

# THE POTENTIAL OF TITANIUM

Annual Report 2008

Year ended March 31, 2008

## Management Philosophy and Mission

**The Toho Titanium Group pursues titanium's unlimited potential as an earth-friendly material, and contributes to the world by developing, manufacturing, and supplying products based on titanium.**

- ◆ We build harmonious, mutually beneficial relationships with our customers and partners by respecting their positions with sincerity.
- ◆ We nurture the talents of our employees as each employee aims for self-actualization while sharing common goals.
- ◆ We contribute to the global environment and local communities with sincerity and humility.

We will enhance Toho Titanium's corporate value by realizing the above.

## Environmental Policy

**We will manufacture and supply environment-friendly products based on titanium, while striving to minimize the environmental impact of our operations.**

- ◆ We will reduce CO<sub>2</sub> emissions and waste materials by improving manufacturing efficiency.
- ◆ We will strictly observe applicable environmental laws, regulations, and standards.
- ◆ We will maintain and pursue continual improvement in our Environmental Management System.

## Quality Policy

**We will provide our customers the best satisfaction by promoting technical innovation, and by stably manufacturing and supplying attractive products based on titanium.**

- ◆ We will identify customer needs and provide products that meet those needs.
- ◆ We will strictly observe applicable laws, regulations, and standards concerning our products.
- ◆ We will pursue continual improvement in our Quality Management System.

# THE POTENTIAL OF TITANIUM

## THE POTENTIAL OF TOHO TITANIUM

Titanium contains an unlimited amount of potential, boasting an incredible array of excellent properties—it is strong, light and does not corrode or rust. Not only that, but deposits of titanium ore in the earth’s crust are said to be inexhaustible.

Titanium’s applications are extremely diverse. It is used in the cutting-edge aerospace industry, in chemical engineering equipment, electrical power generation plants, in construction materials and in sports equipment, such as golf clubs. Recently, titanium has also begun to be used in the manufacture of artificial bones, having been recognized as a material that is ideal for use in medical-related products thanks to its compatibility with the human body. Despite its present status, titanium has a relatively brief history in terms of human use. It was discovered only around 200 years ago, and commercial production commenced just 60 years ago. As a material, the history of titanium has only just reached the end of its opening chapter—its evolution has only just begun.

Toho Titanium is one of the world’s leading comprehensive manufacturers of titanium. We are a pioneer in pursuing the potential of titanium and are committed to opening up new, unlimited possibilities for the future as a leader in the titanium world.

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#### FORWARD-LOOKING STATEMENTS

- This material includes Toho Titanium’s future plans, strategies, earning forecast, and outlook.
- Information in this material includes not only facts that have occurred, but also forecasts and assumptions based on available information as of the date this material was prepared.
- This also includes unlimited risks and uncertainties related to the economic condition, fierce competition in the industry, market demand, foreign exchange rate, tax system and other regulations.
- Hence please note that actual results may differ from our forecasts described in this material.

NET WT. 275 NET WT.

## TITANIUM SPONGE

Toho Titanium manufactures titanium sponge from titanium tetrachloride based on the magnesium reduction method — or Kroll process — while also utilizing its own proprietary technologies. These processes enable the Company to produce very high-quality titanium sponge. Despite its status as the metal ore with the world's fourth-highest amount of reserves, titanium is recognized as a rare metal owing to the value of this smelting technology.



TOHO TITANIUM CO., LTD.



TOHO TITANIUM

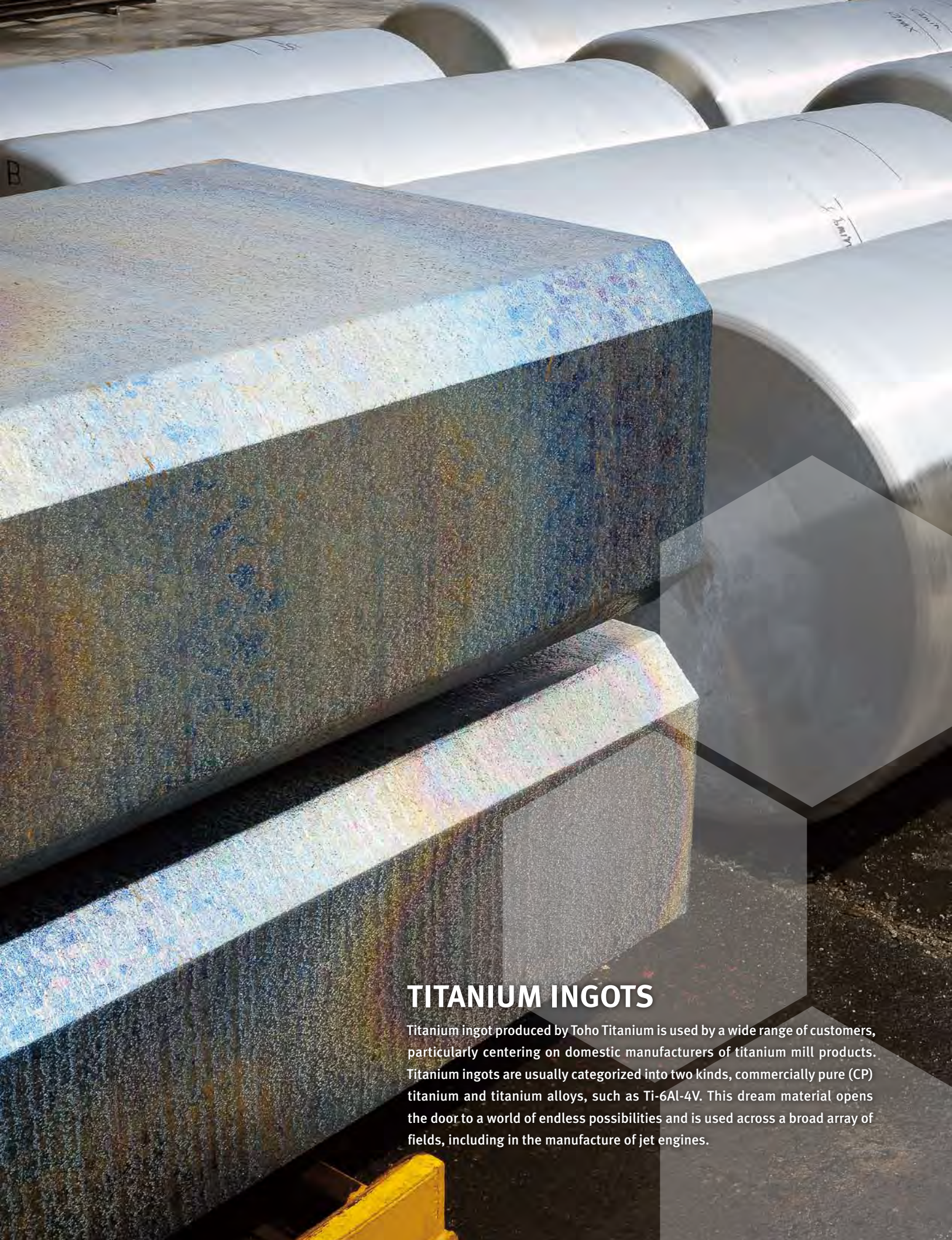


TITANIUM SPONGE

TITANIUM  
& D/M NO.  
GROSS WT.

298 KG

TITA  
LOT



## TITANIUM INGOTS

Titanium ingot produced by Toho Titanium is used by a wide range of customers, particularly centering on domestic manufacturers of titanium mill products. Titanium ingots are usually categorized into two kinds, commercially pure (CP) titanium and titanium alloys, such as Ti-6Al-4V. This dream material opens the door to a world of endless possibilities and is used across a broad array of fields, including in the manufacture of jet engines.

## A Message to our Shareholders



CHAIRMAN  
Kazuharu Nogami

REPRESENTATIVE DIRECTOR AND PRESIDENT  
Takeshi Kurushima

**FROM THIS YEAR**, Toho Titanium will be publishing an annual report. We hope that this report will serve as an effective and candid means of informing our shareholders and other stakeholders of the Company's current position and future goals.

**IN THE YEAR** ended March 31, 2008, net sales increased 17.9% compared with the previous fiscal year, to ¥44.9 billion. Operating income grew 25.7%, to ¥13.8 billion, and net income increased 24.8%, to ¥7.8 billion. This marks five consecutive fiscal years in which both net sales and net income have exceeded the previous year's levels. Net sales and net income in the year ended March 31, 2008 are both also the highest such figures in the Company's history. These results are primarily due to the fact that there were no serious accidents, and nearly all divisions operated at their full capacities. We would like to thank everyone, including our employees, whose efforts contributed to these solid results.

Annual global titanium sponge shipment for mill products was estimated to have fallen to 62,000 tons in 2002, the year following the September 11, 2001 terrorist attacks. However, it began growing steadily again from the second half of 2003, and in 2007 it reached 135,000 tons. Over that five-year period, the compound annual growth rate (CAGR) for titanium mill product shipments was approximately 17%. In the year ended March 31, 2003, the Company's production volume of titanium sponge was 9,258 tons, but by the year ended March 31, 2008 that figure had risen to 14,176 tons.

During the period, with incremental expansions in production capacity, the Company's Chigasaki Plant has added a total of 4,000 tons per year, bringing current annual capacity to 16,000 tons. However, we recognized that to enable us to respond to further medium-term growth in demand, we would need to build a new plant. Based on this judgment, we embarked on the construction of two new plants, one each for titanium sponge and titanium ingot. Both new plants are located in Kitakyushu, Fukuoka Prefecture. The new titanium ingot plant was the first of the two projects to be commissioned, with construction commencing in July 2006, and commercial operations launched in April 2008. We started on the new titanium sponge plant in November 2007, and construction is currently progressing smoothly, with operations scheduled to begin in December 2009. When both plants are fully operational, the Company's annual production capacity for titanium sponge will be 28,000 tons and titanium ingot capacity will be 19,000 tons.



**“The new facilities have room for the addition of extra capability in the future, which provides a solid platform which to meet new demand growth in response to market conditions.”**

Each of the new facilities has room for the addition of extra capacity in the future, which provides a solid platform from which to meet new demand growth in response to market conditions.

We have installed a large-scale electron beam (EB) furnace at the new titanium ingot plant, which is suitable for the melting of titanium scrap. Using this plant, we are confident that we can greatly enhance the system for titanium recycling in Japan.

**TITANIUM'S HISTORY** as a metal used by human society is very short indeed, just 60 years. Titanium possesses many excellent properties—it is strong, light and does not corrode or rust. For these characteristics, demand for titanium from the aircraft industry and general industrial applications is expected to grow substantially. At present, one of the most pressing issues facing the aircraft manufacturing industry is how to increase fuel efficiency by making lighter aircraft. To meet this objective, a materials revolution is currently under way, with a remarkable transformation taking place whereby aluminum alloys are being replaced by titanium alloys and carbon fiber composite materials. Titanium alloys have low thermal expansion coefficients and extremely high corrosion resistance, giving them excellent compatibility with carbon fiber. For these reasons, titanium alloys are used in large quantities in the most advanced aircraft designs.

Even when exposed to seawater, titanium is resistant to rust or corrosion. This unique characteristic means that titanium is often chosen as a material for desalination plants, liquefied natural gas (LNG) plants, nuclear power plants, and a wide range of other applications. As the earth's environment becomes harsher, the construction of such plants is likely to become more common around the world. The environmental lifecycle cost of titanium tends to be very favorable compared with other materials owing to titanium's high durability and long lifespan. Hence, titanium is seen as a metal that can contribute to environmental sustainability.



**THE COMPANY'S INCREASE** in titanium sponge capacity is in line with expectation from prominent titanium users to satisfy the growing demand. It will also help reinforce long-term relationship with customers seeking a reliable and stable supplier of titanium sponge, especially the quality of which should meet strict specification for aircraft industries. We are also strengthening our relationship with domestic manufacturers of titanium mill products. Through these strategies, we aim to solidify our business base and achieve enhanced earnings stability.

In the area of high-purity titanium, the principal application is sputtering targets for semiconductors. We anticipate increasing demand driven by the personal computer (PC) and digital consumer electronics sectors. In response, we are implementing measures to increase our production of high-purity titanium.

Toho Technical Service Co., Ltd. (Toho Tech), is a consolidated subsidiary of the Company, which manufactures and markets fabricated titanium products. Toho Tech fulfills an important role in the Group by developing new titanium product applications, and its work involves not only commercially pure titanium but also aggressive development in the area of titanium alloys.

The chemical and electrical properties of titanium are also extremely impressive. This gives titanium very high utility as a catalyst and as an electronic material. In April 2008, we merged consolidated subsidiary Toho Catalyst Co., Ltd., back into the Company. Toho Catalyst had been responsible for the operation of the catalyst business segment, which we have integrated with the electronic materials business segment to form the Catalysts & Chemicals Division. Both catalysts and electronic materials are businesses that provide customers with specific functions. By utilizing Toho Titanium's products, its customers are striving to enhance their own competitiveness and successfully grow their businesses. Consequently, these customers demand an extremely

**“We aim to build our position to become the world's leading titanium producer.”**

high level of functions from our products. To respond to such needs, it is crucial that we work strenuously to provide highly functional products in a timely manner. By doing so, we will win the trust and confidence of our customers. Through the organizational integration implemented on this occasion, we aim to further enhance the unique technologies held by the catalyst and electronic materials businesses, and realize technical and marketing synergies that will enable us to expand the business as a whole.

The Company and its partners have been conducting a joint project to study the feasibility of mass-production technology for the manufacture of polysilicon used in photovoltaic (PV) cells. Our partners in this venture are Chisso Corporation and Nippon Mining Holdings, Inc.—Toho Titanium's parent company. Based on the results achieved so far, we have decided to establish a new joint venture company to manufacture and market polysilicon. For this mass-production technology base, we are applying the titanium metal manufacturing technologies that we have accumulated over the many years. Through this mass-production technology, we will strive to realize an efficient production system for polysilicon. We hope that this will enable us to contribute to the rapidly expanding PV market.

**WITH REGARD TO** the outlook for the year ending March 31, 2009, we anticipate increasing downward pressure on operating margins as the Japanese yen appreciates against other currencies and the costs of many raw materials rise. In addition, the Company must absorb expenses associated with the construction of its new



## Titanium Sponge Production Capacity Expansion Plan

FY2007		FY2009		NEXT STEP (PLAN)	
<b>16,000 TONS/YEAR</b>		<b>28,000 TONS/YEAR</b>		<b>40,000 TONS/YEAR</b>	
Chigasaki Plant	16,000 tons/year	Chigasaki Plant	16,000 tons/year	Chigasaki Plant	16,000 tons/year
		Wakamatsu Plant	12,000 tons/year	Wakamatsu Plant	24,000 tons/year

Construction of the Wakamatsu Plant

Capacity expansion for the Wakamatsu Plant

## Titanium Ingot Production Capacity Expansion Plan

FY2007		FY2008		NEXT STEP (PLAN)	
<b>9,000 TONS/YEAR</b>		<b>19,000 TONS/YEAR</b>		<b>29,000 TONS/YEAR</b>	
Chigasaki Plant (VAR)	6,500 tons/year	Chigasaki Plant (VAR)	6,500 tons/year	Chigasaki Plant (VAR)	6,500 tons/year
Hitachi Plant (EB)	2,500 tons/year	Hitachi Plant (EB)	2,500 tons/year	Hitachi Plant (EB)	2,500 tons/year
		Yahata Plant (EB)	10,000 tons/year	Yahata Plant (EB)	20,000 tons/year

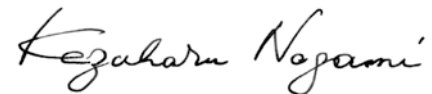
Completion of the Yahata Plant (April 4, 2008)

Capacity expansion for the Yahata Plant

manufacturing plants in Kitakyushu. As a result, we are forecasting net sales amounting to ¥48.2 billion, operating income totaling ¥10.5 billion and net income amounting to ¥6.4 billion. This is an increase in net sales but a fall in net income. We project a full contribution from the new titanium sponge plant in the year ending March 31, 2012, after it reaches full-scale operations. We hope that our shareholders will recognize the intervening period as a time in which we are building a solid platform for significant future growth. Although we are continuing our large-scale investments in the construction of new manufacturing facilities, we will maintain a dividend payout ratio of at least 20.0% during this time.

Toho Titanium is committed to making a contribution to society as a company specializing in the titanium field. To do this, we will continue to provide the market with titanium metal, catalysts, electronic materials, and other related products. We are also very enthusiastic about nurturing titanium to become one of the world's most sought-after materials. While a large base resource of titanium ore exists, and it is still regarded as a rare metal, and as such a special smelting process is required. By completing the construction of the world's most efficient titanium production facilities, we aim to build our position to become the world's leading titanium producer.

July 2008



CHAIRMAN  
Kazuharu Nogami



REPRESENTATIVE DIRECTOR AND PRESIDENT  
Takeshi Kurushima

# Consolidated Financial Highlights

Toho Titanium Company, Limited and Subsidiaries

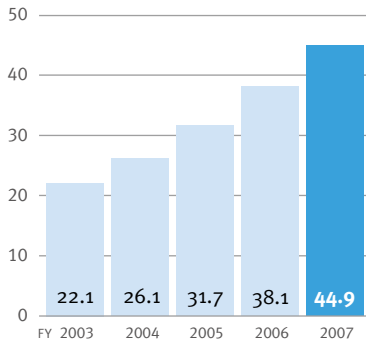
YEARS ENDED MARCH 31	Millions of yen unless stated otherwise					% Increase (Decrease)	Thousands of U.S. dollars*1
	FY2003 2004	FY2004 2005	FY2005 2006	FY2006 2007	FY2007 2008	FY2007 / FY2006 2008 / 2007	FY2007 2008
<b>FOR THE FISCAL YEAR:</b>							
Net sales	¥22,125	¥26,066	¥31,706	¥38,099	¥44,905	17.9%	\$448,196
<i>By segment</i>							
Titanium metal	10,591	15,114	23,311	28,565	34,480	20.7	344,146
Catalyst	4,055	4,255	4,747	5,462	5,744	5.2	57,331
Electronic materials	2,893	2,387	2,372	2,562	3,041	18.7	30,352
Diamond tools*2	3,272	3,269	—	—	—	—	—
Other	1,311	1,038	1,275	1,508	1,637	8.5	16,339
Gross profit	6,415	7,150	12,966	15,672	19,376	23.6	193,394
Selling, general administrative expenses	4,149	4,522	3,986	4,729	5,624	18.9	56,131
Operating income	2,265	2,628	8,980	10,943	13,752	25.7	137,263
<i>By segment</i>							
Titanium metal	1,019	1,802	8,404	10,169	13,793	35.6	137,668
Catalyst	1,116	985	1,494	1,625	1,923	18.4	19,197
Electronic materials	463	271	149	354	86	(75.6)	859
Diamond tools*2	441	340	—	—	—	—	—
Other	100	79	104	177	106	(40.0)	1,064
Corporate (Elimination)	(876)	(851)	(1,173)	(1,383)	(2,157)	—	(21,529)
Ordinary income	1,813	2,480	8,948	10,831	13,312	22.9	132,868
Net income	974	1,876	5,124	6,235	7,783	24.8	77,687
Net cash provided by operating activities	3,827	6,147	8,696	5,961	9,335	56.6	93,171
Net cash used in investing activities	(1,340)	868	(2,848)	(4,984)	(15,624)	—	(155,948)
Net cash used in financing activities	(2,616)	(5,470)	(5,425)	(1,523)	4,560	—	45,516
Cash and cash equivalents at end of year	645	2,186	2,610	2,063	334	(83.8)	3,335
Capital expenditures	913	2,051	2,907	5,880	15,393	161.7	137,263
Depreciation	2,158	2,034	1,976	1,984	2,607	31.4	26,021
R&D expenses	1,084	1,184	1,207	1,334	1,811	35.8	18,085
<b>AT FISCAL YEAR-END:</b>							
Total assets	¥34,974	¥31,868	¥35,616	¥41,076	¥54,517	32.7%	\$544,141
Net assets	18,003	19,603	24,525	29,980	35,241	17.5	351,741
<b>PER SHARE*3:</b>							
Net income (yen/U.S. dollars)	¥ 31.5	¥ 60.9	¥ 83.3	¥102.7	¥128.3	24.8%	\$1.3
Net assets (yen/U.S. dollars)	592.5	645.2	403.1	493.0	579.6	17.6	5.8
Cash dividends (yen/U.S. dollars)	7.5	10.0	15.0	25.0	28.0	12.0	0.3
<b>OTHER DATA:</b>							
ROS (%)	8.2	9.5	28.2	28.4	29.6		
ROA (%)	5.1	7.4	26.5	28.2	27.9		
ROE (%)	5.5	10.0	23.2	22.9	23.9		
Dividends payout ratio (%)	23.8	16.4	18.0	24.3	21.8		
Titanium sponge production (tons)	7,135	9,285	13,125	14,042	14,176	1.0%	
Titanium ingot production (tons)	4,427	6,135	7,655	8,843	9,264	4.8	

\*1 Yen amounts have been translated into U.S. dollars solely for convenience at the rate of ¥100.19 = US\$1, the approximate exchange rate at March 31, 2008.

\*2 As of March 31, 2005, all of the issued shares of the consolidated subsidiary handling diamond tools had been transferred.

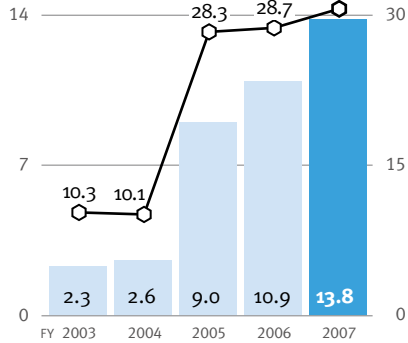
\*3 In the fiscal year ended March 31, 2006, the Company implemented 2-for-1 stock split.

**Net Sales**  
(BILLIONS OF YEN)



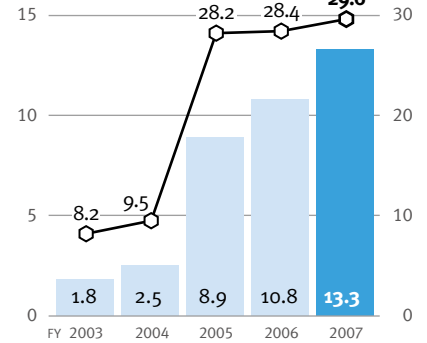
**Operating Income**  
(BILLIONS OF YEN) (LEFT)

**Operating Income Margin**  
(PERCENT) (RIGHT)

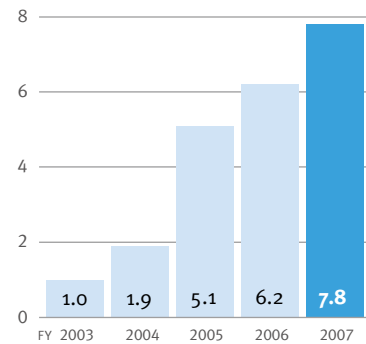


**Ordinary Income**  
(BILLIONS OF YEN) (LEFT)

**ROS**  
(PERCENT) (RIGHT)

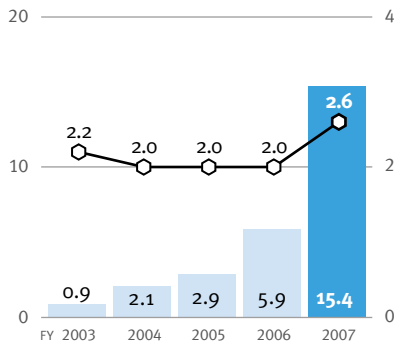


**Net Income**  
(BILLIONS OF YEN)



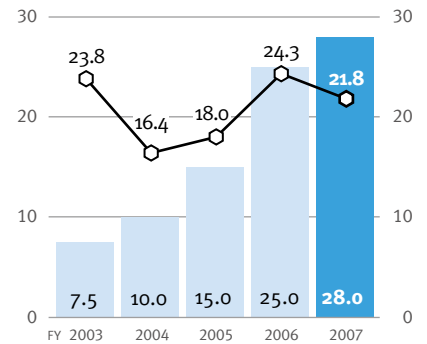
**Capital Expenditures**  
(BILLIONS OF YEN) (LEFT)

**Depreciation**  
(BILLIONS OF YEN) (RIGHT)



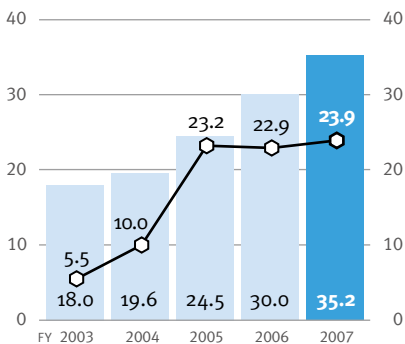
**Dividends per Share**  
(YEN) (LEFT)

**Dividends Payout Ratio**  
(PERCENT) (RIGHT)



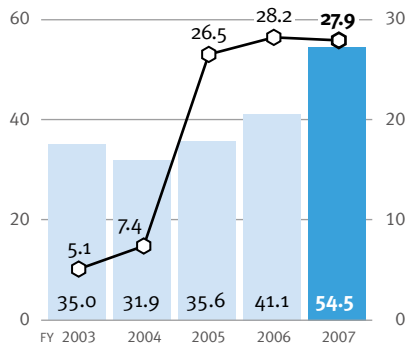
**Net Assets**  
(BILLIONS OF YEN) (LEFT)

**ROE**  
(PERCENT) (RIGHT)



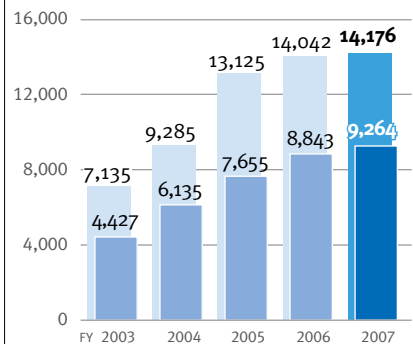
**Total Assets**  
(BILLIONS OF YEN) (LEFT)

**ROA**  
(PERCENT) (RIGHT)



**Titanium Sponge Production**  
(TONS)

**Titanium Ingot Production**  
(TONS)



## The New World of Titanium In the Aircraft Industry



### **The aircraft industry accounts for approximately half of global titanium demand**

Commercial and military aircraft comprise approximately half of global titanium demand. Owing to its high strength-to-weight ratio, since the 1960s titanium has been used in large quantities mainly as a material for the manufacture of jet engines. It is also used in aircraft bodies, in such applications as landing gear, leading-edge components and bolts.

### **Importance of titanium in the most advanced aircraft designs**

To increase fuel efficiency, aircraft bodies are being made lighter. In particular, the latest commercial airliner models, such as the Boeing 787 and the Airbus 380, use approximately four times the amount of titanium per aircraft compared with such conventional airliners as the Boeing 747. The main reason for this large increase

in titanium usage is that light carbon fiber composite materials are utilized extensively in fuselage and wing structural components. Titanium's excellent compatibility with carbon fiber composite materials offers significant advantages. For example, when titanium and carbon fiber composite materials are used together, corrosion due to difference in electrical potential is unlikely to occur, and the risk of distortion is eliminated since the materials have very similar coefficients of thermal expansion.

### **Demand for titanium underpinned by greater use in new aircraft models**

Industry forecasts show that deliveries of new commercial airliners are set to increase significantly over the medium term. Based on the factors outlined above, demand for titanium in the aircraft industry is anticipated to grow over the medium- to long-term.



Jet Engine



Space Shuttle

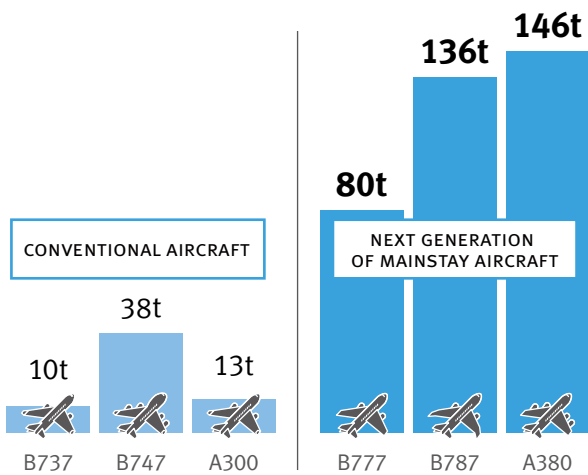


Airbus A380

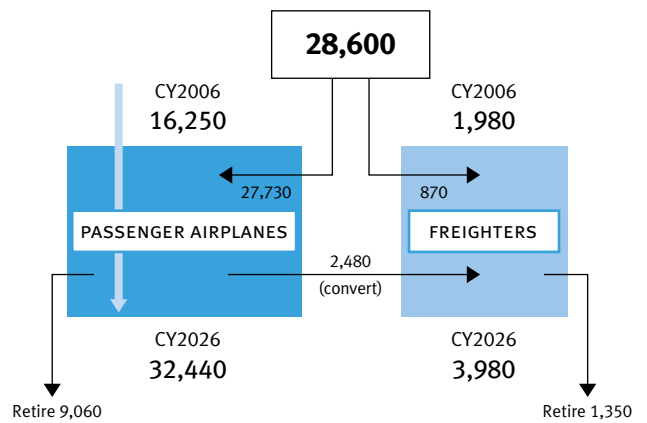


Jet Engine

Amount of Titanium Used by Aircraft Model



Number of Airplanes Needed for the Next 20 Years



Source: Boeing

## The New World of Titanium In General Industries



### **New industrial applications opened up by titanium**

In general industries also, many applications take advantage of titanium's characteristics of strength and corrosion resistance. For example, titanium is used widely in industrial plants, including seawater desalination plants and nuclear power plants, and is also used in many offshore and marine applications.

### **Forecast increase in the number of nuclear power plants**

In particular, in the nuclear power field the number of plants operating globally is forecast to nearly double over the long term, from the current level of 440 to approximately 800 plants.

### **Titanium—an environment-friendly material**

In an era where products with environmental advantages are attracting increasing attention, titanium is being utilized in a growing range of fields thanks to its superior functional characteristics. This trend is evident in many general industries across various types of plants. Titanium plays a key role in such applications as desalination plants, LNG plants, bridges and other coastal structures thanks to its superior corrosion resistance.

In addition, owing to the semi-permanent nature of titanium's life-cycle, we believe that it will move further into favor as an environment-friendly material.



Trans-Tokyo Bay Highway Support Beam

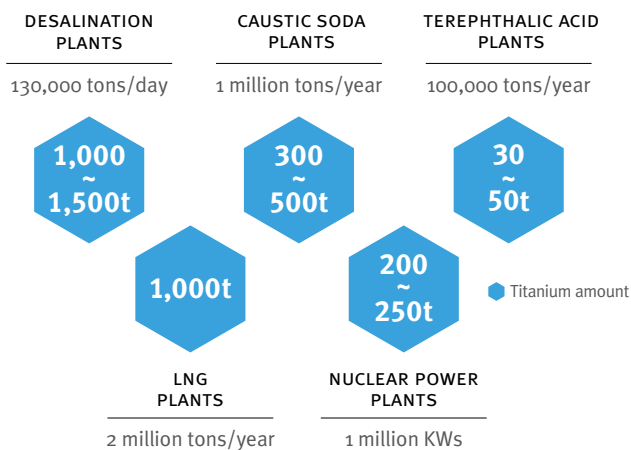


Desalination Plant

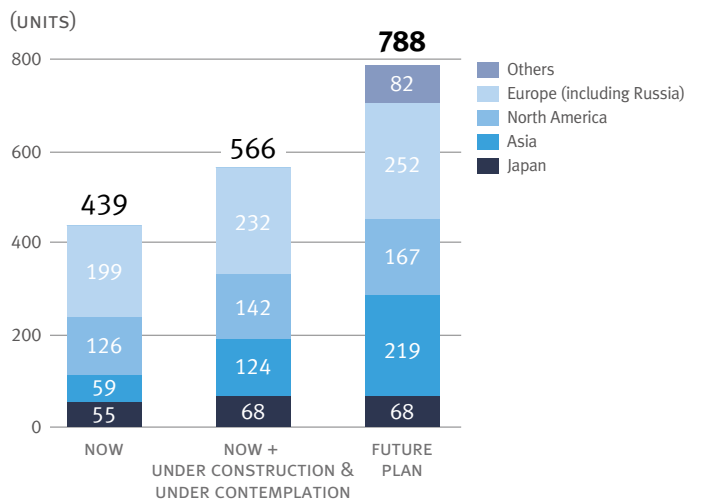


Heat Exchanger

### General Industry



### Nuclear Power Plants



Source: Rare Metal Handbook

Source: World Nuclear Association (WNA)

## The New World of Titanium In Consumer Product Fields



### **A growing base of titanium products**

In recent years, the number of consumer product applications of titanium has grown considerably. In addition to sports goods and fashion and leisure products, titanium applications are being increasingly developed in such fields as medicine and construction.

### **Sports goods**

The lightweight strength of titanium is leading to a revolution in sports equipment. Golf clubs and tennis rackets are two areas that have seen significant advances driven by titanium, and this is now being applied to many other sports.

### **Medical and dental applications**

Titanium is used extensively in artificial bones and joints as well as dental implants. This reflects the significant advantages titanium possesses compared with other metals, including excellent bio-

compatibility with the human body and the very low incidence of metal allergy caused by titanium.

### **Construction materials (Roof materials)**

Titanium's lightness and corrosion resistance mean it has a long lifecycle, while its unique aesthetic properties make it particularly suited as a roof material for Japanese-style architecture. Titanium is also used as an exterior material in many large buildings and has gained a superior reputation as a new construction material.

### **Achieving product differentiation through the use of titanium**

Such attributes as lightness and biocompatibility make titanium a highly prized material. Eyeglasses, watches, jewelry and camera bodies are just a few of the products in which it is used. Many new applications are being developed for titanium all the time, and for many of these, titanium is a key means of achieving product differentiation in the marketplace.





Hozomon of Sensoji Temple



Hotel Marques de Riscal (Spain)



Kyushu National Museum

### Lightweight

Titanium's specific gravity (4.5) is 60% of steel's and half that of copper's.

Water	1.0
Aluminum	2.7
<b>Titanium</b>	<b>4.5</b>
Ordinary Steel	7.9
Copper	8.9

### High Specific Strength

Titanium is roughly 6 times as strong as aluminum, and twice as strong as steel (per weight).

### High Corrosion Resistance

In sea water, titanium's high corrosion resistance is on a par with that of platinum and superior to that of other metals.



Watch



Golf Club



Artificial Joint

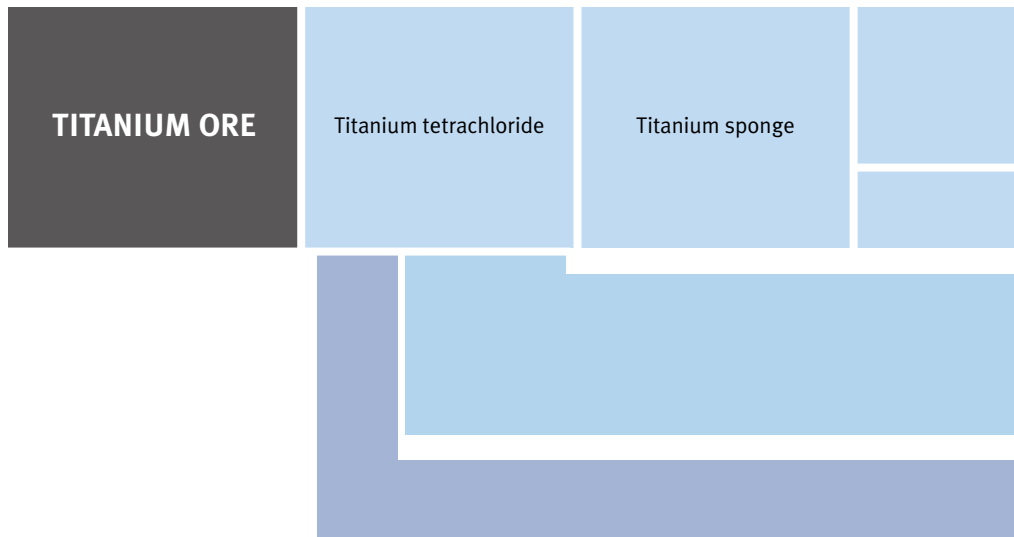


Digital Camera

## At a Glance

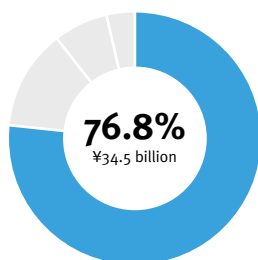
Toho Titanium's business comprises the following segments. Each business segment is classified according to the products produced and technologies used, which are derived from the titanium manufacturing process.

An overview of the operational flow from titanium ore through to end products, along with the basis of our business segment classification, is presented in the chart on the right. Titanium ore is initially refined into titanium tetrachloride, which is then manufactured into titanium sponge, high-purity titanium and catalysts used in producing polypropylene. Toho Titanium is making significant progress in unlocking the unlimited potential of titanium based on technologies it has nurtured and developed through the titanium refining process and the manufacture of titanium products.



### Titanium Metal Business Segment

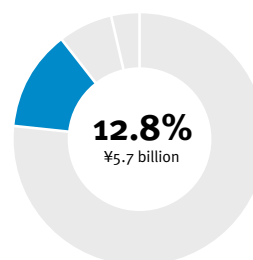
Composition of net sales



This is the Group's main business segment, and includes high-purity titanium and fabricated titanium products, particularly centering on titanium sponge and titanium ingot.

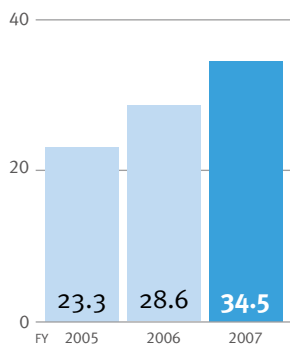
### Catalyst Business Segment

Composition of net sales



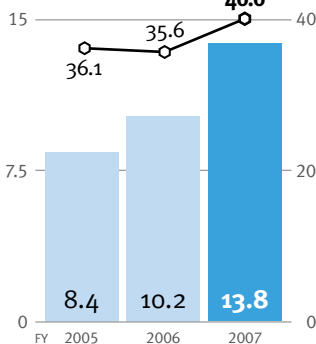
This segment supplies our branded THC<sup>®</sup> catalyst used in the production of polypropylene. The Group holds a global market share of approximately 13% for propylene polymerization catalysts.

Net sales  
BILLIONS OF YEN

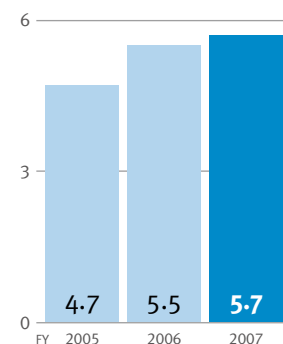


Operating income  
BILLIONS OF YEN (LEFT)

Operating income margin  
PERCENT (RIGHT)

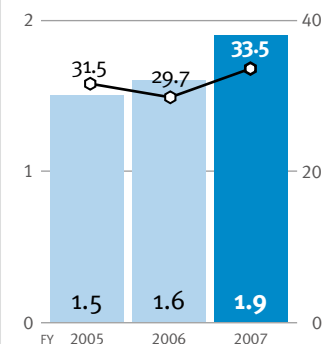


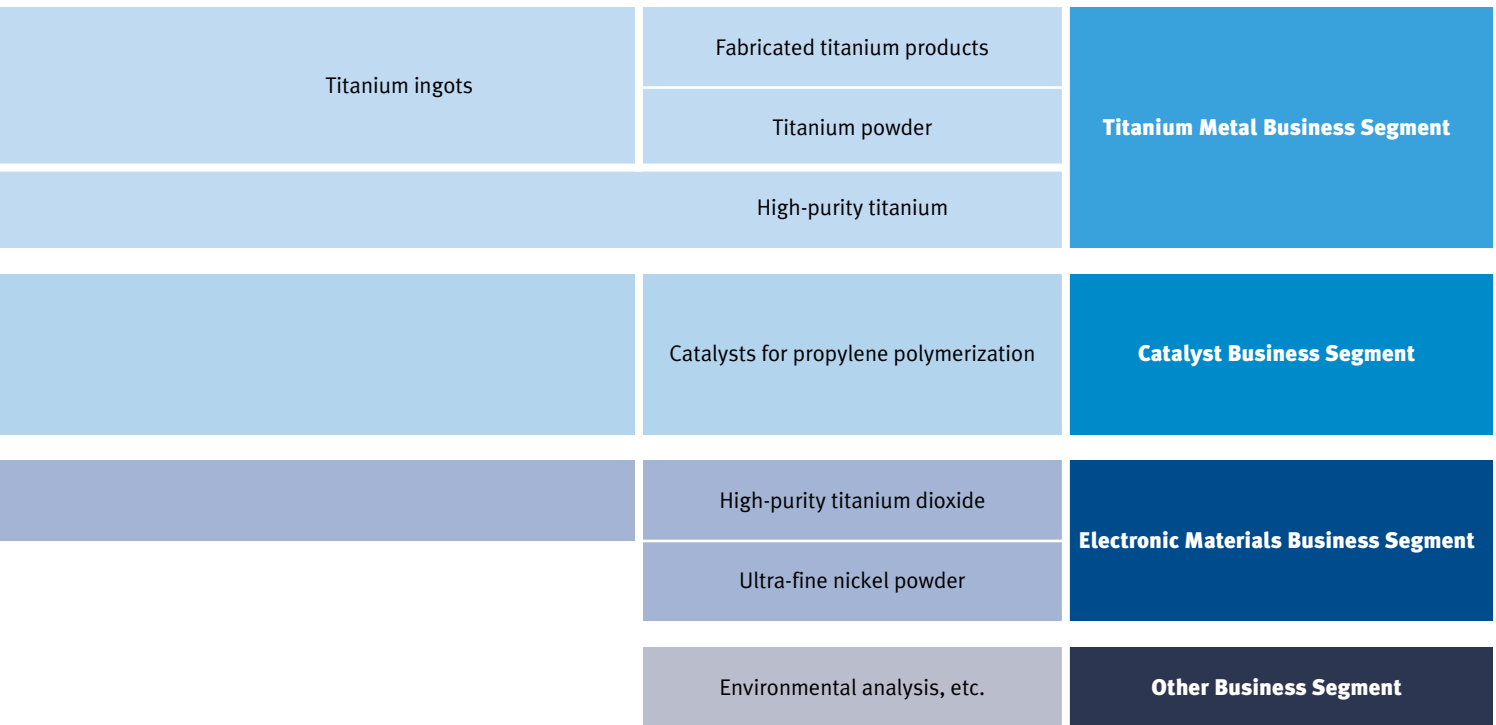
Net sales  
BILLIONS OF YEN



Operating income  
BILLIONS OF YEN (LEFT)

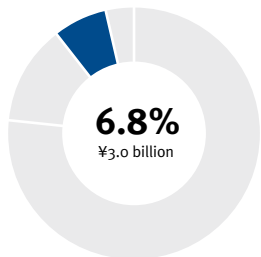
Operating income margin  
PERCENT (RIGHT)





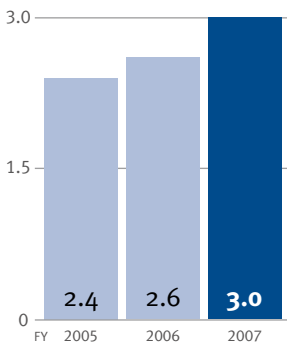
### Electronic Materials Business Segment

Composition of net sales



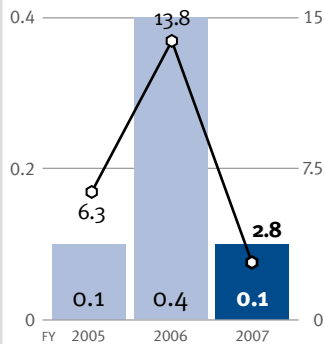
This segment handles such products as high-purity titanium dioxide and ultra-fine nickel powder, which are used in such leading-edge fields as advanced electronic components. Toho Titanium's fine-powder manufacturing technology has built a strong reputation within the electronics industry.

Net sales  
BILLIONS OF YEN



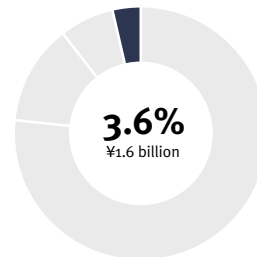
Operating income  
BILLIONS OF YEN (LEFT)

Operating income margin  
PERCENT (RIGHT)



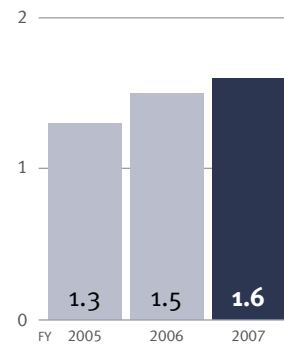
### Other Business Segment

Composition of net sales



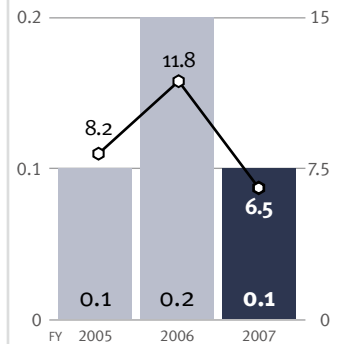
Utilizing the technical capabilities we have cultivated in the analysis and evaluation of titanium products, we undertake environmental analysis in such areas as wastewater, waste gas and soil.

Net sales  
BILLIONS OF YEN



Operating income  
BILLIONS OF YEN (LEFT)

Operating income margin  
PERCENT (RIGHT)



## Segment Review

### TITANIUM METAL BUSINESS SEGMENT

The titanium metal business segment comprises the manufacture of titanium sponge, titanium ingot, high-purity titanium, fabricated titanium products, and related products.

Demand for titanium metal has been driven in recent years by rapid expansion in demand for titanium used in aircraft. In addition to this, demand has also been robust from such general industrial fields as chemical plants, desalination plants, and in the consumer product area. Sales by the titanium metal business segment grew 20.7% compared with the previous fiscal year, to ¥34.5 billion, and operating income increased 35.6%, to ¥13.8 billion.

#### Titanium sponge

The Company strove to ensure a stable supply of titanium sponge by increasing annual production capacity at its Chigasaki Plant from 15,000 tons to 16,000 tons. The volume of titanium sponge produced during the fiscal year under review was 14,176 tons, which was slightly higher compared with the previous fiscal year.

Titanium sponge may be classified into two categories—that used for titanium mill products and that used as an additive in the manufacture of steel products. Compared with the previous fiscal period, the volume of titanium sponge sold for titanium mill products decreased, but the price increased. In contrast, the volume of titanium sponge sold for use as an additive in steel products was flat, but the price fell. As a result, overall titanium sponge sales declined.

The volume of titanium sponge sold during the fiscal year under review was 5,407 tons, a decrease of 8.1% compared with the previous fiscal period. Sales of titanium sponge declined 13.0%, to ¥8.3 billion.

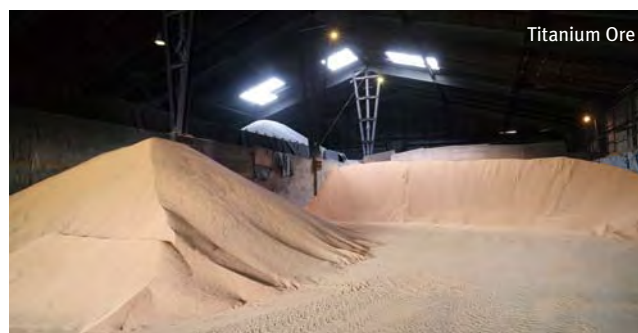
#### Titanium ingot

Sales of titanium ingot increased 36.3%, to ¥16.8 billion. Demand from such general industries as chemical plants and desalination plants remained robust, as did demand relating to consumer products. The main driver for sales growth was increased volume demand from domestic manufacturers of titanium mill products. An improvement in price also contributed to sales growth.

The volume of titanium ingot sold during the fiscal year under review was 9,132 tons, an increase of 7.0% compared with the previous fiscal period. This total included 363 tons that used recycled materials.

#### Other

Sales of high-purity titanium jumped 54.9%, to ¥3.0 billion, primarily due to sales expansion of high-purity titanium for use in semiconductor sputtering targets. Sales of fabricated titanium products also reflected strong domestic demand, increasing 34.8%, to ¥5.4 billion. Other sales, including titanium tetrachloride, grew 32.8%, to ¥921 million.



Titanium Ore



Titanium Sponge



Titanium Ingots

### Increase in titanium production capacity

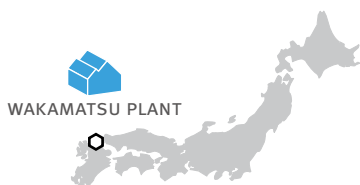
Toho Titanium forecasts annual growth in the titanium market of 5%–10% in the foreseeable future. To cater to future increases in demand for titanium, the Company has embarked on projects to greatly expand its production capacity and enhance production efficiency, including the construction of new manufacturing plants for titanium sponge and titanium ingot.



Current Construction at the Wakamatsu Plant Site



Yahata Plant



WAKAMATSU PLANT



YAHATA PLANT

#### Wakamatsu Plant: Titanium sponge

Construction of the Wakamatsu Plant in Fukuoka Prefecture commenced in November 2007 and is expected to be completed in August 2009. Commercial operations are scheduled to begin at the new plant in December 2009. In bringing on line the Wakamatsu Plant, the Company's annual production capacity for titanium sponge will grow substantially, from 16,000 tons to 28,000 tons. Our future expansion plans call for an additional 12,000 tons of titanium sponge annual production capacity.

At the Wakamatsu Plant, we will be utilizing facilities and equipment that have high productivity and achieve significant energy savings. The plant will also feature a layout optimized for efficiency among each of the manufacturing processes.

#### Yahata Plant: Titanium ingot

The Yahata Plant in Fukuoka Prefecture began construction in July 2006, was completed and started commercial operations in April 2008. The new plant greatly bolsters the Company's annual production capacity for titanium ingot from 9,000 tons to 19,000 tons. We are also considering future expansion plans for an additional 10,000 tons of titanium ingot annual production capacity.

The Yahata Plant is equipped with a large electron beam (EB) furnace, making it one of the world's largest titanium ingot manufacturing facilities. This furnace will also be a crucial asset in bolstering the titanium recycling system.

## CATALYST BUSINESS SEGMENT

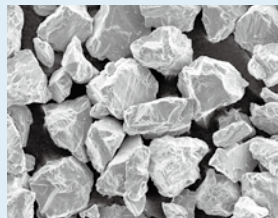
The main product of the catalyst business segment is Toho High-efficiency Catalyst (THC)<sup>®</sup>, a catalyst used for propylene polymerization.

In the fiscal year under review, sales by the catalyst business segment increased 5.2% compared with the previous fiscal year, to ¥5.7 billion. This reflected strong growth in the polypropylene market as the Company's aggressive marketing efforts led to an increase in the volume of THCs sold. Within these activities, we continued to provide technical services to meet the needs of each customer and strove to enhance customer satisfaction by responding rapidly to requests. Operating income for the segment increased 18.4%, to ¥1.9 billion.

The No. 2 Plant at the Company's Kurobe Plant, which was added in the previous fiscal year, commenced commercial operations in April 2007.

### ***THC propylene polymerization catalyst***

The THC catalyst is a magnesium–titanium type of high-performance catalyst used in the manufacture of polypropylene. Polypropylene is used in a wide range of everyday products, including household products, automobile interior and exterior components, electrical appliances and packaging materials.



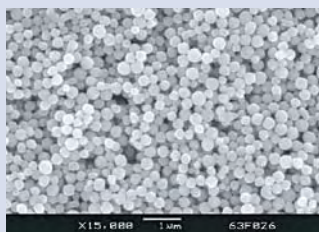
## ELECTRONIC MATERIALS BUSINESS SEGMENT

The electronic materials business segment mainly comprises the manufacture of high-purity titanium dioxide, ultra-fine nickel powder and other materials used in electronic components.

In the fiscal year under review, robust demand for electronic components—the main application for products from this segment—contributed to an 18.7% increase in sales, to ¥3.0 billion. However, the operating environment remained harsh, as the price of nickel, a key base material, continued to rise. Consequently, we were unable to pass on the full cost increase from raw materials through higher product prices, leading to a 75.6% decline in operating income, to ¥86 million.



High-purity Titanium Dioxide



### ***Ultra-fine nickel powder***

Ultra-fine nickel powder is a spherical powder produced using a gas-phase reaction. As electronic components become increasingly compact, ultra-fine nickel powder is being used in such applications as the internal electrodes of multi-layer ceramic capacitors (MLCC), reflecting an increase in the number of layers used.

## OTHER BUSINESS SEGMENT

The other business segment includes environmental analysis and other products. Sales by this segment account for 3.6% of net sales and 0.7% of total operating income.

## SALES BY SEGMENT/PRODUCT

### TITANIUM METAL BUSINESS (Millions of yen)

	FY2007	Share of total	FY2006	Increase/decrease
Titanium sponge	¥ 8,344	18.6 %	¥ 9,592	(13.0)%
Titanium ingot	16,845	37.5	12,359	36.3
High-purity titanium	3,009	6.7	1,942	54.9
Fabricated titanium products	5,359	11.9	3,976	34.8
Others	921	2.1	693	32.8
Subtotal	¥ 34,480	76.8 %	¥ 28,565	20.7 %

### CATALYST BUSINESS (Millions of yen)

	FY2007	Share of total	FY2006	Increase/decrease
THC (propylene polymerization catalyst), etc.	¥ 5,744	12.8 %	¥ 5,462	5.2 %

### ELECTRONIC MATERIALS BUSINESS (Millions of yen)

	FY2007	Share of total	FY2006	Increase/decrease
High-purity titanium dioxide	¥ 886	2.0 %	¥ 932	(4.9)%
Ultra-fine nickel powder	1,558	3.5	1,286	21.1
Others	597	1.3	342	74.3
Subtotal	¥ 3,041	6.8 %	¥ 2,562	18.7 %

### OTHER BUSINESS (Millions of yen)

	FY2007	Share of total	FY2006	Increase/decrease
Environmental analysis, etc.	¥ 1,637	3.6 %	¥ 1,508	8.5 %

### TOTAL (Millions of yen)

	FY2007	Share of total	FY2006	Increase/decrease
Total	¥ 44,905	100.0 %	¥ 38,099	17.9 %

### OPERATING INCOME BY BUSINESS SEGMENT (Millions of yen)

	FY2007	Share of total	FY2006	Increase/decrease
Titanium Metal Business	¥ 13,793	86.7 %	¥ 10,169	35.6 %
Catalyst Business	1,923	12.1	1,625	18.4
Electronic Materials Business	86	0.5	354	(75.6)
Other Business	106	0.7	177	(40.0)
Total	15,909	100.0 %	12,326	29.1 %
Corporate (Elimination)	(2,157)		(1,383)	—
Consolidated	¥ 13,752		¥ 10,943	25.7 %

## Merger of Subsidiary and Organizational Change

On April 1, 2008, the Company merged and absorbed its fully owned subsidiary, Toho Catalyst Co., Ltd., which was involved in the development, manufacturing, and marketing of catalysts for propylene polymerization. The main reasons for this merger were to: (1) integrate the technologies held by the Company and Toho Catalyst, and (2) increase operational efficiency by unifying administrative functions.

To coincide with this merger, the Company also integrated two business segments—the catalyst business segment, which was operated by Toho Catalyst, and the electronic materials business segment, which was operated by the Company. The operations of both these business segments were combined into the newly formed Catalysts & Chemicals Division. The main reason for this

integration is to increase marketing synergies between the catalyst business, which has built a successful track record of technology-driven sales activities, and the electronic materials business, which needs to increase its focus on technology-based marketing.

Accompanying this organizational change, we have created a different business segment classification from the year ending March 31, 2009. The catalyst and the electronic materials business segments, which were classified separately until the year ended March 31, 2008, will be classified together within the catalysts & chemicals business segment.

Please refer to page 48 of this report for the Group's updated organization chart.

## Research and Development (R&D)

Combining a range of internal Group synergies and sound technical capabilities, the Toho Titanium Group's R&D activities are targeted at expanding the scope of its businesses as well as developing new businesses.

During the year ended March 31, 2008, the Group's R&D expenses totaled ¥1,811 million. This figure includes expenditures on basic research, which cannot be allocated to a particular business segment, amounting to ¥743 million.

A summary of R&D activities undertaken by each business segment along with R&D expenditures for each segment is as follows.

### Titanium Metal Business Segment

In the titanium metal business segment, we pursued enhancements in production technology for titanium sponge and titanium ingot while also striving to bolster production capacity and quality. The technologies we have developed will be applied at all of our existing plants to improve processes as well as at the new Wakamatsu and Yahata plants. In doing so, we are aiming to bolster our competitiveness in this field. Furthermore, as part of our efforts to broaden the range of applications titanium can be used for by substantially reducing its cost, we are conducting ongoing R&D of new titanium smelting methods.

In the year under review, R&D expenses in the titanium metal business segment amounted to ¥325 million.

### Catalysts Business Segment and Electronic Materials Business Segment

In the catalyst and the electronic materials business segments, the Group carried out R&D to strengthen these businesses through quality improvements, reinforcing technical capabilities and developing new products. In the year under review, R&D expenses amounted to ¥452 million in the catalyst business segment and ¥290 million in the electronic materials business segment.

### Other Business Segment

Leveraging our core technologies, we conducted R&D activities aimed at further expanding the scope of the Group's businesses and developing new businesses. This included such areas as the development of visible light reactive photocatalysts and potassium titanate.

We also pursued a joint project with Chisso Corporation and Nippon Mining Holdings, Inc. to study the feasibility of mass-production technology for the manufacture of polysilicon used in PV cells. Based on the results of this study, in June 2008 Toho Titanium and its two partners established a joint venture company to manufacture and market polysilicon.



# Corporate Governance

## Fundamental Corporate Governance Philosophy

To succeed in the face of increasingly fierce intercompany competition, it is essential for Toho Titanium to develop a corporate governance system that enables rapid and precise decision making in response to the operating environment. The corporate governance system should also establish clear accountability in the execution of management decisions. In addition, the Company should establish a system to prevent the occurrence of fraud or unexpected losses in the execution of its business operations.

## Current Status of the Corporate Governance System

### 1. DIRECTORS AND EXECUTIVE OFFICERS

To establish clear accountability in its management organization and to expedite the execution of business operations, the Company has adopted an executive officer system. The Board of Directors makes decisions on matters of particular importance to the Company and the Group and is responsible for formulating management policies, strategies and plans.

The Board of Directors delegates responsibility for business operations to the executive officers, who are responsible for the execution of operations within the authority delegated by the Board of Directors.

There are seven directors, reflecting the Company's basic policy of appointing a small Board of Directors. There are 12 executive officers, of whom five serve concurrently as directors. To facilitate close communications among management, in principle the Management Committee convenes weekly to make important decisions, receive reports regarding business operations, liaise and coordinate activities. The Management Committee comprises all full-time directors, full-time corporate auditors, and executive officers. By appointing one outside director, the Board of Directors

receives opinions from an outside point of view, helping to enhance management transparency. This system is designed to ensure that decision making and the execution of business operations are carried out flexibly and in accordance with the Company's situation and operating environment.

### 2. CORPORATE AUDITORS

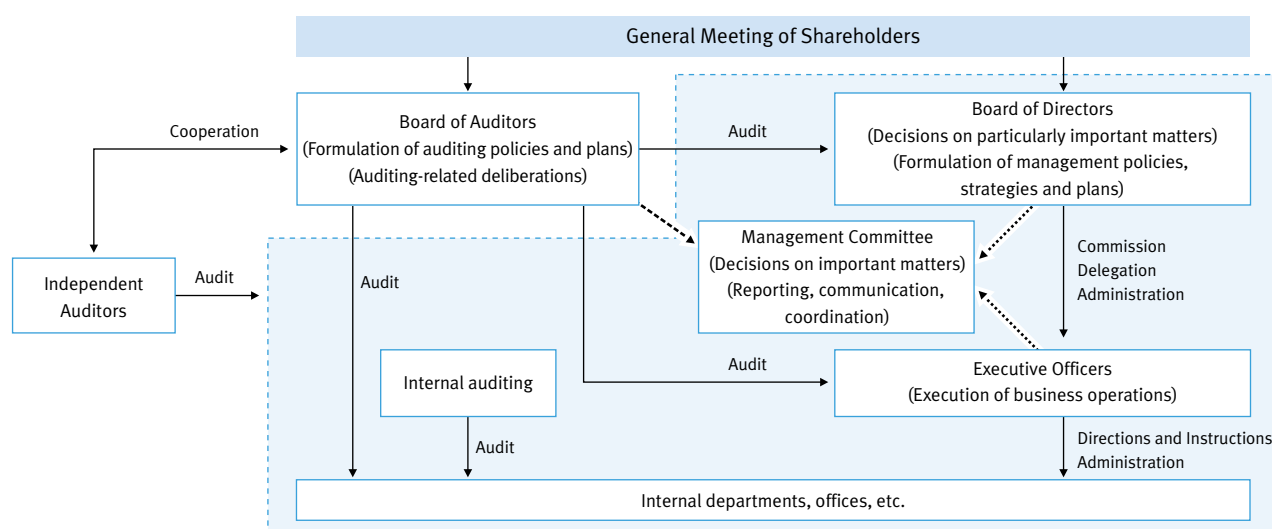
The Company has adopted the corporate auditor system. Two of the three corporate auditors are appointed from outside the Company.

By attending important meetings, including those of the Board of Directors and the Management Committee, the corporate auditors conduct audits of the overall business operations from a broad perspective.

### 3. MEASURES TO ENHANCE THE CORPORATE GOVERNANCE SYSTEM

- Establishment of an Internal Control Promotion Department To reinforce the internal control and auditing systems, the Company has established the Internal Control Promotion Department. Through this organizational structure, the Company aims to ensure operations are carried out appropriately and is striving to build a fair and competitive business management structure.

- Measures to enhance disclosure The Company is striving to ensure prompt and fair corporate disclosure, including business results information, and a high level of management transparency. From this perspective, the Company is working to expedite the announcement of its business results by improving, and increasing the efficiency of, its accounting operations and by enhancing its information systems. The Company is also working to strengthen its investor relations (IR) activities to provide an improved level of disclosure to shareholders and investors.



## Corporate Social Responsibility (CSR)

Toho Titanium's mission as a corporate citizen is to utilize the earth's precious natural resources effectively for the benefit of society. Titanium is a metal possessing many superior characteristics. It is strong, light, corrosion resistant and safe for the human body, and its long lifecycle makes it a very environment-friendly material. The Company sees its role as a bridge linking society with the many benefits titanium has to offer. Toho Titanium's primary contribution to society is through the provision of high-quality products.

### Environmental Protection Activities

To maintain and develop our business, we believe that it is absolutely vital to care for the local environments in which we operate while also actively working toward environmental sustainability on a global scale. We see protection of the environment as a key issue affecting the long-term viability of our business, and take all possible measures to ensure the maintenance of safe operations and to prevent environmental contamination. We are implementing a range of measures to increase our level of manufacturing output per unit of energy input, including through raising our capacity utilization ratio and installing energy-efficient equipment. We are also working to reduce our volume of waste and utilize resources effectively through recycling activities.



Chigasaki Seashore Cleanup

### Developing Environment-Friendly Businesses

The opening of the new Yahata Plant in April 2008, which features a large-scale EB furnace, significantly bolsters our capabilities in the area of titanium recycling. We are also applying our unique experience and technologies gained in the production of titanium to the development of clean-energy technologies. Our first major project in this area is a joint venture to manufacture and market polysilicon for use in solar PV systems.

### Contribution to Local Communities

Toho Titanium has a long history of close cooperation with local communities. As part of our efforts to contribute to local areas in which we operate, we provide plant visits to school groups and support other education-related activities. We also support local youth sports clubs. Another way in which we contribute to the community is through cooperation with nearby companies and government organizations in programs to beautify coastal areas and rivers. In addition, we promote the unique characteristics of titanium to local citizens.



Youth Soccer Workshop  
Sponsored by the Company

### Compliance

As part of its responsibilities as a good corporate citizen, the Company strives to maintain a stringent level of compliance with all laws and regulations as well as adhere to the highest corporate ethical standards. We have formulated the Toho Titanium Group Corporate Code of Ethics, which comprises our fundamental charter, the Basic Conduct Policy, and a specific set of rules governing corporate behavior, the Standards of Conduct. To ensure that these standards are fully understood and thoroughly adopted, we run an ongoing education program for all members of the Group. Furthermore, the Corporate Ethics Promotion Committee has been established to oversee Groupwide compliance-related policy formulation and monitor the effective functioning of compliance systems. To ensure rapid detection of any compliance violations and prevent compliance breaches before they occur, we have established a compliance consultation office to facilitate reporting of compliance issues and to undertake compliance counseling separate from the normal line-management structure.

## Board of Directors/Auditors/Executive Officers



Auditor

**Hiroshi Murakami**

Director and  
Executive Officer

**Ryouichi Kanai**

Director (outside)

**Yuzuru Ohno**

Auditor (outside)

**Rentaro Tonoike**

Auditor (outside)

**Tomoyuki Urabe**

Director and Senior Executive  
Managing Officer

**Shin-ichi Watanabe**

Representative Director  
and President

**Takeshi Kurushima**

Chairman

**Kazuharu Nogami**

Representative Director  
and Vice-president

**Kenji Toyoshima**

Director and Senior Executive  
Managing Officer

**Kyoji Yano**



Executive Managing Officer  
**Toshihiko Saiki**



Executive Managing Officer  
**Wataru Kagohashi**



Executive Managing Officer  
**Takashi Fujita**



Executive Managing Officer  
**Yukihiro Kako**



Executive Officer  
**Susumu Kosemura**



Executive Officer  
**Yoshihiro Hatta**



Executive Officer  
**Kenji Goto**

# Management's Discussion and Analysis

## Overview of Operating Environment

In the year ended March 31, 2008, although the Japanese economy saw a continuation in moderate export growth, in the second half of the period the impact from the subprime loan crisis in the United States led to sharp fluctuations in the stock market and on foreign exchange markets. International prices for crude oil, raw materials and food commodities rose, while capital investment and private consumption were flat. Economic growth stalled among growing uncertainty about the economic outlook.

The titanium metal business segment remained robust, as a rapid recovery in the global aircraft industry and an increase in general industries due to economic growth in the BRIC countries contributed to an increase in demand for titanium metal. The catalyst business segment recorded strong growth driven by increasing demand for polypropylene, although, in the electronic materials business segment, profit margins shrank owing to a large increase in raw materials costs.

As a result, net sales and net income increased for the fifth consecutive fiscal year. Net sales and net income set new records for the third year running.

## Nets Sales

Net sales increased 17.9% compared with the previous fiscal year, to ¥44.9 billion. Centering on the titanium metal business segment, all business segments recorded higher sales compared with the previous period. In particular, growth in the titanium metal business segment contributed to the increase in net sales.

## Cost of Sales and Selling, General and Administrative (SG&A) Expenses

Cost of sales rose 13.8%, to ¥25.5 billion, and SG&A expenses grew 18.9%, to ¥5.6 billion. The growth in SG&A expenses was mainly attributable to such factors as an increase in research and development (R&D) expenses and higher expenses accompanying an expansion of the production capacity for titanium metal.

## Operating Income

Operating income climbed 25.7%, to ¥13.8 billion. The operating income margin was 30.6%, an increase of 1.9 percentage points compared with the previous term.

## Net Income

Income before income taxes and minority interests grew 21.8% compared with the previous fiscal year, to ¥12.9 billion. Income taxes amounted to ¥5.2 billion, and minority interests in net income of consolidated subsidiaries totaled ¥37 million. Net income for the fiscal year under review amounted to ¥7.8 billion, a 24.8% increase compared with the previous fiscal year. The net income margin rose 0.9 percentage point, to 17.3%.

## Cash Flows

Net cash provided by operating activities amounted to ¥9.3 billion. Within this, significant items included income taxes paid amounting to ¥4.2 billion, income before income taxes amounting to ¥12.9 billion, and depreciation and amortization amounting to ¥2.6 billion.

Net cash used in investing activities totaled ¥15.6 billion. A major item within this was payments for purchases of property, plant and equipment amounting to ¥15.6 billion.

Net cash provided by financing activities amounted to ¥4.6 billion. Within this, significant items included proceeds from long-term debt amounting to ¥7.0 billion and cash dividends paid totaling ¥2.3 billion.

As a result, cash and cash equivalents at end of year amounted to ¥334 million, a ¥1.7 billion decrease compared with the previous fiscal year-end.

## Financial Position

### Assets

Total current assets increased 5.4% compared with the previous fiscal yearend, to ¥21.1 billion. Although cash on hand and in banks declined, trade receivables increased in line with higher titanium metal sales, and inventories also grew.

Property, plant and equipment, net increased 62.8%, to ¥32.6 billion, stemming from the construction of new manufacturing plants for titanium ingot and titanium sponge.

As a result, total assets increased 32.7%, to ¥54.5 billion.

### Liabilities

Total current liabilities grew 13.4%, to ¥11.8 billion. This increase was mainly attributable to such factors as increases in trade payables and income taxes payable. Although long-term debt was 10 times the level at the previous fiscal year-end, this jump was primarily due to an increase in long-term borrowings relating to the production capacity increase in the titanium metal business segment previously mentioned.

As a result, total liabilities increased 73.7% to ¥19.3 billion.

### Net Assets

Total net assets amounted to ¥35.2 billion, an increase of 17.5%. This change primarily reflects an increase in retained earnings stemming from net income amounting to ¥7.8 billion and cash dividends paid totaling ¥2.3 billion.

As a result, the equity ratio was 64.5%, compared with 72.8% at the previous fiscal year-end. This decrease in the equity ratio mainly reflects an increase in long-term debt relating to capital investment.

### Dividend Policy

Based on a dividend policy of “shareholder returns in line with operating performance,” the distribution of profit is determined while taking into consideration the need for sufficient internal reserves to strengthen the Company’s financial base and the maintenance of a stable level of dividends. Therefore, the Company decides dividends while taking into account capital investment and its financial position and strives to maintain a payout ratio of at least 20% of consolidated net income. Internal reserves are used for capital investments, which are needed to maintain future growth and strengthen competitiveness. In this way, we are striving to enhance operating performance and maintain and bolster our financial base.

Based on this policy, the year-end dividend for the fiscal year under review was set at ¥15.5 per share. Combined with the interim dividend of ¥12.5 per share paid in December 2007, the total dividend applicable to the year ended March 31, 2008 is ¥28.0 per share. As a result, the consolidated payout ratio is 21.8%.

The Company’s Articles of Incorporation stipulate that dividends may be implemented through a resolution of the Board of Directors. In the foreseeable future, the Company plans to implement an interim and a year-end dividend each fiscal year.

### Management Indicators

Based on a focus on profitability, we are working to ensure that operating performance surpasses a minimum benchmark level regardless of fluctuations in the operating environment. From this perspective, we aim to maintain over the medium- to long-term return on assets (ROA) and an ordinary income margin above 15%.

Although ROA for the fiscal year under review declined 0.3 percentage point, to 27.9%, ordinary income margin climbed 1.2 percentage points, to 29.6%.

Interest-bearing liabilities increased 326.2%, to ¥9.0 billion. As a result, the debt-to-equity ratio rose from 0.07 times at the end of the previous fiscal year to 0.25 times.

### Capital Expenditures

In the fiscal year under review, capital expenditures amounted to ¥15.6 billion, compared with ¥5.0 billion in the previous fiscal year. This large increase mainly reflected investments relating to an increase in production capacity for titanium ingot and titanium sponge.

Construction of a new plant for titanium ingot commenced in July 2006 and was completed in April 2008. Capital expenditure on this project amounted to ¥5.1 billion, with the project fully funded from internal sources. The machinery and equipment installed in this project is scheduled to be depreciated over a seven-year period, beginning in the year ending March 31, 2009.

Construction of a new titanium sponge manufacturing plant began in November 2007 and the scheduled completion date is August 2009. The estimated total investment amount for this project is ¥43.2 billion. We plan to provide core funding for this project from internal sources, and fund the shortfall through long-term borrowings from banks. The machinery and equipment installed in this project is scheduled to be depreciated over a seven-year period, from the start of operations in the year ending March 31, 2010.

In the fiscal year under review, depreciation and amortization increased from ¥2.0 billion to ¥2.6 billion.

## Risk Factors

As of March 31, 2008, the Company recognized the following risks as having a potentially significant affect on its business. These risks should be considered when making investment decisions relating to the Company. Should contingencies involving such risks materialize, this may have a negative impact on the Company's business performance and financial position.

### Demand fluctuation risk

Demand relating to highly specialized applications accounts for a high proportion of the Company's business. Such applications include titanium sponge for use in aircraft manufacture, Toho High-efficiency Catalyst (THC) for use in propylene polymerization, high-purity titanium dioxide, and ultra-fine nickel powder for use in multi-layer ceramic capacitors (MLCC). If a downturn occurs in one or more of the industries in which these applications are used, it may cause a significant fluctuation in the sales volumes of the Company's products.

### Price fluctuation risk

The prices of titanium metal and other products sold by the Company may fluctuate significantly owing to supply and demand conditions. In particular, the prices of titanium sponge and titanium ingot are currently in an upward trend owing to growth in demand from the aircraft industry as well as general industry. However, a change in the supply and demand balance may lead to a fall in these prices.

### Foreign exchange risk

Exports account for a high proportion of the sales of titanium sponge, THC, ultra-fine nickel powder and certain other products. In the year ended March 31, 2008, exports accounted for 24.7% of the Company's net sales. Since most of these exports are denominated in U.S. dollars, the Company uses forward exchange contracts and other means to hedge foreign exchange risk and minimize its exposure to foreign exchange fluctuations. However, in some cases the Company's business may be affected by exchange rate movements.

### Natural disaster risk

The Company manufactures almost all of the products it sells and has implemented a range of measures to prepare for natural disaster-related contingencies. Such measures include strengthening the earthquake resistance of its facilities, installing fire-prevention systems, reinforcing its disaster prevention systems, and conducting disaster training drills. Although the Company has worked to reduce its exposure to disaster risk by establishing operations in several locations, manufacturing or marketing operations may be hindered in the case of a natural disaster.

### Environmental and safety risk

As a Company directly involved in manufacturing, the Company places the highest priority on ensuring safety and protecting the environment. Through improvements to facilities and technologies, and by reinforcing management systems, the Company strives to maintain safe operations and to protect the environment. However, if an accident or incident were to occur, the Company may be required to suspend its operations or have restrictions placed on its operations. The Company may also incur costs related to safety or environmental countermeasures.

### Product quality risk

As a materials manufacturer, a key part of the Group's corporate social responsibility lies in providing a stable supply of products and services to satisfy its customers. The Company has established a quality assurance system based on the ISO 9001 international quality management standard and strives to maintain the highest possible level of quality management. However, if a product defect or quality-related incident were to occur, the Company may incur costs relating to countermeasures and the reputation of the Company's products may be adversely affected.

### Risk relating to the Company's relationship with its parent company

The Company maintains a close relationship with its parent company, Nippon Mining Holdings, Inc., and the Nippon Mining Holdings Group. This relationship includes the sale of the Company's products to the Nippon Mining Holdings Group and personnel from the Nippon Mining Holdings Group serving as directors, auditors, or other personnel. With a fundamental premise of the Company retaining its independence and autonomy, this relationship is based on the principles of cooperation and partnership. The conditions upon which transactions and other interactions between the Company and the Nippon Mining Holdings Group are conducted and determined through discussions and negotiations carried out in good faith. However, it is possible that changes may occur in the basic policies pursued by the Company's parent company.

## Financial and Corporate Data

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# Consolidated Balance Sheets

Toho Titanium Company, Limited and Subsidiaries  
March 31, 2007 and 2008

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1 (a))
	2007	2008	2008
<b>Current assets:</b>			
Cash on hand and in banks	¥ 2,063	¥ 334	\$ 3,335
Trade receivables:			
Notes and accounts receivable	8,384	9,249	92,311
Allowance for doubtful accounts	(36)	(46)	(455)
Inventories (Note 2)	8,638	10,641	106,206
Deferred tax assets (Note 8)	571	809	8,079
Other current assets	441	160	1,600
<b>Total current assets</b>	<b>20,061</b>	<b>21,148</b>	<b>211,075</b>
<b>Property, plant and equipment (Notes 5 and 6):</b>			
Land	1,767	1,705	17,021
Buildings and structures	11,811	13,665	136,393
Machinery, equipment and vehicles	34,714	37,930	378,578
Tools, furniture and fixture	1,636	1,617	16,138
Construction in progress	5,166	14,132	141,048
	55,094	69,049	689,179
Less accumulated depreciation	(35,096)	(36,492)	(364,230)
<b>Property, plant and equipment, net</b>	<b>19,998</b>	<b>32,557</b>	<b>324,949</b>
<b>Investments and other assets:</b>			
Investments in securities (Note 3)	505	172	1,714
Deferred tax assets (Note 8)	228	280	2,794
Other non-current assets	309	393	3,918
Allowance for doubtful accounts	(24)	(31)	(310)
<b>Total investments and other assets</b>	<b>1,018</b>	<b>813</b>	<b>8,116</b>
<b>Total assets</b>	<b>¥ 41,076</b>	<b>¥ 54,517</b>	<b>\$ 544,141</b>



LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1 (i))
	2007	2008	2008
<b>Current liabilities:</b>			
Short-term debt (Note 6)	¥ 1,250	¥ 1,550	\$ 15,471
Long-term debt due within one year (Note 6)	450	200	1,996
Trade payables:			
Notes and accounts	2,855	3,462	34,557
Income taxes payable	2,468	3,297	32,906
Accrued bonuses	760	860	8,588
Accrued bonuses for directors and corporate auditors	98	141	1,411
Other current liabilities	2,516	2,278	22,736
<b>Total current liabilities</b>	<b>10,397</b>	<b>11,789</b>	<b>117,666</b>
<b>Noncurrent liabilities:</b>			
Long-term debt (Note 6)	400	7,200	71,863
Allowance for retirement benefits for employees (Note 7)	85	91	907
Other noncurrent liabilities (Note 1 (11))	214	197	1,963
<b>Total noncurrent liabilities</b>	<b>699</b>	<b>7,488</b>	<b>74,734</b>
<b>Total liabilities</b>	<b>11,096</b>	<b>19,277</b>	<b>192,400</b>
<b>Net assets (Note 9):</b>			
Shareholders' equity:			
Common stock	4,813	4,813	48,034
Authorized—160,000,000 shares			
Issued—60,770,910 shares in 2007 and 2008			
Capital surplus	5,872	5,872	58,613
Retained earnings	19,012	24,520	244,739
Treasury stock, at cost			
2007—93,380 shares	(69)	—	—
2008—94,208 shares	—	(72)	(722)
<b>Total shareholders' equity</b>	<b>29,628</b>	<b>35,133</b>	<b>350,664</b>
Valuation and translation adjustments:			
Net unrealized holding gains on securities (Note 3)	215	65	645
Deferred hedge transactions	71	(30)	(301)
<b>Total valuation and translation adjustments</b>	<b>286</b>	<b>34</b>	<b>344</b>
Minority interests	66	73	733
<b>Total net assets</b>	<b>29,980</b>	<b>35,241</b>	<b>351,741</b>
	<b>¥41,076</b>	<b>¥54,517</b>	<b>\$544,141</b>

The accompanying notes are an integral part of the consolidated financial statements.

# Consolidated Statements of Income

Toho Titanium Company, Limited and Subsidiaries  
Years ended March 31, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1 (a))
	2007	2008	2008
Net sales	¥38,099	¥44,905	\$448,196
Cost of sales	22,427	25,529	254,801
Gross profit	15,672	19,376	193,394
Selling, general and administrative expenses (Note 10)	4,729	5,624	56,131
Operating income	10,943	13,752	137,263
Other income (expenses):			
Interest and dividends income	15	4	45
Interest expense	(40)	(85)	(848)
Foreign exchange loss	(22)	(245)	(2,450)
Equity in loss of affiliated companies, net	(51)	(4)	(43)
Gain (loss) on sales of property, plant and equipment, net	(9)	16	157
Loss on disposal of property, plant and equipment	(172)	(342)	(3,414)
Indemnification for loss on stock transfer contract	—	(123)	(1,230)
Impairment loss	(81)	—	—
Other, net	(10)	(90)	(901)
Income before income taxes and minority interests	10,573	12,882	128,580
Income taxes (Note 8):			
Current	4,209	5,180	51,703
Deferred	95	(118)	(1,182)
Income before minority interests	6,270	7,821	78,059
Minority interests in net income of consolidated subsidiaries	(35)	(37)	(372)
Net income	¥ 6,235	¥ 7,783	\$ 77,687

	Yen		U.S. dollars (Note 1 (a))
	2007	2008	2008
Amounts per share of common stock:			
Net income	¥102.75	¥128.28	\$1.28
Cash dividends applicable to the year	25.00	28.00	0.28

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

Toho Titanium Company, Limited and Subsidiaries  
Years ended March 31, 2007 and 2008

	Millions of yen							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Deferred hedge transaction	Minority interests	Total net assets
Balance at March 31, 2006	¥4,813	¥5,872	¥13,754	¥(60)	¥ 145	¥ —	¥36	¥24,561
Cash dividends paid	—	—	(910)	—	—	—	—	(910)
Bonuses to directors and corporate auditors	—	—	(67)	—	—	—	—	(67)
Net income	—	—	6,235	—	—	—	—	6,235
Acquisition of treasury stock	—	—	—	(7)	—	—	—	(7)
Change in unrealized holdings gain on securities	—	—	—	—	69	—	—	69
Change in deferred hedge transaction	—	—	—	—	—	71	—	71
Change in minority interests	—	—	—	—	—	—	30	30
Net changes during the year	—	—	5,257	(7)	69	71	30	5,419
Balance at March 31, 2007	4,813	5,872	19,012	(69)	215	71	66	29,980
Cash dividends paid	—	—	(2,275)	—	—	—	—	(2,275)
Bonuses to directors and corporate auditors	—	—	—	—	—	—	—	—
Net income	—	—	7,783	—	—	—	—	7,783
Acquisition of treasury stock	—	—	—	(3)	—	—	—	(3)
Change in unrealized holdings gain on securities	—	—	—	—	(150)	—	—	(150)
Change in deferred hedge transaction	—	—	—	—	—	(101)	—	(101)
Change in minority interests	—	—	—	—	—	—	7	7
Net changes during the year	—	—	5,508	(3)	(150)	(101)	7	5,261
Balance at March 31, 2008	¥4,813	¥5,872	¥24,520	¥(72)	¥ 65	¥ (30)	¥73	¥35,241

	Thousands of U.S. dollars (Note 1 (i))							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Deferred hedge transaction	Minority interests	Total net assets
Balance at March 31, 2007	\$48,034	\$58,613	\$189,763	\$(688)	\$ 2,146	\$ 704	\$663	\$299,235
Cash dividends paid	—	—	(22,711)	—	—	—	—	(22,711)
Bonuses to directors and corporate auditors	—	—	—	—	—	—	—	—
Net income	—	—	77,687	—	—	—	—	77,687
Acquisition of treasury stock	—	—	—	(34)	—	—	—	(34)
Change in unrealized holdings gain on securities	—	—	—	—	(1,502)	—	—	(1,502)
Change in deferred hedge transaction	—	—	—	—	—	(1,005)	—	(1,005)
Change in minority interests	—	—	—	—	—	—	70	70
Net changes during the year	—	—	54,976	(34)	(1,502)	(1,005)	70	52,506
Balance at March 31, 2008	\$48,034	\$58,613	\$244,739	\$(722)	\$ 645	\$ (301)	\$733	\$351,741

The accompanying notes are an integral part of the consolidated financial statements.

# Consolidated Statements of Cash Flows

Toho Titanium Company, Limited and Subsidiaries  
Years ended March 31, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1 (a))
	2007	2008	2008
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 10,573	¥12,882	\$ 128,580
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,984	2,607	26,021
Increase (decrease) in allowance for doubtful accounts	(88)	16	162
Increase in accrued for bonuses	61	100	1,003
Increase in accrued bonuses for directors and corporate auditors	98	43	430
Increase (decrease) in allowance for retirement benefits	(23)	6	61
Decrease in allowance for retirement benefits for directors and corporate auditors	(23)	—	—
Interest and dividends income	(15)	(4)	(45)
Equity in loss of affiliated companies	51	4	43
Interest expense	40	85	848
Impairment loss	81	—	—
Loss on disposal of property, plant and equipment	172	342	3,414
Increase in notes and accounts receivable-trade	(1,693)	(872)	(8,700)
Increase in inventories	(640)	(2,016)	(20,122)
Increase in notes and accounts payable-trade	514	608	6,066
Increase in accounts payable-other	260	195	1,942
Decrease in consumption taxes payable	(71)	(225)	(2,245)
Payments of bonuses for directors and corporate auditors	(67)	—	—
Other, net	92	(176)	(1,759)
Subtotal	11,304	13,596	135,698
Interest and dividends received	65	54	541
Interest paid	(35)	(71)	(704)
Income taxes paid	(5,373)	(4,244)	(42,364)
Net cash provided by operating activities	5,961	9,335	93,171
<b>Cash flows from investing activities:</b>			
Payments for purchases of property, plant and equipment	(5,029)	(15,560)	(155,304)
Proceeds from sales of property, plant and equipment	—	79	784
Payments for purchases of investment securities	(2)	(19)	(193)
Proceeds from sales of investment securities	32	—	—
Proceed from liquidation of equity-method affiliate	—	25	252
Payments of long-term loans receivable	(4)	—	—
Other, net	18	(149)	(1,487)
Net cash used in investing activities	(4,984)	(15,624)	(155,948)
<b>Cash flows from financing activities:</b>			
Proceeds from short-term debt	12,100	17,350	173,171
Repayments of short-term debt	(12,000)	(17,050)	(170,177)
Proceeds from long-term debt	—	7,000	69,867
Repayments of long-term debt	(700)	(450)	(4,491)
Purchases of treasury stock	(8)	(3)	(34)
Cash dividends paid	(910)	(2,275)	(22,711)
Cash dividends paid to minority shareholders	(4)	(11)	(109)
Net cash provided by (used in) financing activities	(1,523)	4,560	45,516
Effect of exchange rate changes on cash and cash equivalents	0	0	3
Net decrease in cash and cash equivalents	(546)	(1,729)	(17,258)
Cash and cash equivalents at beginning of year	2,609	2,063	20,593
Cash and cash equivalents at end of year	¥ 2,063	¥ 334	\$ 3,335

The accompanying notes are an integral part of the consolidated financial statements.

# Notes to Consolidated Financial Statements

Toho Titanium Company, Limited and Subsidiaries  
March 31, 2007 and 2008

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Toho Titanium Co., Ltd. (the "Company") and consolidated subsidiaries (collectively, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain terms presented in the accompanying consolidated financial statements have been reclassified from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law, and the notes to the consolidated financial statements include information that is not required under Japanese GAAP, but is provided herein as additional information for the convenience of readers outside Japan. None of such reclassifications nor rearrangements have a material effect on the financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

### (2) Basis of consolidation

The accompanying consolidated financial statements comprise the accounts of the Company and all of its four subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidation. All companies are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or existence of certain conditions.

The consolidated subsidiaries are listed below:

- Toho Technical Service Co., Ltd.
- TESCO Co., Ltd.
- Toho Catalyst Co., Ltd.
- Toho Justem Co., Ltd.

Nihon Whisker Co., Ltd. was excluded from the scope of equity method in the year ended March 31, 2008, due to liquidation of this company on March 3, 2008. As a result, there is no equity method affiliate as of March 31, 2008.

### (3) Translation of foreign currencies

Foreign currency transactions are translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates and the resulting transaction gains or losses are taken into income.

### (4) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

### (5) Investments in securities

The Companies categorize their existing investments in securities as available-for-sale securities. The securities with market price are carried at fair values prevailing at the balance sheet date with net unrealized gains and losses, net of related tax, reported separately in net assets. The cost of securities sold is mainly calculated using the moving average method. If fair value is not available, securities are carried at cost, which is determined mainly by the moving average method.

### (6) Inventories

Finished products, work in process and raw materials are stated at cost, which is determined by the first-in, first-out method. Supplies are stated at cost, which is determined by the moving-average method.

Effective for the fiscal year ended March 31, 2007, a consolidated subsidiary, Toho Catalyst Co., Ltd., changed its valuation method for inventories other than supplies from the last-in, first-out method to the first-in, first-out method to record the carrying value of such inventories in the financial statement, more accurately reflecting the unit manufacturing cost in the current manufacturing processes where efficiency in use of manufacturing facility and manufacturing cost reduction have been successfully accomplished in the recent years.

As a result of this change, the gross profit, operating income, and income before income taxes for the fiscal year ended March 31, 2007 decreased by ¥111 million, respectively. The impact of this change on segment information is indicated in the corresponding section.

### **(7) Property, plant and equipment**

Property, plant and equipment are stated at cost. Depreciation is computed by the straight-line method.

The principal useful lives are summarized as follows:

Buildings and structures	7 to 50 years
Machinery and equipment	2 to 10 years

Upon the revision of the Corporate Tax Law effective for the year beginning on April 1, 2007, the Company and domestic consolidated subsidiaries changed the depreciation method to that provided in the revised Corporate Tax Law for the property and equipment purchased on or after April 1, 2007. The effect on the consolidated financial statements was immaterial.

For property and equipment purchased before April 1, 2007, depreciation is computed by the former depreciation method, under which property and equipment is depreciated for the depreciable limit. Upon the revision of the Corporate Tax Law effective for the year beginning on April 1, 2007, however, after the accumulated depreciation for such assets has reached the depreciable limit under the previous Corporate Tax Law, the remaining value is amortized over five years on a straight-line basis from the following fiscal year. This change resulted in a ¥148 million (\$1,477 thousands) decrease in gross profit, a ¥167 million (\$1,667 thousands) decrease in operating income and a ¥168 million (\$1,677 thousands) decrease in income before income taxes for the fiscal year ended March 31, 2008. The impact of this change on segment information is indicated in the corresponding section.

### **(8) Allowance for doubtful accounts**

The Companies provide allowance for doubtful accounts for probable collection losses by applying the actual rate of bad debt losses experienced in the past reference period for normal receivables and by individual assessment of collectibility for other receivables.

### **(9) Bonuses**

The Companies provide accrued bonuses for employees based on the estimated bonuses to be paid for the current fiscal year. The Company and its domestic consolidated subsidiaries also provide accrued bonuses for director and corporate auditors based on the estimated bonuses to be paid for the current fiscal year.

### **(10) Allowance for retirement benefits for employees**

The Companies have a tax qualified pension plan and an unfunded retirement lump sum payment plan as defined benefit plans. In July 2003, the Company shifted part of the tax qualified pension plan to a defined contribution plan.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Companies provide allowance for retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets. Prior service costs are amortized by the straight-line method over the average of the estimated remaining service lives (5 years) of the employees. Actuarial gains or losses are amortized by the straight-line method over the average of the estimated remaining service lives (5 years) of the employees from the fiscal year following the year in which such gains or losses incur.

### **(11) Allowance for retirement benefits for directors and corporate auditors**

The Companies provide retirement allowances for directors and corporate auditors at the estimated amount to be paid based on their internal corporate policy if all directors and corporate auditors retired at the balance sheet date.

It was decided to abolish the retirement allowance plan for directors and corporate auditors at the Ordinary General Meeting of Shareholders to be held on June 2007.

Allowance for retirement benefits for directors and corporate auditors is included in "other noncurrent liabilities" on the consolidated balance sheets.

### **(12) Research and development expenses**

Research and development expenses including basic research and fundamental development costs which are for the improvement of existing products or development of new products are charged to income when incurred.

### (13) Income taxes

The Companies recognize tax effects of temporary differences between the carrying amounts in financial reporting and the tax basis of assets and liabilities. The provision for income taxes is computed based on income before income taxes in consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

### (14) Amounts per share of common stock

Net income per share of common stock is computed based upon the weighted-average number of shares outstanding during the year.

Cash dividends per share are presented on an accrual basis and include dividends to be approved after the balance sheet date, but applicable to the previous fiscal year.

### (15) Leases

Finance leases which do not transfer the ownership of the leased assets to the lessee are accounted for in the same manner as operating leases.

### (16) Derivatives and hedge accounting

The Companies use forward foreign exchange contracts and interest rate swap contracts to avoid or mitigate market risk.

A gain or loss on derivatives designated as hedging instrument is deferred until the loss or gain on the underlying hedged item is recognized. Interest rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest rate swaps had originally applied to the underlying debt. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding forward contract rates.

The Companies evaluate the effectiveness of hedging relationship, except for interest rate swaps that meet certain specified conditions, by analyzing the ratio of cumulative cash flows among the hedging financial instruments and hedged items.

The derivative transactions are managed by the Corporate Planning & Accounting Department in accordance with the established policies and reported to the management committee.

The following summarizes hedging derivative financial instruments used by the Company and items hedged.

Hedging instruments:	Hedged items:
Interest rate swap contracts	Long-term debt
Forward foreign exchange contracts	Foreign currency trade receivables
	Import bill for equipments (forecasted transactions)

## 2. INVENTORIES

Inventories at March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1 (i))
	2007	2008	2008
Finished products	¥2,879	¥ 3,115	\$ 31,092
Work-in-process	3,248	4,319	43,111
Raw materials and supplies	2,511	3,206	32,003
	¥8,638	¥10,641	\$106,206

### 3. INVESTMENTS IN SECURITIES

(1) The following tables summarize acquisition costs, book values (fair values) and differences of securities with fair values available as of March 31, 2007 and 2008:

Available-for-sale securities:

Securities with book values exceeding acquisition costs

	Millions of yen		Thousands of U.S. dollars (Note 1 (1))
	2007	2008	2008
Acquisition cost:			
Equity securities	¥ 51	¥ 51	\$ 509
Total	51	51	509
Book value (fair value):			
Equity securities	413	159	1,587
Total	413	159	1,587
Gross unrealized holding gain:			
Equity securities	361	108	1,078
Total	¥361	¥108	\$1,078

(2) The following table summarizes book value of securities with no fair values available as of March 31, 2007 and 2008:

Available-for-sale securities:

	Millions of yen		Thousands of U.S. dollars (Note 1 (1))
	2007	2008	2008
Book value:			
Non-listed equity securities	10	10	100
Total	¥10	¥10	\$100

(3) The following table summarizes the total sales amount of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2007 and 2008:

Available-for-sale securities:

	Millions of yen		Thousands of U.S. dollars (Note 1 (1))
	2007	2008	2008
Equity securities	¥ 0	¥—	\$—
Debt securities	32	—	—
Amounts of the related gains	5	—	—

### 4. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Because all derivative instruments held by the Companies at March 31, 2007 and 2008 were accounted for using the hedge accounting, information on their fair value has been omitted.



## 5. LEASES

The pro forma information on leased properties other than finance leases that transfer ownership of the leased property to the lessee for the years ended March 31, 2007 and 2008 are as follows.

The pro forma depreciation expense is calculated by the straight-line method over a lease term assuming no residual value.

Millions of yen			
2007			
	Acquisition costs	Accumulated depreciation	Net
Acquisition costs, accumulated depreciation and net value:			
Machinery, equipment and vehicles	¥ 10	¥ 2	¥ 7
Tools, furniture and fixture	2,077	771	1,306
Software	15	5	10
<b>Total</b>	<b>¥2,103</b>	<b>¥778</b>	<b>¥1,324</b>

Millions of yen			
2008			
	Acquisition costs	Accumulated depreciation	Net
Acquisition costs, accumulated depreciation and net value:			
Machinery, equipment and vehicles	¥ 101	¥ 16	¥ 84
Tools, furniture and fixture	2,662	929	1,732
Software	44	10	34
<b>Total</b>	<b>¥2,807</b>	<b>¥956</b>	<b>¥1,851</b>

Thousands of U.S. dollars (Note 1 (i))			
2008			
	Acquisition costs	Accumulated depreciation	Net
Acquisition costs, accumulated depreciation and net value:			
Machinery, equipment and vehicles	\$ 1,008	\$ 161	\$ 840
Tools, furniture and fixture	26,570	9,279	17,296
Software	439	102	339
<b>Total</b>	<b>\$28,017</b>	<b>\$9,542</b>	<b>\$18,475</b>

Obligations under finance leases as of March 31, 2007 and 2008 are as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1 (i))
		2007	2008	2008
Future minimum lease payments:				
Within one year	¥ 467	¥ 648		\$ 6,471
Over one year	856	1,202		12,004
<b>Total</b>	<b>¥1,324</b>	<b>¥1,851</b>		<b>\$18,475</b>

		Millions of yen		Thousands of U.S. dollars (Note 1 (i))
		2007	2008	2008
Rental expenses and depreciation expenses:				
Rental expenses	¥426	¥633		\$6,318
Depreciation expenses	426	633		6,318

The pro forma information above does not exclude the imputed interest portion because the remaining finance lease obligations are not material compared with the book values of property, plant and equipment.

#### 6. SHORT-TERM AND LONG-TERM DEBT

Short-term debt mainly consisting of bank borrowings at March 31, 2007 and 2008 is ¥1,250 million and ¥1,550 million (\$15,471 thousand), respectively. The weighted average interest rate on short-term debt outstanding at March 31, 2007 and 2008 are 1.09% and 1.23%, respectively.

Long-term debt at March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1 (i))
	2007	2008	2008
Long-term bank loans principally at weighted average annual interest of 1.24% , due through 2014	¥ 850	¥7,400	\$73,860
	850	7,400	73,860
Less amount due within one year	(450)	(200)	(1,996)
	¥ 400	¥7,200	\$71,863

The aggregated annual maturities of long-term debt at March 31, 2008 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1 (i))
2009	¥ 200	\$ 1,996
2010	875	8,733
2011	1,350	13,474
2012	1,350	13,474
2013	1,350	13,474
2014 and thereafter	2,275	22,707
	¥7,400	\$73,860

Assets pledged as collateral as of March 31, 2008 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1 (i))
	2008	2008
Land	¥ 151	\$ 1,507
Buildings and structures	4,285	42,769
Machinery, equipment and vehicles	6,152	61,403
Tools, furniture and fixture	234	2,336
	¥10,823	\$108,025

The Company has entered into overdraft and loan commitment agreements amounting to ¥18,000 million (\$179,659 thousand), in the aggregate, with banks in order to source funds for its operations as demanded. However, no loans payable were outstanding at March 31, 2008, under those overdraft and loan commitment agreements.

## 7. ALLOWANCE FOR RETIREMENT BENEFITS FOR EMPLOYEES

Allowance for retirement benefits for employees included in the consolidated balance sheets as of March 31, 2007 and 2008 consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1 (i))
	2007	2008	2008
Projected benefit obligation	¥ 2,213	¥ 2,184	\$ 21,798
Unrecognized prior service costs	52	31	309
Unrecognized actuarial (gains) losses	61	(251)	(2,505)
Less fair value of pension assets	(2,242)	(1,873)	(18,695)
Allowance for retirement benefits	¥ 85	¥ 91	\$ 907

Included in the consolidated statements of income for the years ended March 31, 2007 and 2008 are the periodic retirement benefit expenses consisting of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1 (i))
	2007	2008	2008
Service cost	¥112	¥117	\$1,168
Interest cost	50	43	429
Expected return on plan assets	(46)	(49)	(490)
Amortization of actuarial losses	16	11	110
Retirement benefit expenses	¥134	¥122	\$1,217
Amortization of prior service cost	(20)	(20)	(198)
Other	243	109	1,097
Total	¥357	¥212	\$2,116

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2007 and 2008 were as follows:

	2007	2008
Period allocation method for estimated retirement benefits	Fixed amount per period	Fixed amount per period
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	2.5%
Amortization period for prior service cost	5 years	5 years
Amortization period for actuarial loss	5 years	5 years

## 8. INCOME TAXES

The aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 40.6% for the years ended March 31, 2007 and 2008.

Disclosures of reconciliation between statutory and effective tax rate for the years ended March 31, 2007 and 2008 have been omitted as such differences were less than 5 points.

Significant components of the deferred tax assets and liabilities as of March 31, 2007 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1 (i))
	2007	2008	2008
<b>Deferred tax assets:</b>			
Allowance for retirement benefits for directors and corporate auditors	¥ 86	¥ 79	\$ 790
Accrued enterprise taxes	199	254	2,535
Accrued bonuses	314	349	3,483
Depreciation	8	—	—
Deferred hedge transactions	—	20	200
Loss on revaluation of golf club memberships	58	60	599
Accrued social insurance premiums	43	46	459
Allowance for retirement benefits	213	223	2,236
Loss on disposal of property, plant and equipment	38	27	269
Unrealized gains	55	132	1,323
Impairment loss	33	—	—
Other	31	28	279
<b>Sub-total deferred tax assets</b>	<b>1,079</b>	<b>1,222</b>	<b>12,197</b>
Valuation allowance	(69)	(71)	(709)
<b>Total deferred tax assets</b>	<b>¥1,010</b>	<b>¥1,151</b>	<b>\$11,488</b>
<b>Deferred tax liabilities:</b>			
Reserve for advanced depreciation	¥ (15)	¥ (17)	\$ (169)
Net unrealized holding gains on securities	(146)	(44)	(439)
Deferred hedge assets	(48)	—	—
<b>Total deferred tax liabilities</b>	<b>(211)</b>	<b>(61)</b>	<b>(609)</b>
<b>Net deferred tax assets</b>	<b>¥ 799</b>	<b>¥1,089</b>	<b>\$10,873</b>

## 9. NET ASSETS

The Japanese Corporation Law (the “Law”) became effective on May 1, 2006, replacing the Japanese Commercial Code. The Law is generally applicable to events and transactions occurring after April 30, 2006.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company prepared in accordance with the Japanese laws and regulations and Japanese GAAP.

## 10. RESEARCH AND DEVELOPMENT

Research and development expenses, which are included in selling, general and administrative expenses, totaled ¥1,334 million and ¥1,811 million (\$18,085 thousand) for the years ended March

31, 2007 and 2008, respectively. There are no research and development expenses included in manufacturing expenses for the years ended March 31, 2007 and 2008.

## 11. SEGMENT INFORMATION

### (a) Information on business segment

The business operations of the Companies are classified into four business segments: “Titanium Metal”, “Catalyst”, “Electronic Materials” and “Other”.

Millions of yen							
2007							
	Titanium Metal	Catalyst	Electronic Materials	Other	Total	Corporate (Elimination)	Consolidated
Net sales and operating income:							
Sales to third parties	¥28,565	¥5,462	¥2,562	¥1,508	¥38,099	¥ —	¥38,099
Intergroup sales and transfer	750	0	10	33	795	(795)	—
Total net sales	29,316	5,463	2,572	1,542	38,894	(795)	38,099
Operating expenses	19,146	3,838	2,217	1,365	26,568	588	27,156
Operating income	¥10,169	¥1,625	¥ 354	¥ 177	¥12,326	¥(1,383)	¥10,943

Millions of yen							
2007							
	Titanium Metal	Catalyst	Electronic Materials	Other	Total	Corporate (Elimination)	Consolidated
Assets, depreciation, impairment loss and capital expenditures:							
Total assets	¥25,243	¥9,780	¥3,286	¥1,036	¥39,346	¥1,730	¥41,076
Depreciation and amortization	1,206	318	327	1	1,853	130	1,984
Impairment loss	—	—	—	—	—	81	81
Capital expenditures	2,916	1,822	117	0	4,857	1,023	5,880

- Operating expenses of ¥1,383 million that are included in the “eliminations and corporate” column consist of fundamental research and development expenses, as well as expenses of the general affairs, accounting and other administrative divisions.
- Assets of ¥1,730 million that are included in the “eliminations and corporate” column principally include cash and cash equivalents, investments in securities and assets related to administrative and fundamental research divisions held by the Company.
- As stated in “(6) Inventories” in “1. Summary of significant accounting policies”, effective for the fiscal year ended March 31, 2007, one of the consolidated subsidiaries changed its valuation method for inventories in the Catalyst Business Segment. As a result, in the Catalyst Business Segment, operating income decreased by ¥114 million, and “eliminations and corporate” increased by ¥2 million.

Millions of yen							
2008							
	Titanium Metal	Catalyst	Electronic Materials	Other	Total	Corporate (Elimination)	Consolidated
Net sales and operating income:							
Sales to third parties	¥34,480	¥5,744	¥3,041	¥1,637	¥44,905	¥ —	¥44,905
Intergroup sales and transfer	960	1	8	33	1,004	(1,004)	—
Total net sales	35,441	5,745	3,050	1,671	45,908	(1,004)	44,905
Operating expenses	21,648	3,822	2,963	1,564	29,998	1,153	31,152
Operating income	¥13,793	¥1,923	¥ 86	¥ 106	¥15,909	¥(2,157)	¥13,752

Millions of yen							
2008							
	Titanium Metal	Catalyst	Electronic Materials	Other	Total	Corporate (Elimination)	Consolidated
Assets, depreciation, impairment loss and capital expenditures:							
Total assets	¥39,848	¥7,606	¥2,857	¥1,254	¥51,666	¥2,950	¥54,517
Depreciation	1,543	541	354	1	2,440	166	2,607
Capital expenditures	13,804	880	203	—	14,889	504	15,393

Thousands of U.S. dollars (Note 1 (i))							
2008							
	Titanium Metal	Catalyst	Electronic Materials	Other	Total	Corporate (Elimination)	Consolidated
Net sales and operating income:							
Sales to third parties	\$344,146	\$57,331	\$30,352	\$16,339	\$448,196	\$ —	\$448,196
Intergroup sales and transfer	9,592	10	80	332	10,021	(10,021)	—
Total net sales	353,738	57,344	30,433	16,674	458,217	(10,021)	448,196
Operating expenses	216,069	38,148	29,574	15,610	299,411	11,508	310,929
Operating income	\$137,668	\$19,197	\$ 859	\$ 1,064	\$158,788	\$(21,529)	\$137,263

Thousands of U.S. dollars (Note 1 (i))							
2008							
	Titanium Metal	Catalyst	Electronic Materials	Other	Total	Corporate (Elimination)	Consolidated
Assets, depreciation, impairment loss and capital expenditures:							
Total assets	\$397,724	\$75,916	\$28,516	\$12,516	\$515,680	\$29,444	\$544,141
Depreciation	15,401	5,400	3,533	10	24,354	1,657	26,021
Capital expenditures	137,778	8,783	2,026	—	148,608	5,030	153,638

- Operating expenses of ¥2,157 million (\$21,529 thousand) that are included in the “eliminations and corporate” column consist of fundamental research and development expenses, as well as expenses of the general affairs, accounting and other administrative divisions.
- Assets of ¥3,393 million (\$33,866 thousand) that are included in the “eliminations and corporate” column principally include cash and cash equivalents, investments in securities and assets related to administrative and fundamental research divisions held by the Company.
- As stated in “(7) Property, plant and equipment” in “1. Summary of significant accounting policies”, commencing in the fiscal year ended March 31, 2008, after the accumulated depreciation for property, plant and equipment purchased before April 1, 2007, has reached the depreciable limit under the pre-revision Corporate Tax Law, the remaining value is amortized over five years on a straight-line basis, from the following fiscal year. The effect of this change for the fiscal year ended March 31, 2008 reduce operating income by ¥115 million (\$1,148 thousand) in the Titanium Metal Business Segment, ¥29 million (\$289 thousand) in the Catalyst Business Segment, ¥12 million (\$120 thousand) in the Electronic Materials Business Segment, ¥0 million (\$0 thousand) in the Other Business Segment and ¥10 million (\$100 thousand) in “Eliminations and Corporate”.

(b) Information on geographic segment

Geographic segment information was not disclosed since the aggregated sales in overseas were less than 10% of the consolidated net sales for the years ended March 31, 2007 and 2008, and assets in overseas were less than 10% of the consolidated assets at March 31, 2007 and 2008.

(c) Information on overseas sales

Overseas sales, which include export sales of the Company and its consolidated domestic subsidiaries and sales (excluding export sales to Japan) of the consolidated foreign subsidiaries for the years ended March 31, 2007 and 2008 are summarized as follows:

Millions of yen				
2007				
	America	Europe	Asia	Total
Overseas sales	¥4,968	¥3,097	¥4,156	¥12,222
Consolidated net sales	—	—	—	38,099
Overseas sales as a percentage of consolidated net sales	13.0%	8.1%	10.9%	32.1%

Millions of yen				
2008				
	America	Europe	Asia	Total
Overseas sales	¥5,298	¥2,970	¥2,844	¥11,112
Consolidated net sales	—	—	—	44,905

Thousands of U.S. dollars (Note 1 (i))				
2008				
	America	Europe	Asia	Total
Overseas sales	\$52,879	\$29,644	\$28,386	\$110,909
Consolidated net sales	—	—	—	448,196
Overseas sales as a percentage of consolidated net sales	11.8%	6.6%	6.3%	24.7%

Classification of overseas sales is determined by geographical location.

Each classification of overseas' sales principally covers the following countries and regions:

America: USA and Canada

Europe: UK, France and Germany

Asia: Taiwan, People's Republic of China and Korea

## 12. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company's balances with significant affiliates as of March 31, 2007 and 2008, and related transactions for the years ended March 31, 2007 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1 (i))
	2007	2008	2008
Mitsui & Co., Ltd.			
Balances:			
Accounts Receivable	¥ 80	¥ —	\$ —
Accounts Payable	300	—	—
Transactions:			
Sales of titanium products	363	—	—
Purchases of raw materials	3,061	—	—
Mitsui Bussan Metals Sales Co., Ltd.			
Balances:			
Accounts Receivable	2,384	2,682	26,769
Transactions:			
Sales of titanium products	16,219	17,454	174,209

(Transaction Terms and Method of Establishing Transaction Terms)  
Regarding the sales of titanium products, the transaction terms are determined, by taking market prices and overall cost of sales into consideration, based on the negotiations by each end-user at the price negotiations using the Company's price proposals.

Regarding the procurements of raw materials, the transaction terms are determined, by taking market prices into consideration, based on the negotiations by each vendor.

Due to the change in major shareholders on March 5, 2008, Mitsui Bussan Metals Sales Co., Ltd., was no longer a subsidiary of Mitsui Co., Ltd. The above-stated transaction amount indicates the amount of transactions up until the date of change. The balance as of March 31, 2008 in the above table represents the balance as of the date of change.

### 13. SUBSEQUENT EVENTS

(1) Based on the meeting of the management committee to be held on August 8, 2007, the following debt finances were executed to acquire plant and equipment.

①

Amount	¥ 1,300 million (\$12,975 thousands)
Bank	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Date of finance	April 30, 2008
Method for repayment	Semiannual equal repayment
Repayment date	April 30, 2015

②

Amount	¥ 1,300 million (\$12,975 thousands)
Bank	Mitsubishi UFJ Trust and Banking Corporation
Date of finance	April 30, 2008
Method for repayment	Semiannual equal repayment
Repayment date	April 30, 2015

(2) The following appropriations of retained earnings at March 31, 2008 were approved at the meeting of the board of directors to be held on May 21, 2008:

	Millions of yen	Thousands of U.S. dollars (Note 1 (1))
Year-end cash dividends, ¥15.5 (\$0.15) per share	¥940	\$9,382



# Report of Independent Auditors



■ Certified Public Accountants  
Hibiya Kokusai Bldg.  
2-2-3, Uchisaiwai-cho  
Chiyoda-ku, Tokyo, Japan 100-0011  
C.P.O. Box 1196, Tokyo, Japan 100-8641

■ Tel: 03 3503 1100  
Fax: 03 3503 1197

## Report of Independent Auditors

The Board of Directors  
Toho Titanium Co., Ltd.

We have audited the accompanying consolidated balance sheets of Toho Titanium Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

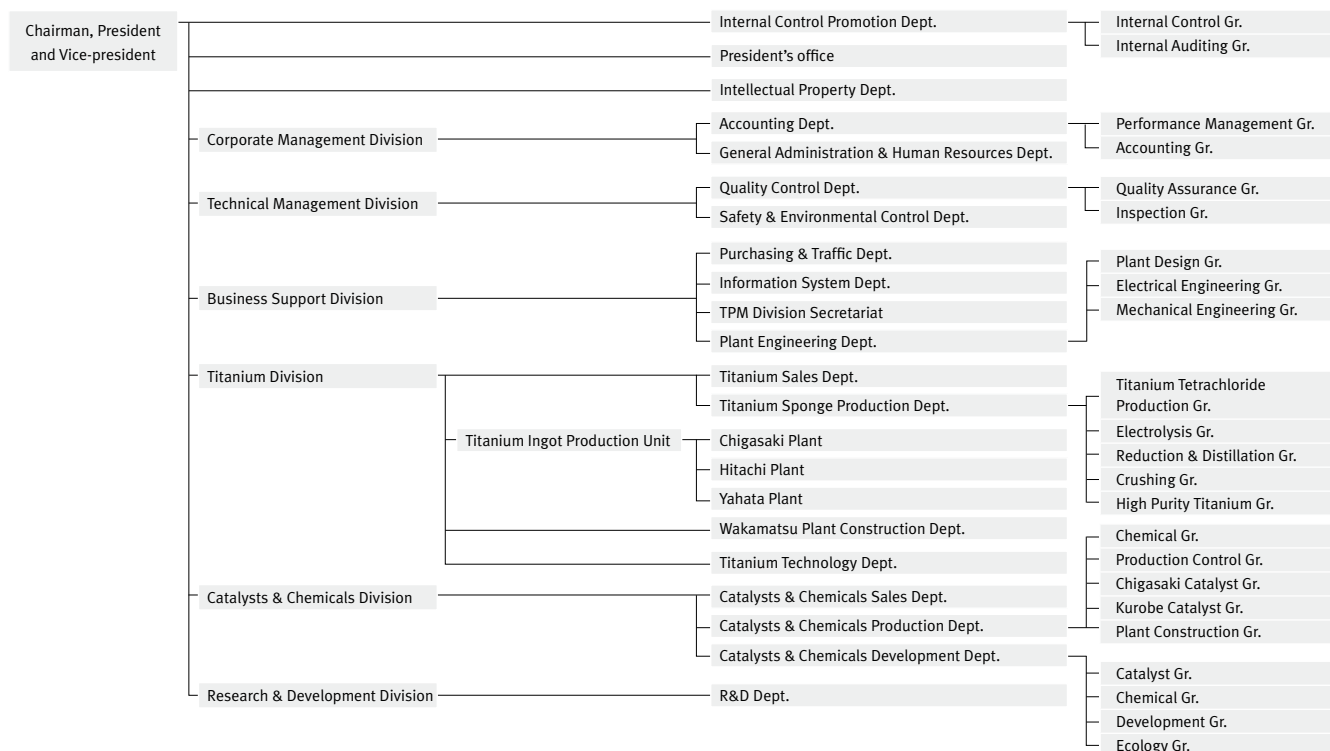
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toho Titanium Co., Ltd. and consolidated subsidiaries at March 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 (1).

*Ernst & Young Shin Nihon*

June 19, 2008

# Organization



# Corporate History

<b>1948</b>	Predecessor of Toho Titanium Co., Ltd. founded
<b>1953</b>	Name of company changed to Toho Titanium Co., Ltd.
	Business purpose changed to the manufacture and sale of titanium metals
<b>1954</b>	Production facility constructed in Chigasaki, Kanagawa Prefecture
	Titanium sponge production began with initial capacity of 240 metric tons per annum, with increments thereafter
	Company began exports to the United States
<b>1955</b>	Initial public offering (IPO) of stock through listing of the Company's shares on the over-the-counter (OTC) section of the Tokyo Stock Exchange
<b>1960</b>	Titanium ingot production began with initial capacity of 120 metric tons per annum, with increments thereafter
<b>1961</b>	Shares listed on the Second Section of the Tokyo Stock Exchange
<b>1963</b>	Production facility for high-purity titanium dioxide completed
	Company entered the electronic materials business
<b>1965</b>	Production facility for titanium trichloride catalyst completed
	Production of titanium trichloride catalyst began with initial capacity of 36 metric tons per annum, with increments thereafter
	Company entered the catalyst business
<b>1970</b>	Company began commercial production of high-purity titanium dioxide
<b>1980</b>	Production capacity of titanium sponge raised to 12,000 metric tons per annum
<b>1985</b>	Production capacity of titanium ingot raised to 7,800 metric tons per annum
<b>1986</b>	Production facility for Toho High-efficiency Catalyst (THC) completed
<b>1987</b>	Consolidated subsidiary Toho Technical Service Co., Ltd. established through spin off of the fabrication division
<b>1990</b>	Acquisition of Sankyo Diamond Industrial Group completed
<b>1996</b>	ISO 9002 certification received for manufacture and sale of catalysts for propylene polymerization

<b>1998</b>	ISO 9002 certification received manufacture and sale of titanium tetrachloride, titanium sponge, titanium and titanium alloy ingot, high-purity titanium dioxide, titanium-based powders and formulated powder
	ISO 14001 received for head office and Chigasaki Plant
	Production facility for titanium ingot (Hitachi Plant) completed in Hitachi, Ibaraki Prefecture, with electron-beam (EB) furnace, with initial capacity of 2,640 metric tons per annum
	Consolidated subsidiary Toho Catalyst Kurobe Co., Ltd. established
<b>1999</b>	ISO 9001 certification received manufacture and sale of catalysts for propylene polymerization, titanium tetrachloride, titanium sponge, high purity titanium, titanium and titanium alloy ingot, high purity titanium dioxide, titanium-based powders and formulated powder
	Production facility for Toho Catalyst Kurobe Co., Ltd. completed
<b>2000</b>	ISO 9001 certification received manufacture and sale of nickel powder
	Name of Toho Catalyst Kurobe Co., Ltd. changed to Toho Catalyst Co., Ltd. and Toho Titanium's catalyst business transferred to Toho Catalyst
<b>2003</b>	Production capacity of titanium sponge raised to 13,000 metric tons per annum
<b>2005</b>	Production capacity of titanium sponge raised to 15,000 metric tons per annum
	Shares held of Sankyo Diamond Industrial Group sold
<b>2006</b>	Shares listed on the First Section of the Tokyo Stock Exchange
<b>2007</b>	Production capacity of titanium sponge raised to 16,000 metric tons per annum
<b>2008</b>	Company merged with and absorbed Toho Catalyst Co., Ltd.
	Production facility for titanium ingot (Yahata Plant) completed in Kitakyushu, Fukuoka Prefecture, with EB furnace, with initial capacity of 10,000 metric tons per annum
	Total production capacity of titanium ingot raised to 19,000 metric tons per annum

# Corporate Data and Stock Information

As of March 31, 2008

## Corporate Data

<b>COMPANY NAME</b>	Toho Titanium Company, Limited	<b>NUMBER OF CONSOLIDATED SUBSIDIARIES</b>	4
<b>FOUNDED</b>	September, 1948	<b>AFFILIATES NOT ACCOUNTED FOR BY THE EQUITY METHOD</b>	1
<b>PAID-IN CAPITAL</b>	¥4,813 million	<b>NUMBER OF EMPLOYEES (Consolidated)</b>	799
<b>HEADQUARTERS</b>	3-3-5, Chigasaki, Chigasaki City Kanagawa 253-8510, Japan		
<b>TELEPHONE</b>	+81-467-82-2915		
<b>FISCAL YEAR-END</b>	March 31		

### WEB ADDRESS

<http://www.toho-titanium.co.jp> (Japanese)

<http://www.toho-titanium.co.jp/en/> (English)

## Stock Information

**STOCK REGISTRY** First Section of the Tokyo Stock Exchange

### NUMBER OF SHARES

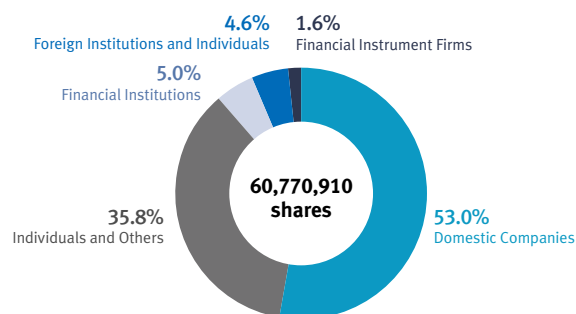
Authorized 60,770,910 shares

**NUMBER OF SHAREHOLDERS** 51,687

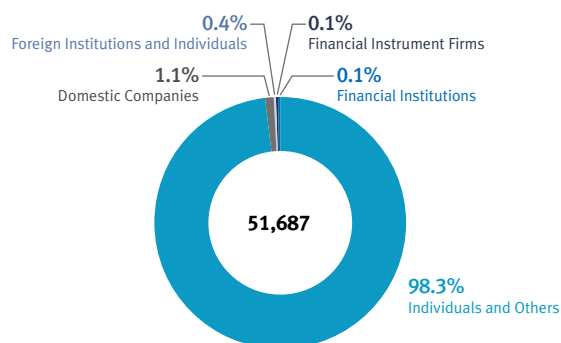
### MAJOR SHAREHOLDERS

Name	Number of shares held (thousands)	Percentage of total shares issued
NIPPON MINING HOLDINGS, INC.	25,801	42.46%
Nippon Steel Corporation	3,000	4.94
MITSUI & CO., LTD.	2,016	3.32
Japan Trustee Services Bank, Ltd. (Trust Account)	600	0.99
The Master Trust Bank of Japan, Ltd. (Trust Account)	466	0.77
Goldman Sachs and Company Regular Account	419	0.69
Bank of New York GCM Client Account	354	0.58
Japan Trustee Services Bank, Ltd. (Trust Account 4)	339	0.56
Morgan Stanley Japan Securities Co., Ltd.	262	0.43
Mitsubishi UFJ Trust and Banking Corporation (Trust Account)	247	0.41

### COMPOSITION OF ISSUED SHARES BY TYPE OF SHAREHOLDER



### COMPOSITION OF SHAREHOLDERS





3-3-5 Chigasaki, Chigasaki City  
Kanagawa 253-8510, Japan  
[www.toho-titanium.co.jp](http://www.toho-titanium.co.jp)



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