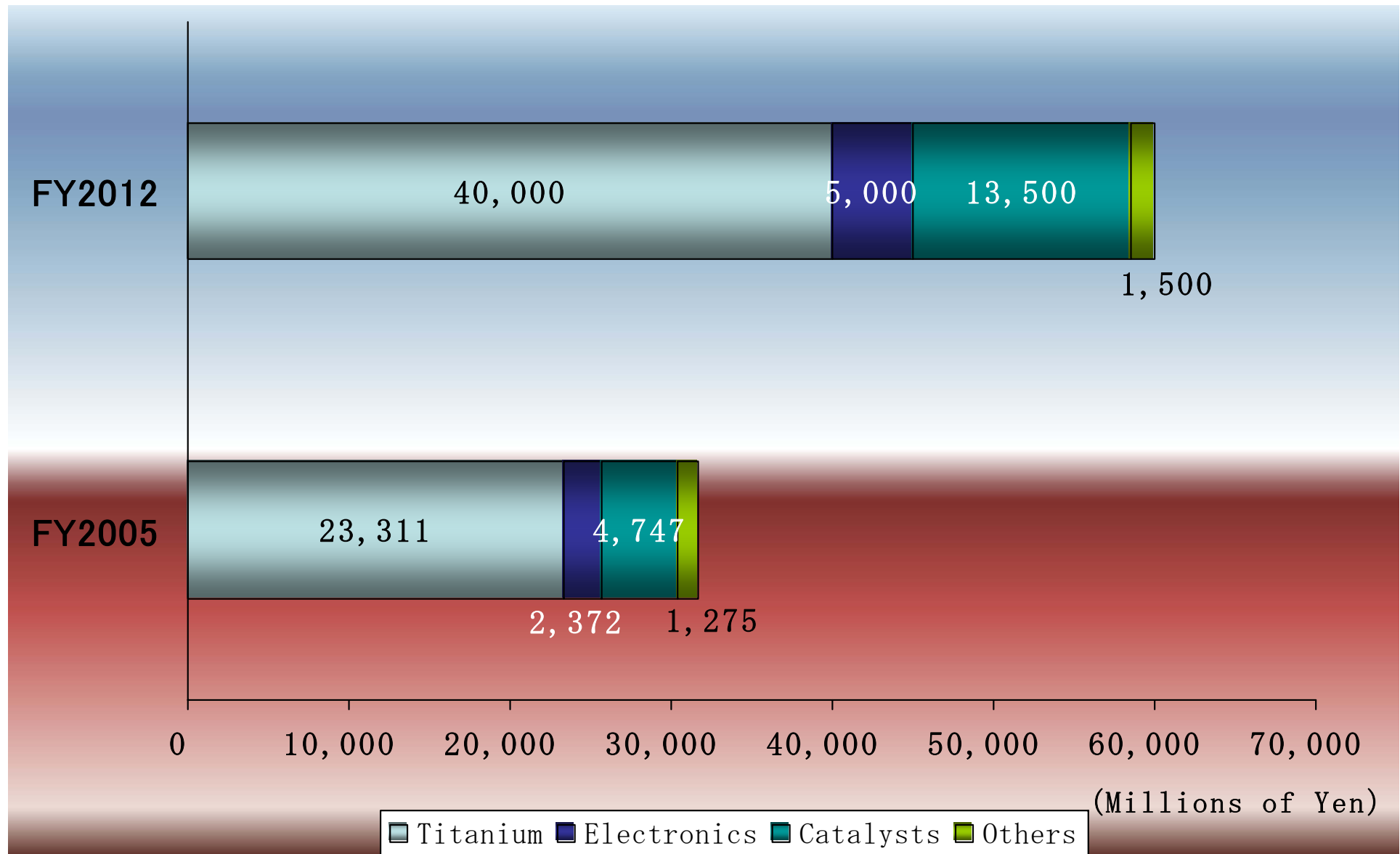


*Group Dynamism—  
our key to the global leadership in  
titanium products*

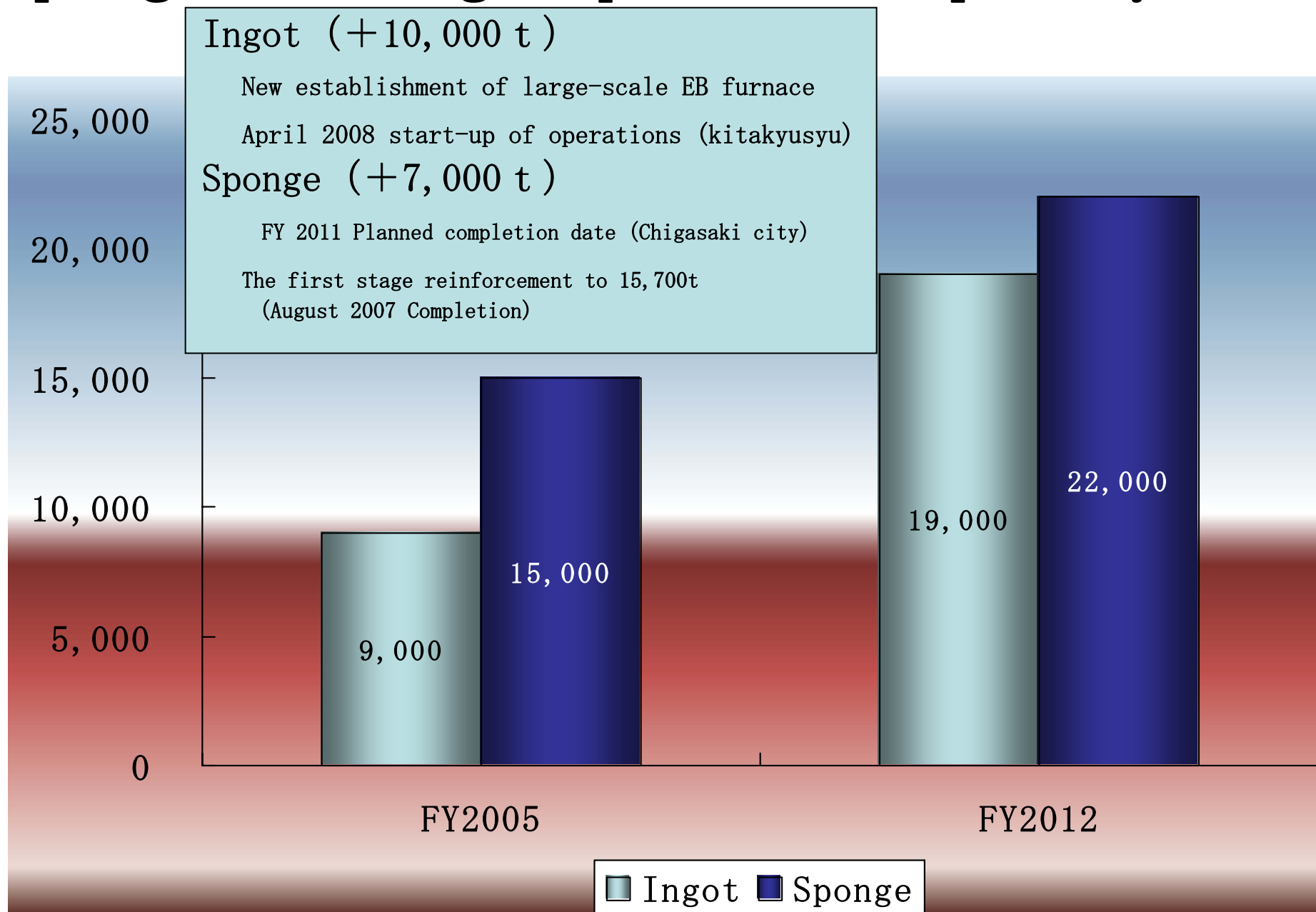
FY2012

Sales      60 billion yen or more

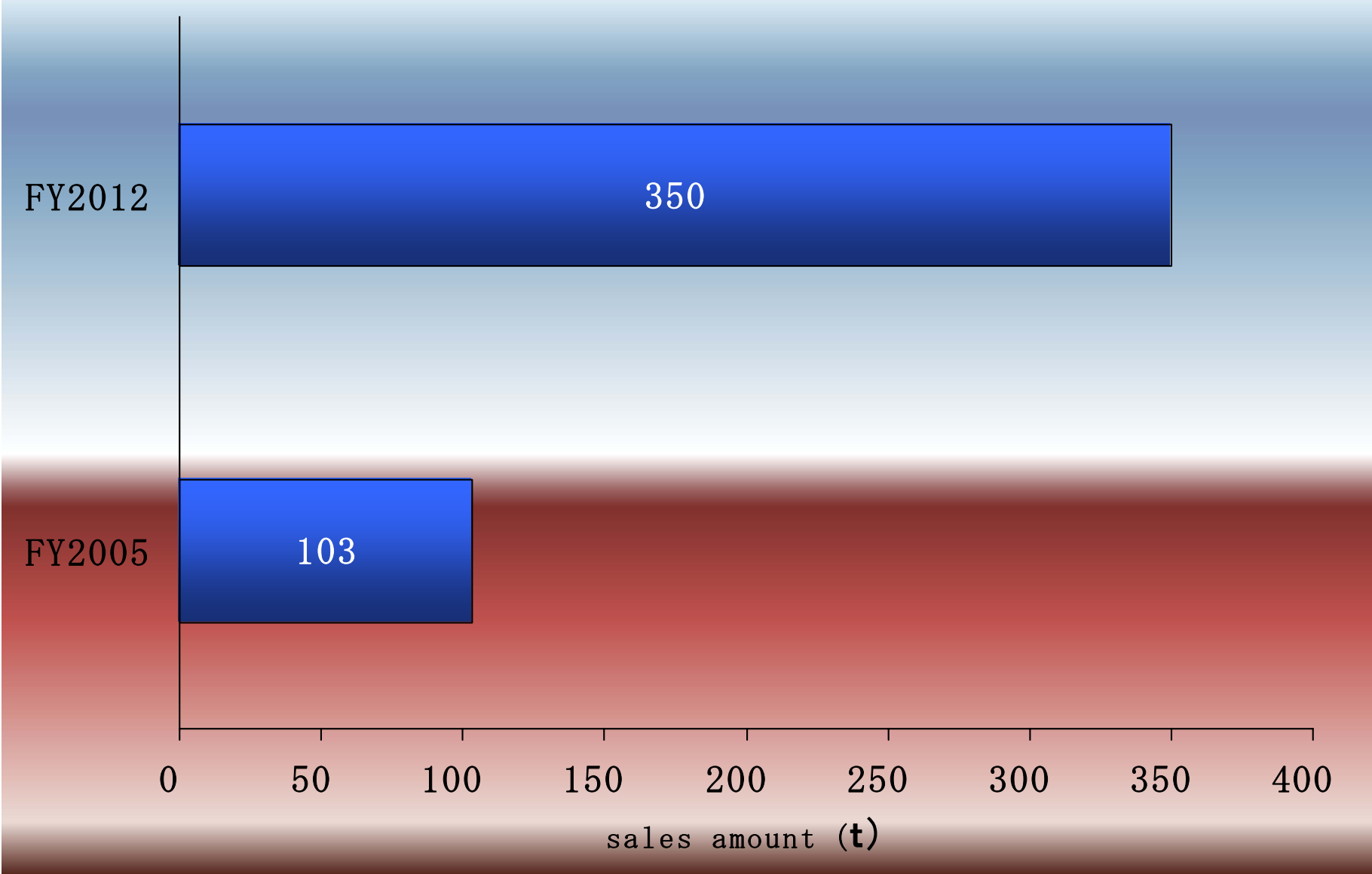
# Sales target by segment



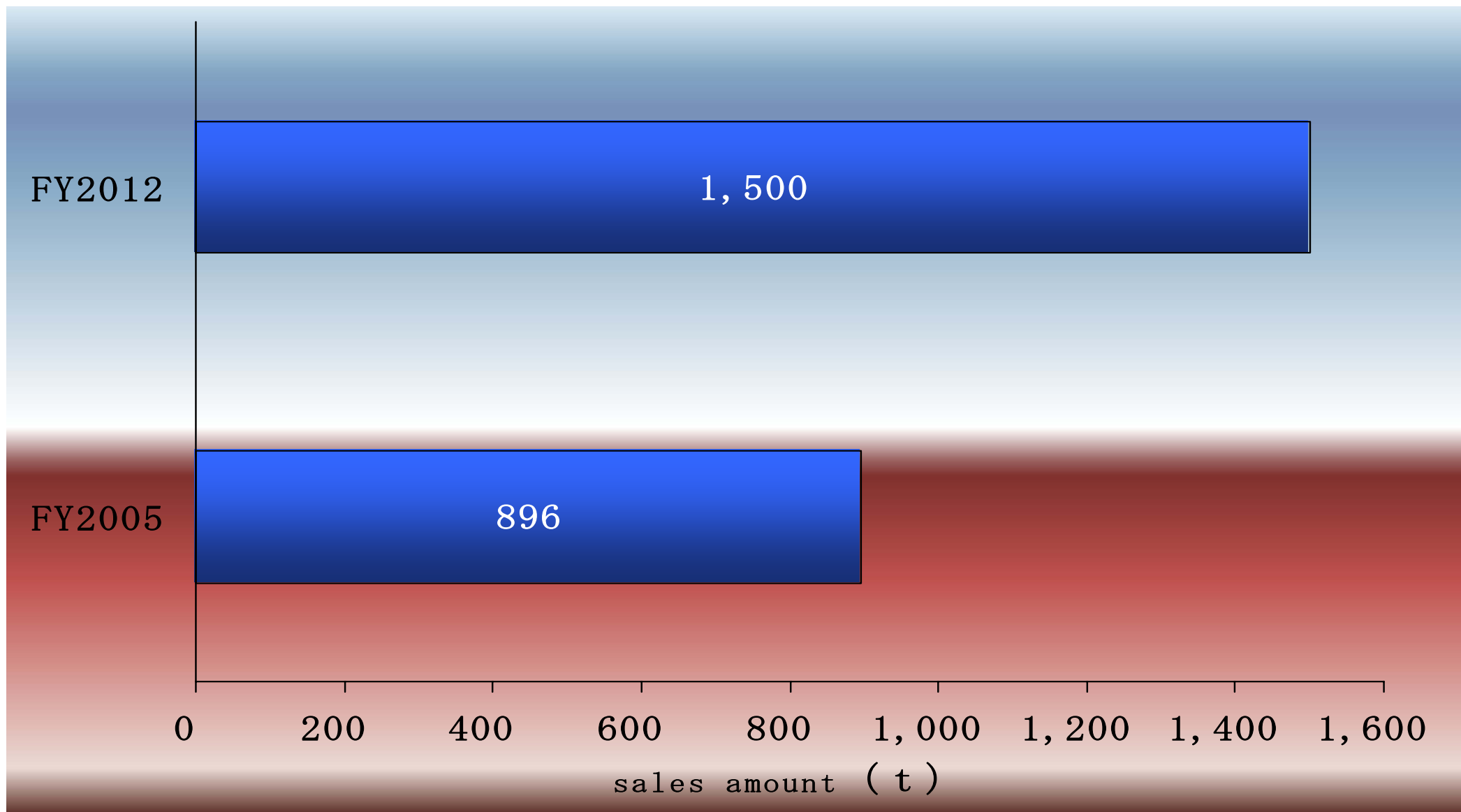
# Sponge and Ingot product capacity (t/Y)



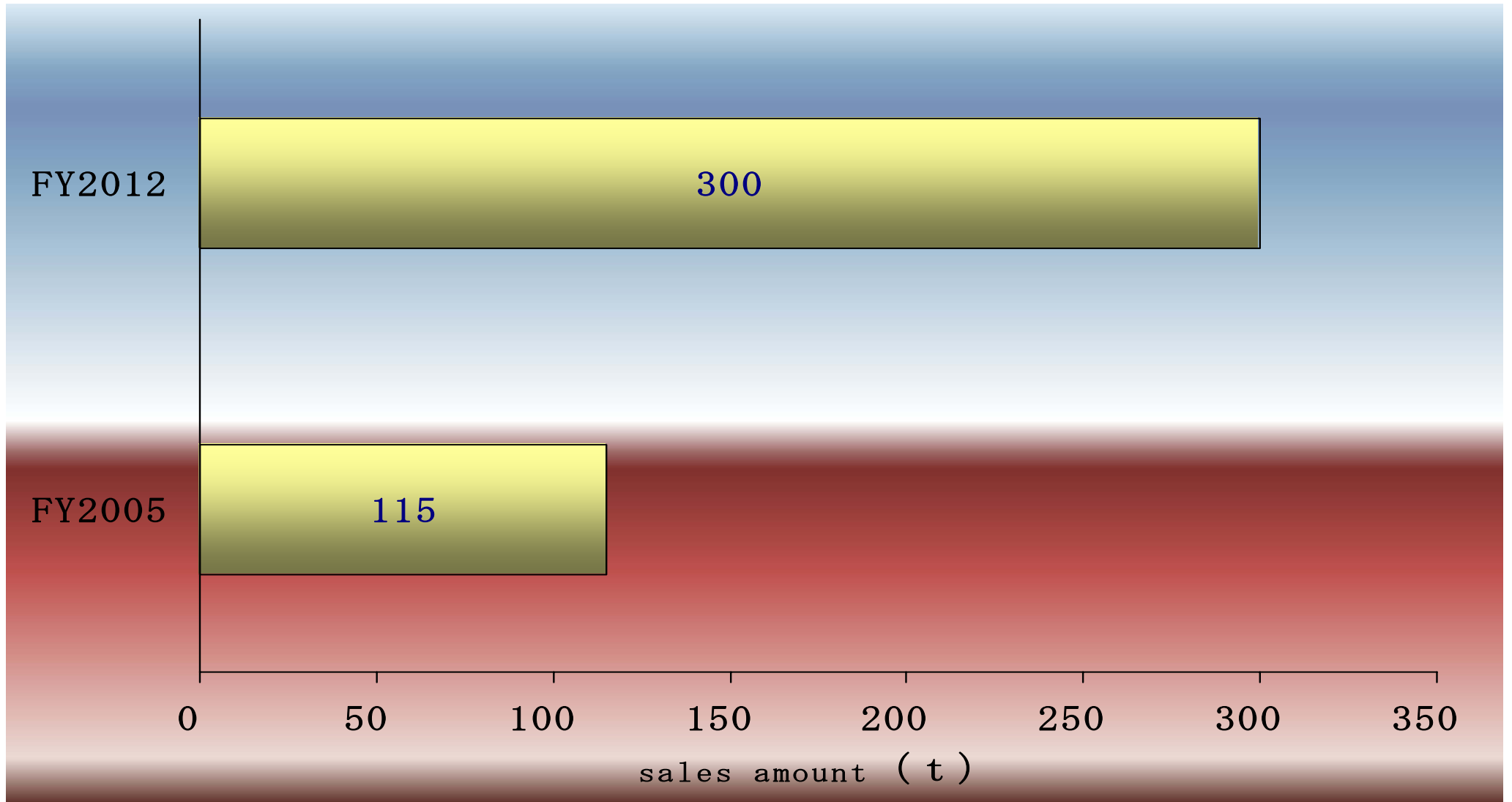
# Sales weight target (Ultra-fine nickel powder) (t/year)



# Sales weight target (High purity titanium dioxide) ( t /year)



# Sales weight target (THC) ( t /year)



About the stocks etc.

## Dividend policy

Return to stockholders that reflects earnings achievement

Target of 20% of net profit taking capital investment and financial situation into consideration

## TSE First Section listing

Target at early stage