

Fiscal 2006 (FY3/07) Interim Results Briefing

- **Overview of FY06 Interim Results and Full-year Forecasts**
- **Conception for Enhancement of Titanium Sponge Production Capacity**

Toho Titanium Company Limited

Overview of FY06 Interim Results and Full-year Forecasts

Comparison with the Previous Interim Period (Overview)

(Millions of yen)

	FY06 Interim	FY05 Interim	Change
Net sales	18,333	14,559	(○)3,774
Operating income	5,168	3,990	(○)1,178
Ordinary income	5,135	4,004	(○)1,131
Net income	2,978	2,346	(○)632

Nets Sales by Segment

(Millions of yen)

	FY06 Interim	FY05 Interim	Change
Titanium Metals	13,690	10,693	(○)2,997
Electronic Materials	1,403	1,050	(○)353
Catalysts	2,627	2,411	(○)216
Other Business	613	405	(○)208
Total	18,333	14,559	(○)3,774

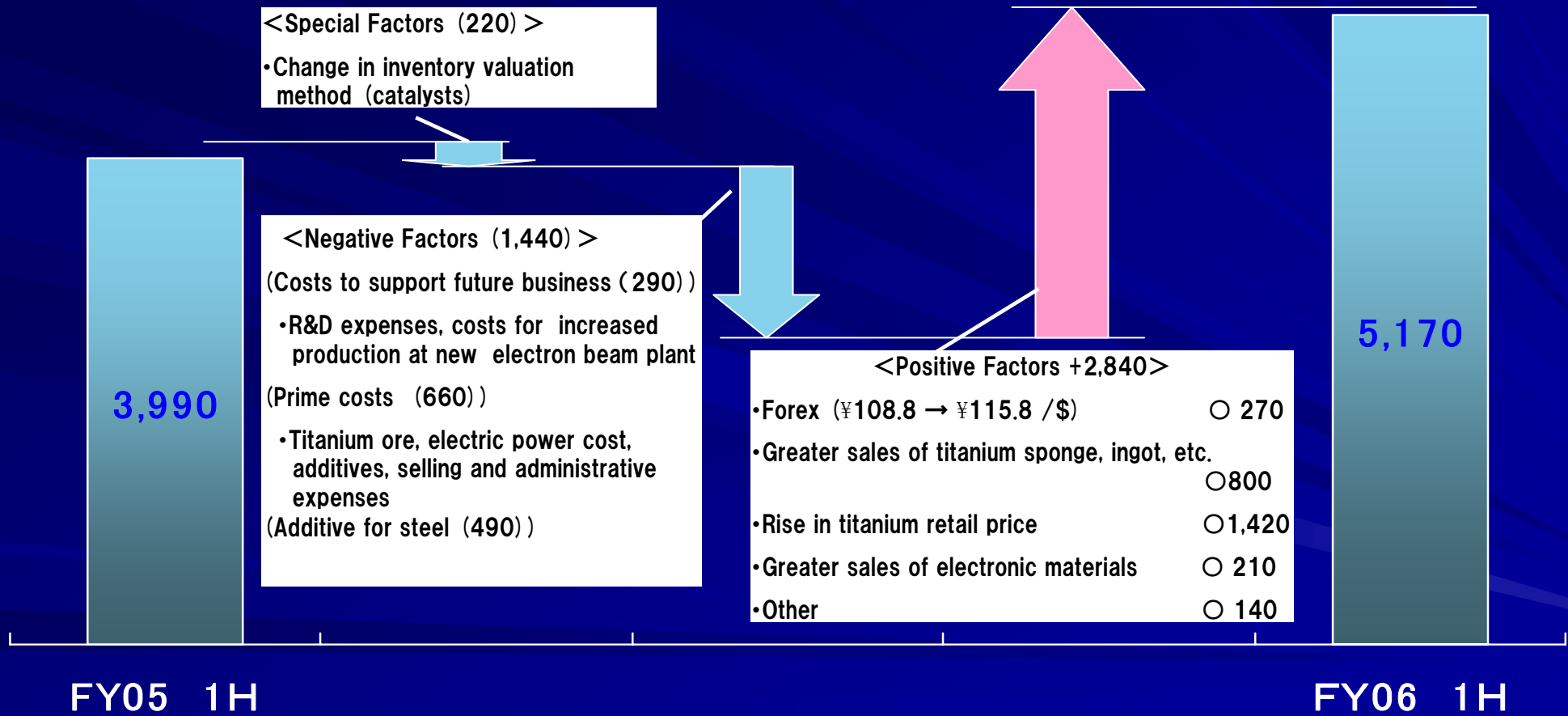
Operating Income by Segment

(Millions of yen)

	FY06 Interim	FY05 Interim	Change
Titanium Metals	4,924	3,744	(○) 1,180
Electronic Materials	243	35	(○) 208
Catalysts	633	786	(×) 153
Other Business	39	-6	(○) 45
Total	5,839	4,559	(○) 1,280
Eliminations and Corporate	-671	-569	(×) 102
Consolidated	5,168	3,990	(○) 1,178

Operating Income: FY06 1H vs. FY05 1H

(Millions of yen)



Balance Sheets

(Millions of yen)

	Sep 30, 2006	Mar 31, 2006	Change	Main Factors
(Assets)				
Current assets	17,086	18,152	△1,066	Cash and cash equivalents △1,236
Property, plant and equipment	18,953	17,464	1,489	Tangible fixed assets 1,647 (Investment to strengthen titanium and catalysts businesses)
Total assets	36,039	35,616	423	
(Liabilities)	9,404	11,055	△1,651	
Borrowings	2,450	2,700	△250	
Other liabilities	6,954	8,355	△1,401	Income taxes payable △1,600
(Total net assets)	26,635	24,561	2,074	Interim net income 2,978、 Dividends △910
Total liabilities and net assets	36,039	35,616	423	

* Includes minority interests

FY06 Full-year Forecasts

(Millions of yen)

	FY06 1H	FY06 2H (E)	FY06 Full Year (E)	FY05	Change
Net sales	18,333	19,317	37,650	31,706	(○)5,944
Operating income	5,168	5,072	10,240	8,980	(○)1,260
Ordinary income	5,135	5,065	10,200	8,948	(○)1,252
Net income	2,978	3,022	6,000	5,123	(○)877

	FY04	FY05	FY06 (planned)
Dividends (yen per share)	5.0	15.0	25.0 (of which, commemorative dividend of ¥5.0)

Note:
FY04 figures
converted following
share split

Net Sales by Segment

(Millions of yen)

	FY06 1H	FY06 2H	FY06 Full Year	FY05	Change
Titanium Metals	13,690	14,223	27,913	23,312	(○)4,601
Titanium Metals	1,403	1,402	2,805	2,372	(○)433
Catalysts	2,627	2,826	5,453	4,747	(○)706
Other Business	613	866	1,479	1,275	(○)204
Total	18,333	19,317	37,650	31,706	(○)5,944

Operating Income by Segment

(Millions of yen)

	FY06 1H	FY06 2H	FY06 Full Year	FY05	Change
Titanium Metals	4,924	4,468	9,392	8,405	(○)987
Titanium Metals	243	218	461	150	(○)311
Catalysts	633	875	1,508	1,494	(○)14
Other Business	39	103	142	104	(○)38
Total	5,839	5,664	11,503	10,153	(○)1,350
Eliminations and Corporate	-671	-592	-1,263	-1,173	(×)90
Consolidated	5,168	5,072	10,240	8,980	(○)1,260

Titanium Metals

	FY06 Interim	FY05 Interim	Change	FY06 Full Year (E)		FY05	Change
				FY06 2H	FY06 Full Year		
Sponge production volume (t)	6,985	5,941	(○)1,044	6,769	13,754	13,125	(○)629
Sponge sales volume (t)	2,959	2,689	(○)270	2,850	5,809	5,786	(○)23
As extension material (t)	1,760	1,727	(○)33	1,715	3,475	3,626	(×) 151
As steel additive (t)	1,199	962	(○)237	1,135	2,334	2,160	(○)174
Ingot sales volume (t)	4,190	3,642	(○)548	4,306	8,496	7,597	(○)899

Electronic Materials and Catalysts

		FY06 Interi m	FY05 Interi m	Change	FY06 Full Year (E)		FY05	Change
					FY06 2H	FY06 Full Year		
Electronic Materials	Ultra-fine nickel powder sales volume (t)	66	45	(○)21	61	127	103	(○)24
	High-purity titanium oxide sales volume (t)	535	383	(○)152	595	1,130	896	(○)234
Catalysts	THC sales volume (t)	61	60	(○)1	68	129	115	(○)14

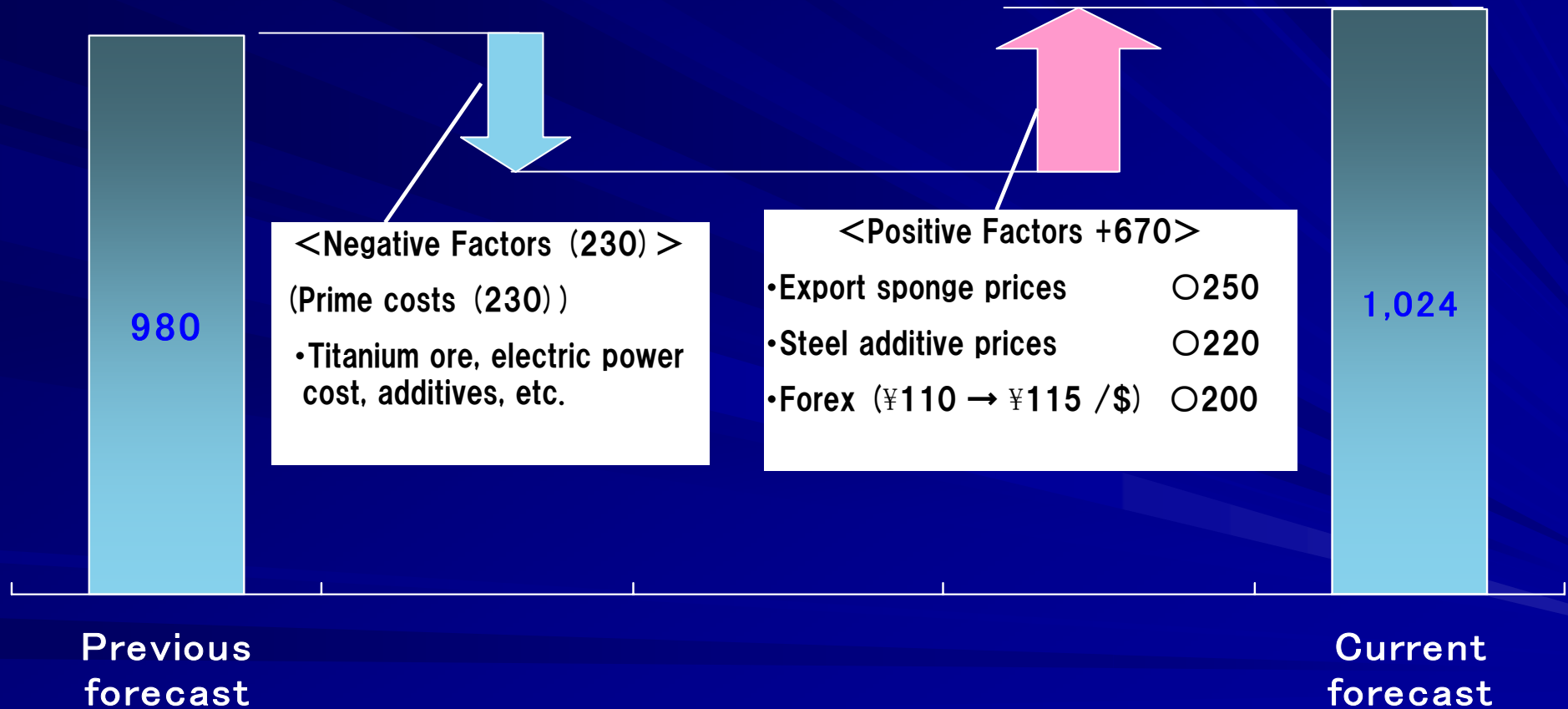
FY06 Full-year Forecasts

(Millions of yen)

	Current (announced Nov 8, 2006)	Previous (announced Aug 2, 2006)	Change
Net sales	37,650	36,200	(○)1,450
Operating income	10,240	9,800	(○)440
Ordinary income	10,200	9,800	(○)400
Net income	6,000	5,700	(○)300

FY06 Operating income

Current vs. Previous Forecast (Millions of yen)



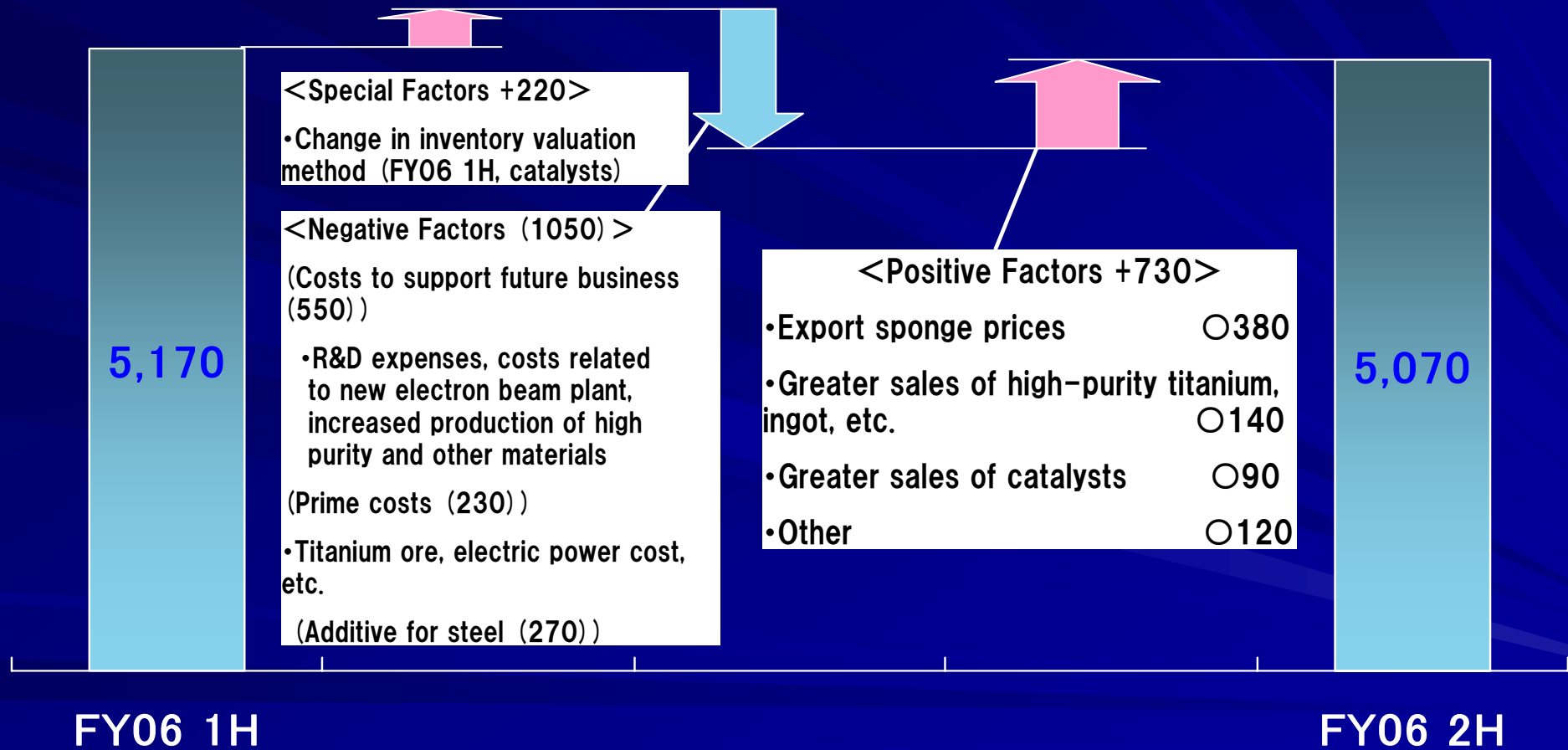
FY06 Full-year Forecasts

(Millions of yen)

	FY06 1H	FY06 2H (E)	Change
Net sales	18,333	19,317	(○)984
Operating income	5,168	5,072	(×)96
Ordinary income	5,135	5,065	(×)70
Net income	2,978	3,022	(○)44

Operating Income

FY06 2H (E) vs. FY06 1H (Millions of yen)

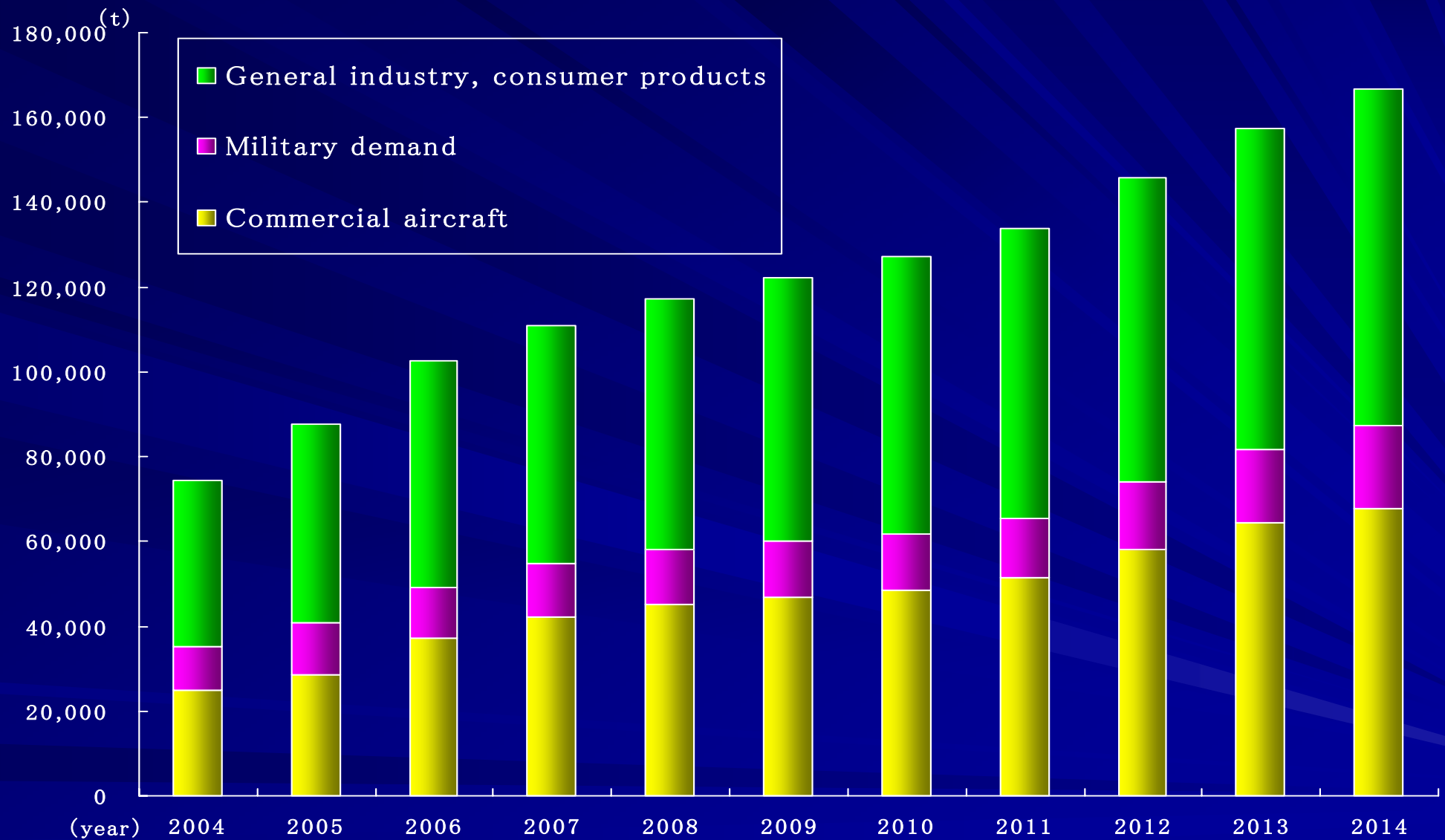


Conception for Enhancement of Titanium Sponge Production Capacity

Overview

Type of enhancement	Construction of a new titanium sponge plant	
Location	Kitakyushu City (Site owned by Nippon Steel Corporation's Yahata Steel Works being considered)	
Current production capacity	15,000 (t/yr)	
Production capacity after enhancement	28,000 (t/yr)	Chigasaki 16,000 (t/yr) New plant 12,000 (t/yr)
Production capacity enhancement * Figure in parenthesis is percentage increase	+13,000 (t/yr) (+87%)	Chigasaki +1,000 (t/yr) New plant +12,000 (t/yr)
Start of construction (planned)	Chigasaki: Expansion work in progress (begun July 2006) New plant: Early in fiscal 2007	
Completion (planned)	Chigasaki: Fiscal 2007 New plant: Fiscal 2009	
Capex	Undetermined	
Notes	Potential capacity expansion at Chigasaki plant 6,000 t/yr, at new plant 12,000 t/yr	

Forecast of Titanium Sponge Demand



[Source: Toho Titanium's estimate]

Factors behind Rising Demand for Titanium Sponge

- **Commercial aircraft**

Increase in amount of titanium used in the next generation of mainstay aircraft

Increase in aircraft purchases (plus greater proportion of mainstay aircraft)

- **Military demand**

Increase in use of titanium to lighten weight of equipment

- **General industry, consumer products**

Increase in use for LNG plants, nuclear power stations, desalination plants

Steady demand in various fields (medicine, sports, building materials, etc.)

Commercial Aircraft: Amount of Titanium Used (Buy Weight) by Aircraft Model

(Fly weight is 1/5 to 1/10 of buy weight)

	Aircraft model B = Boeing; A = Airbus	No. of engines	Buy weight (t)
Previous aircraft	B737	2	10
	B767	2	16
	B747	4	38
	A300	2	13
Next generation of mainstay aircraft	B777	2	86
	B787	2	100
	A350	2	50
	A380	4	90

Purchases of Commercial Aircraft (Boeing & Airbus)

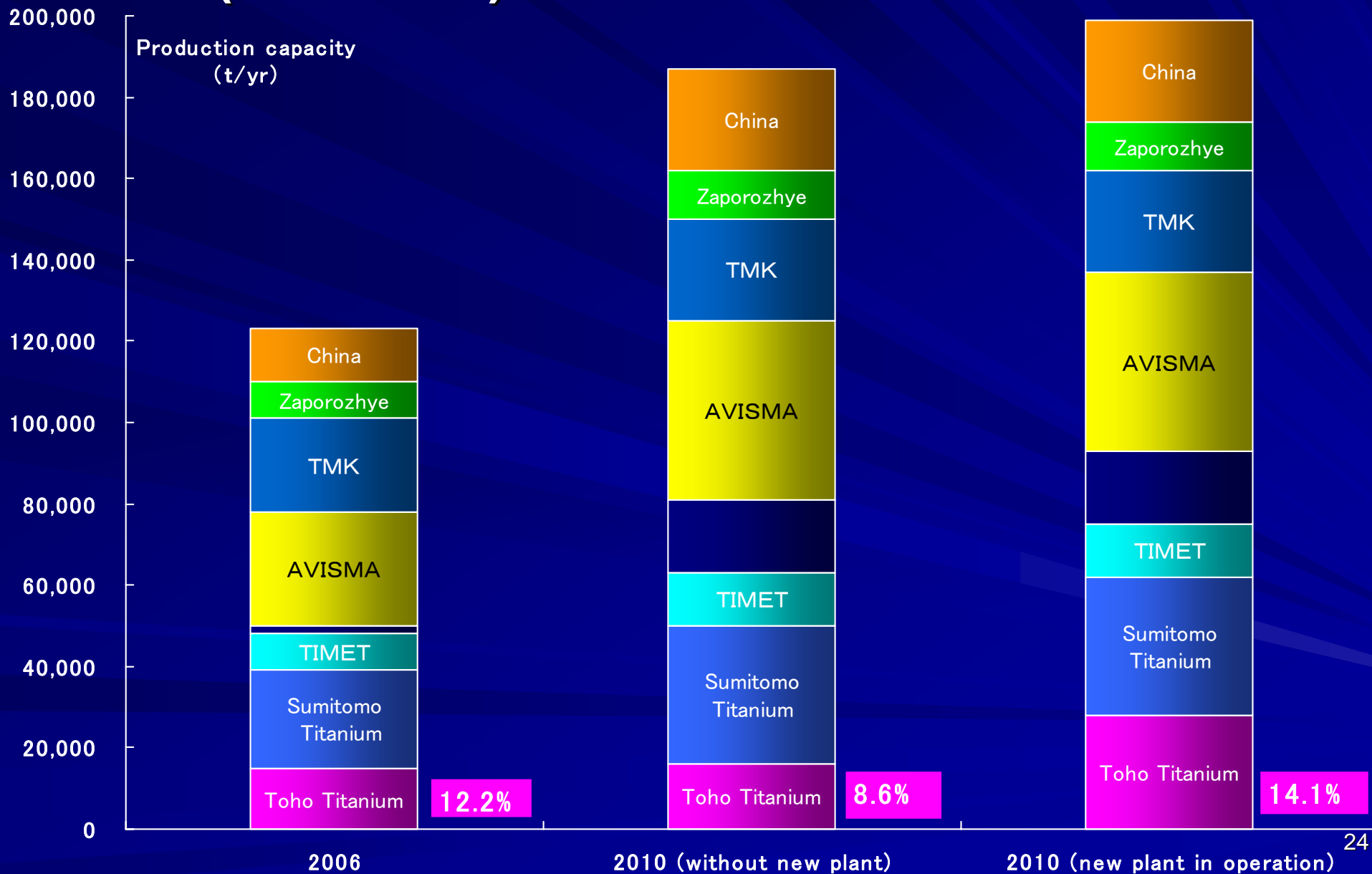
Source: *Airline Monitor*, July 2006



Global Production Capacity for Titanium Sponge (Toho Titanium Estimate)

Country	Company	Production capacity (t/yr)		Note
		2006	2010	
Japan	Toho Titanium	15,000	28,000	
	Sumitomo Titanium	24,000	34,000	
United States	TIMET	9,000	13,000	
	ATI(Oremet)	2,000	18,000	
CIS	AVISMA (Russia)	28,000	44,000	Increase of 12,000 t by 2012
	TMK (Kazakhstan)	23,000	25,000	
	Zaporozhye (Ukraine)	9,000	12,000	
China	Zunyi Titanium	10,000	20,000	
	Fushun Aluminum	3,000	5,000	
Total		123,000	199,000	
Titanium sponge for extension material		100,700	163,300	

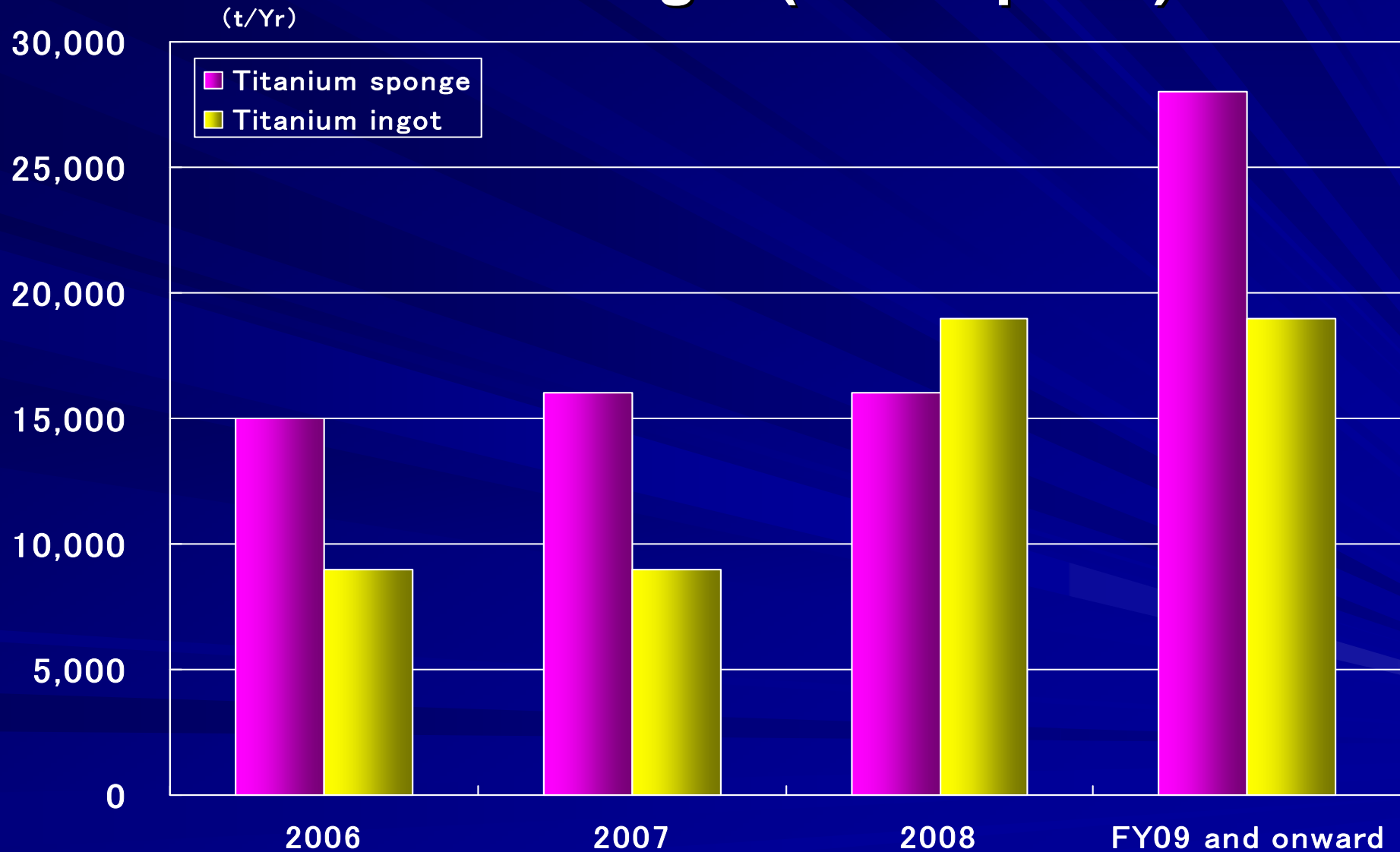
Titanium Sponge Production Capacity by Company (Estimated) and Toho Titanium's Share



Conception for Production Capacity Enhancement

	FY06	FY07	FY08	FY09 and onward	Notes
Titanium sponge (t/yr)					
Chigasaki	15,000	16,000	→	→	Maximum: +6,000 t/yr
New plant	0	→	→	12,000	Maximum: +12,000 t/yr
Total	15,000	16,000	→	28,000	
Titanium ingot (t/yr)					
Chigasaki/Hitachi	9,000	→	→	→	
Kitakyusu	0	→	10,000	→	Maximum: +10,000 t/yr
Total	9,000	→	19,000	→	

Production Capacity of Titanium Sponge and Titanium Ingot (Conception)



Overview of Concept of New Titanium Sponge Plant

Schedule (planned)

Nov 2006	Design
FY07 1H	Construction begins
FY09	Construction completed

Site

Near post-processing ingot plant
Infrastructure in place
Future expansion possible
Diversification of natural disaster risk (earthquake, etc.)

Leading candidate site:
Kitakyushu city

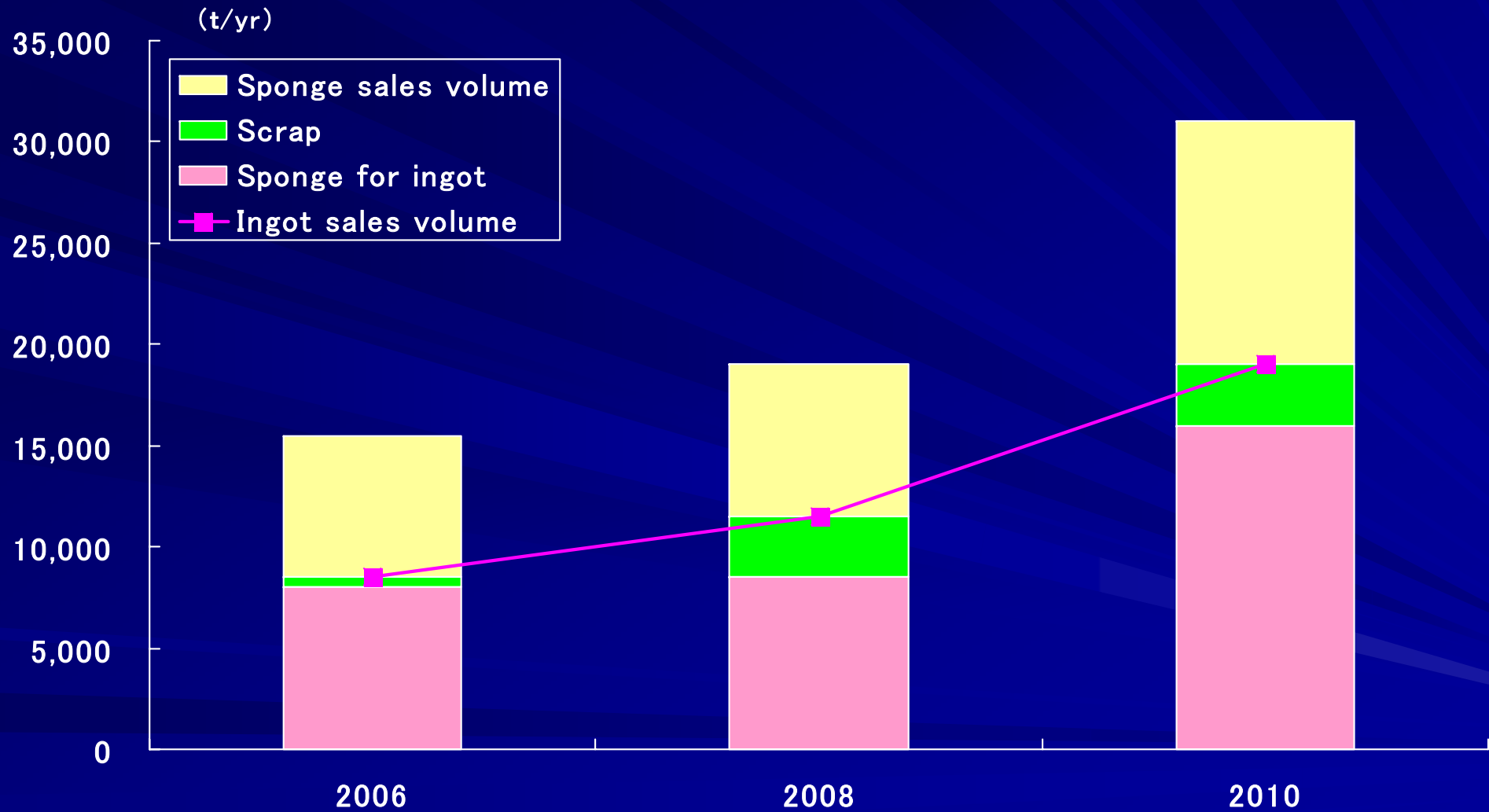
Capex amount

Undetermined (estimated at over ¥30 billion)

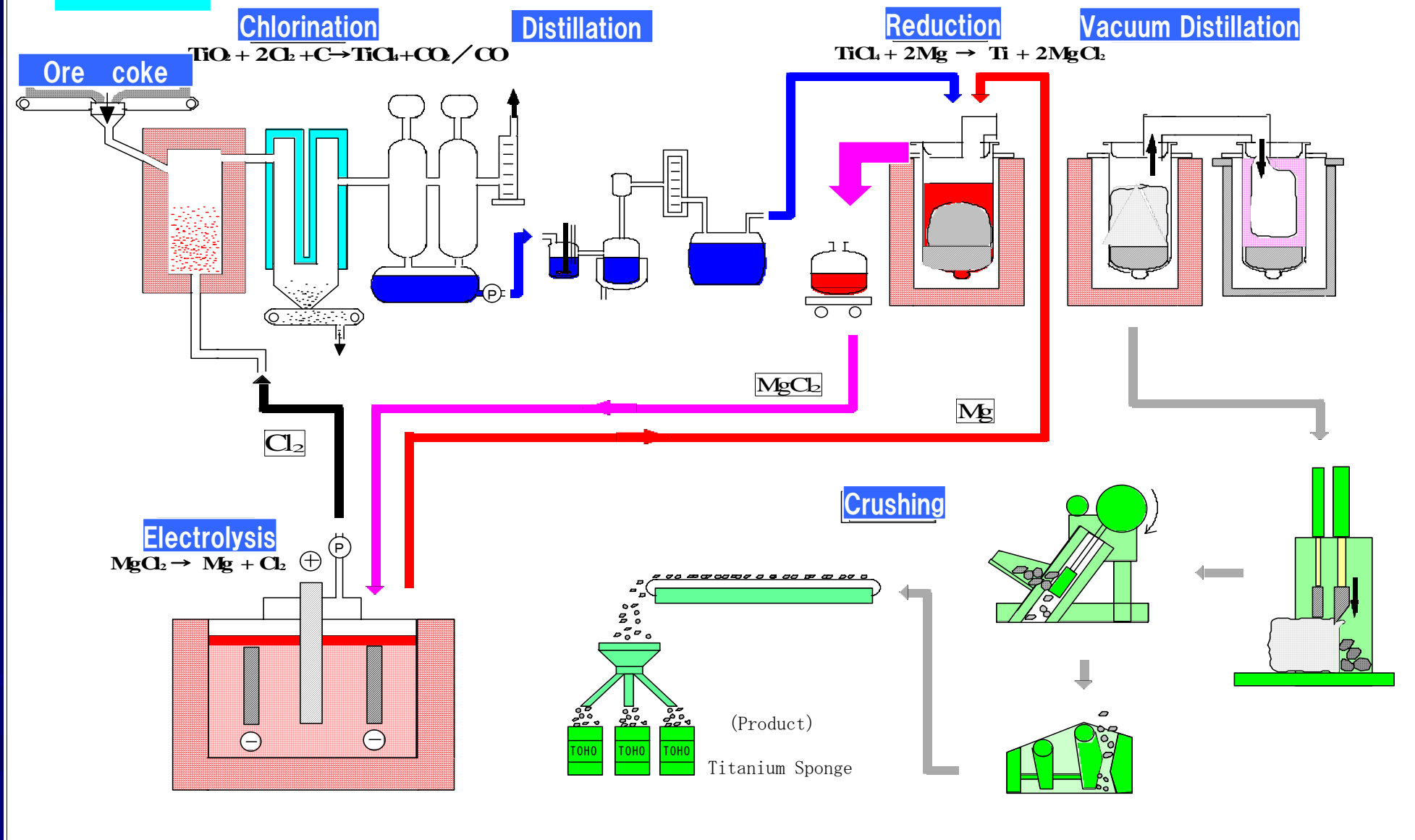
Financing

Company funds plus borrowing planned

Titanium Supply Potential (Anticipated)



References



Titanium Sponge Manufacturing Process

Vision for the Toho Titanium Group

World's foremost titanium general producer

