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STC

2005

Annual Report **2005**

April 1, 2004-March 31, 2005

Corporate Profile

We, Sumitomo Titanium Corporation, succeeded in producing titanium on a commercial basis in 1952 for the first time in Japan and started to grow as a pathfinder in titanium sponge production. We also started production of polycrystalline silicon in 1960. Since then, we have provided high-purity and high-quality products mainly for the aerospace and electronics industries as a manufacturing company of titanium and silicon, which are two leading-edge materials providing the backbone to

modern civilization. In the 21st century, titanium and silicon have become more versatile for new eco-friendly energies such as solar energy, automobiles and aircrafts growing more highly effective and fuel-efficient and electronics pervading every aspect of daily life. We will continue to challenge the infinite potential of leading-edge materials with an aim to realize the dream of humankind wealthier, faster, and safer.

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Safe Harbor Note on Forward-Looking Statements

Please be advised that this annual report includes not only the Company's past and present facts but also forward-looking statements about the Company's business and business environments. Such forward-looking statements, which are the assumptions or judgments based on the information as of the report is prepared, involve known or unknown risks and uncertainties. Accordingly, actual results and business environments may differ materially from those in any forward-looking statement due to such unexpected risks and uncertainties.

“Ti”

About Titanium



Business and Products of Sumitomo Titanium Corporation



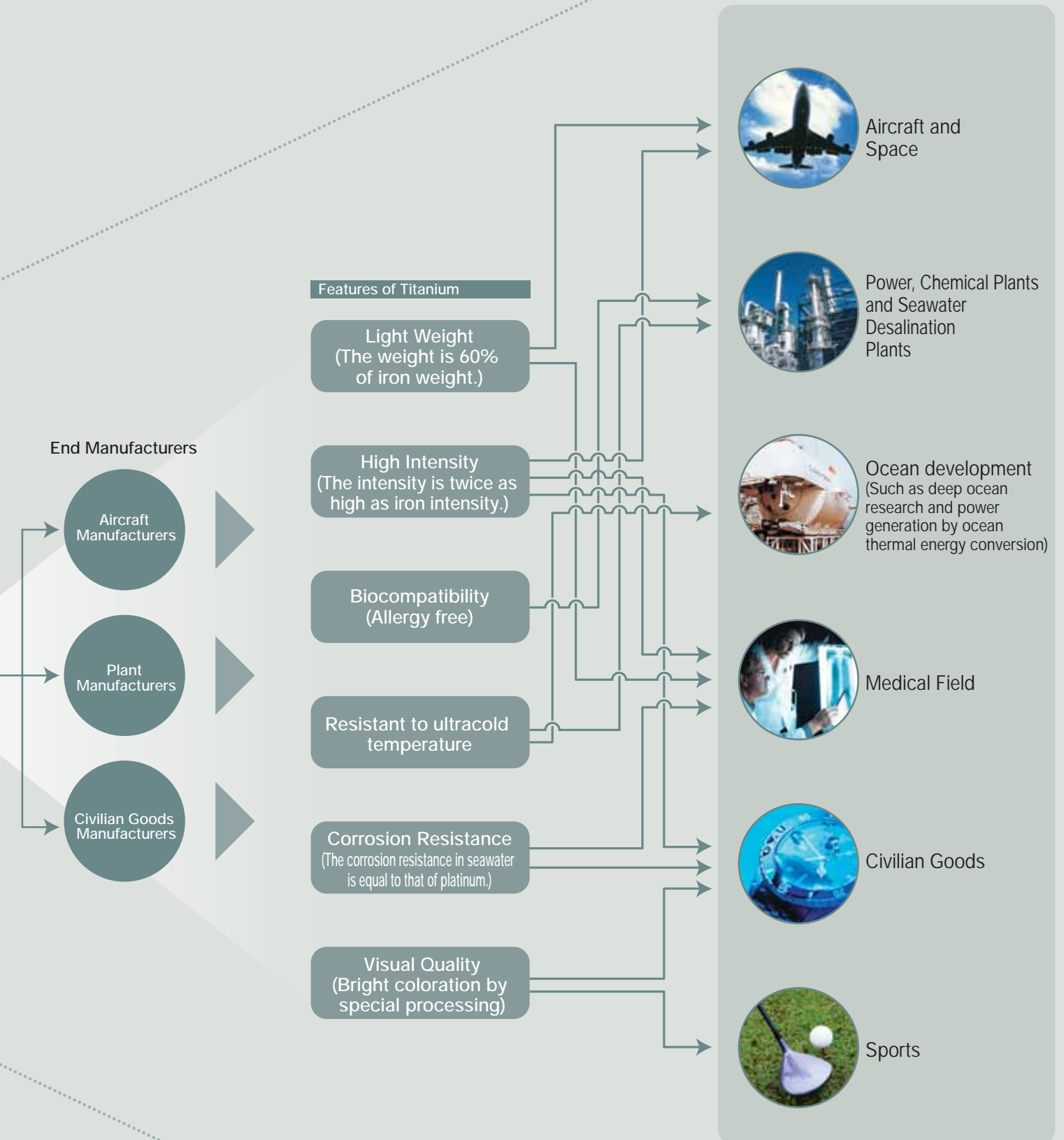
Titanium, Our Dream Material

Titanium is powered by all the metallic features that people have ever dreamed of. It is light, strong, and corrosion-resistant. Therefore, titanium is widely used as a material in the core parts of machines and equipment under severe conditions, which are represented by aircraft engines, power plants and chemical plants. In recent years, the use of titanium has spread to automobile parts, golf clubs, eyeglass frames, ornamental articles, and daily necessities, and there are expected to be more latent uses. From

the viewpoint of the environment, which is an essential factor in the 21st century above all, more expectations are placed on titanium as a material that will realize energy saving by trimming the material's weight.

We mainly ship our products in the form of titanium sponge to mill producers. Although the production process requires high-level techniques as well as strict quality control, we maximize the material potential of titanium leveraging our own technologies developed after many years.

Usage of Titanium

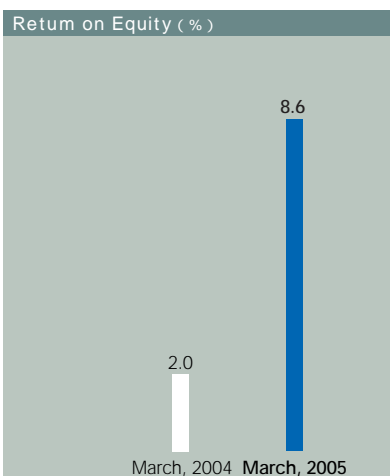
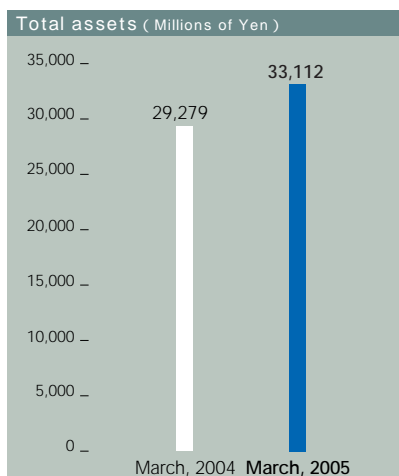
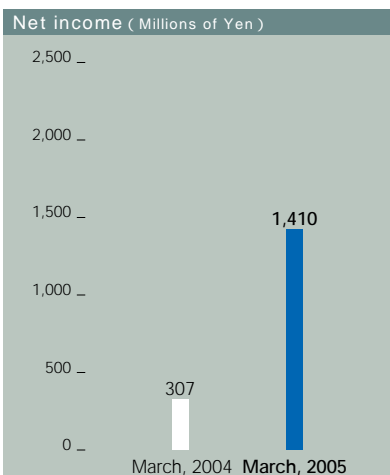
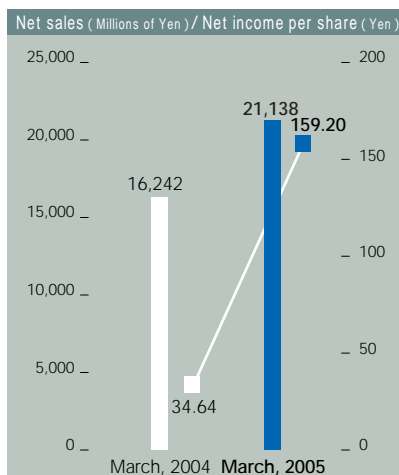


Financial Highlights

SUMITOMO TITANIUM CORPORATION

For the years ended March 31, 2005 and 2004

	March, 2005	March, 2004	March, 2005
For the year (Millions of Yen X Thousands of U.S. Dollars)			
Net sales	¥ 21,138	¥ 16,242	\$ 196,964
Operating income	2,470	706	23,016
	1,410	307	13,143
At Year-End (Millions of Yen X Thousands of U.S. Dollars)			
Total assets	33,112	29,279	308,535
Total shareholders Equity	16,914	15,721	157,598
Per Share Data (Yen)			
Net Income	159.20	34.64	1.48
Cash dividends	45.00	30.00	0.42
Shareholders Equity	1,908.96	1,774.36	17.79
Equity Ratio			
Return on Equity (%)	% 51.1	% 53.7	% 51.1
	8.6	2.0	8.6
Weighted average number of shares (Thousands)	¥ 8,860	¥ 8,860	





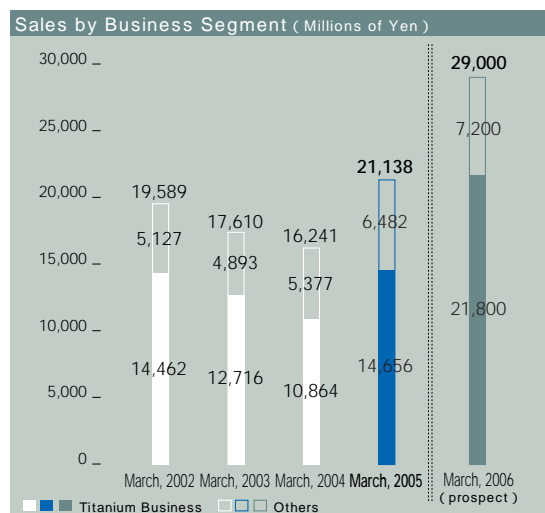
We developed the mid-term business plan with an eye on global market trends and with an aim for consolidation of our future management base.

Business Overview for the Term Ended March 2005

During the term ended March 2005 (April 1, 2004–March 31, 2005), the Japanese economy had a steady showing overall toward recovery due to growing business capital spending and increasing export and consumer spending on the back of improvement in business earnings. However, owing to price hikes of oil and materials along with semiconductor-demand controls and volatile foreign exchange rates in the latter half of the term, some economic indicators showed a sense of uncertainty about the full-scale economic upturn in future. Under such conditions, we devoted our attention to improvement of business efficiency with a focus on our three pillars, which are (1) titanium, (2) semiconductor-related products, and (3) environment- and energy- related products.

In our titanium business, the demand for domestic mill products mainly shipped to plants in China and the Middle East has significantly increased since the beginning of the year, and the demand for titanium sponge has been growing tightly for the whole term as a result of export demand recovery in civilian aircraft that slackened since the September 11 terrorist attacks. Against the backdrop of such business conditions, the export price of new contracts for mill products started to recover drastically at shipping in January 2005.

In our semiconductor-related products business, the sales of polycrystalline silicon and high-purity titanium increased



owing to favorable demand for semiconductors used in mobile phones, automobile-related products, and digital consumer electronics. As in our environment- and- energy-related products business, the sales of titanium powder mainly for medical use increased because of its metal-allergy-free feature.

Given these circumstances, we, at the beginning of the current term, established a full-capacity operations system and swiftly started up the production system, which had been stopped for production adjustment before the previous term, in order to meet the growing demand for titanium sponge. At the same time, we made concerted efforts together to establish a stabilized system for the whole operation. Consequently, our business results for the current term ended with increases in both sales and profits. Sales were 21, 138 million yen (up 30.1% on a year-on-year basis), while net income were (up 362.9% on a year-on-year basis) and 1,410 million yen (up 359.5% on a year-on-year basis), respectively. As of March 1, 2005, we transferred our listed shares from the second section to the first section of the Tokyo Stock Exchange. We are pleased to announce that we added a special dividend of 15 yen per share to celebrate our shares listed on the first section of the Tokyo Stock Exchange to the ordinary dividend of 30 yen per share, which has not changed from the previous term. Thereby, the dividend for the current term shall be 45 yen per share.

Our Future Management Strategies

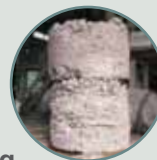
The global titanium production capacity per year is about 90,000 tons. Titanium is mainly produced in five countries, which are Japan, the U.S.A., Russia, Kazakhstan, and China at seven companies. Our annual production capacity is about 18,000 tons, currently accounting for approximately 20% of the global total, according to our survey. Above all, our production capacity of high-quality titanium for critical aircraft parts is ranked at the top globally. Titanium demand for aircraft is now rapidly growing on the back of new airway services started successively and development of air transportation networks in China, Russia, and India. The demand for electric or chemical plants has been increasing in China, where economic growth has been remarkable, as well as that of seawater desalination plants in the Middle East.

Based on such prospects for the mid-term demand circumstances surrounding our business, we developed the three-year mid-term business plan (FY 2005-FY 2007) in February 2005. The three goals of the plan are (1) to solidify our position as a world-leading titanium sponge manufacture in both aspects of quality and quantity; (2) to strengthen profit-earning capacity in our three business pillars of titanium, semiconductor-related products, and environment- and energy- related products; and (3) to promote investment in research and development for consolidation of our future management base and development of new production

technologies for low-cost titanium sponge. We intend to further reinforce and enrich our revenue base as well as to improve our financial strength by achieving these goals.

Titanium Business

We aim to establish our position as a world-leading titanium sponge manufacture by reinforcing our production system in both aspects of quality and quantity.



To solidify our position as a world-leading titanium sponge manufacture in both aspects of quality and quantity, we intend to bolster our titanium sponge production capacity. We plan to invest 6.3 billion yen totally breaking it into the first period (to be started in October 2005) and the second period (to be started in April 2006) to establish a production system for the monthly output of 2,000 tons. Thereby, our total annual production capacity will increase from 18,000 tons to 24,000 tons. At the same time, we will invest 0.8 billion yen in quality improvement to meet the growing demand for high-quality titanium sponge, which is influenced by the global trend of growing consumption in the amount of titanium due to the increased number of civilian aircraft and weight saving of airframes of new-model aircraft. As the particular demand for high-quality titanium for critical aircraft parts has been growing rapidly, we, as an extremely predominant leading company in this area, intend to solidify the position as a world-leading titanium sponge manufacturer by satisfying the active demand on a timely basis.

Meanwhile, we also promote development of new production technologies for low-cost titanium sponge. The production of lower-cost titanium sponge is expected to disseminate titanium in areas where it has not been so popular. There are many other areas where the demand for titanium would grow in future if the cost were lower. Stainless sea bridges and fuel-efficient cars with the feature of a light body are examples. Development of new production technologies will lead to production of low-cost titanium sponge and thus expand the use of titanium. Accordingly, we position it as one of our critical strategic projects to consolidate our management base.



Semiconductor-Related Products Business



The demand for our products has been growing due to the expanding use in digital consumer electronics and automobiles.

The demand for our semiconductor-related products (polycrystalline silicon, high-purity titanium, and titanium tetrachloride aqueous solution) has been growing in digital consumer electronics and automobiles. Furthermore, in the global trend of significant concern for clean energies, polycrystalline silicon comes under the spotlight as a material for solar energy generation panels of which sales are rapidly increasing. In order to meet the active demand, we intend to improve our operation efficiency and enhance our productivity by new investments for replacement of our equipment.

Products	
Products	Uses
Titanium Business	
Titanium (Titanium sponge)	Aircraft engine parts Plate-type heat exchangers Pipes for petrochemical plants
Titanium ingot (Pure titanium and titanium alloy)	Heat exchanger parts for thermal power Nuclear power generation, and Seawater desalination plants
Business of Semiconductor-Related Products	
Polycrystalline silicon	Silicon monocrystal for semiconductors
High-purity titanium	Target materials for sputtering
Titanium tetrachloride aqueous solution	Various ceramic materials (Such as condensers)
Business of Environmental-And-Energy-Related Products	
SiO	Antireflection films, protective films, and absorbing films
High-barrier SiO	Vapor deposition materials for gas-barrier films
Titanium dioxide for photocatalysts	Ultraviolet light responsive photocatalyst Visible light responsive photocatalyst (Deodorant, antiseptic and antifouling effects)
Porous titanium	Filters and electrode materials
Titanium powder	Arcificial bones, Precision molding products for medical use and getters

Environment- and Energy-Related Products Business



We plan to develop new eco-friendly products to satisfy the growing awareness of environment issues by societies and industries.

In the area of environment and energy, our products (SiO (silicon monoxide), high-barrier SiO, photocatalysts, porous titanium, and titanium powder) expand in application, as the social demand for environmental purification products increases as a result of the growing concern for such clean energies as solar hydrogen energies triggered by the global warning issue. The photocatalyst exhibition that we joined in 2004 ended in a huge success, which proved people's high degree of expectations for our products. We continue to communicate with our customers on a constant basis for development of new products (photocatalysts, porous titanium, and others) expected to play a potent role based on our eco-friendly technologies. We also plan to participate in exhibitions proactively to promote our environmental- and energy-related products.

In the mid-term business plan, we seek high returns by setting our ultimate goal as early collection of the funds intensively invested in increasing capacity, quality improvement, and replacement of equipment for future reproduction on a progressive scale to meet the growing demand for our products. After the current mid-term business plan is achieved, we plan to focus on commercialization of the new titanium sponge production technologies and business areas other than titanium sponge in the coming mid-term business plan (FY 2008–FY 2010). With regard to our basic policy of corporate profit distribution, we plan to return our profit to our shareholders according to our business results as a surplus to the stable dividend of 30 yen per share starting from the term end in March 2006, although we have stably distributed 30 yen per share so far because the global demand fluctuation in titanium and silicon, as our major products, has been quite violent. This new policy is based on our philosophy to return our net profit directly to our shareholders.

Our Policy of Future Information Disclosure

We will develop a consciousness for positive disclosure of business policies, management goals, financial data, and other business information. We have endeavored to release our financial results, including quarterly results, earlier than before. Moreover, we have precisely and timely announced our mid-term business plan, the listing on the first section of the Tokyo Stock Exchange, the distribution of a special dividend for celebration of the listing, and other business information. We continue to provide our corporate information adequately as the occasion demands for our stakeholders through our website, brochures and annual reports, briefings for analysts and investors, and various other media tools.

Prospects for the Next Term (Term Ended in March 2006)

Considering our policies and strategies specified above, we expect that both our sales and profit will continue to increase significantly in the next term (the term ended in March 2006), reaching 29,000 million yen (up 37.2% on a year-on-year basis) in sales, and 3,760 million yen (up 166.6% on a year-on-year basis) in net income. We intend to grow our corporate value by steadily implementing the strategies and projects specified in the mid-term business plan. As always, we appreciate your continued support and encouragement.



July, 2005

Sumitomo Titanium Corporation

President

A handwritten signature in black ink that reads "Masaaki Tachibana". The signature is written in a cursive, flowing style.

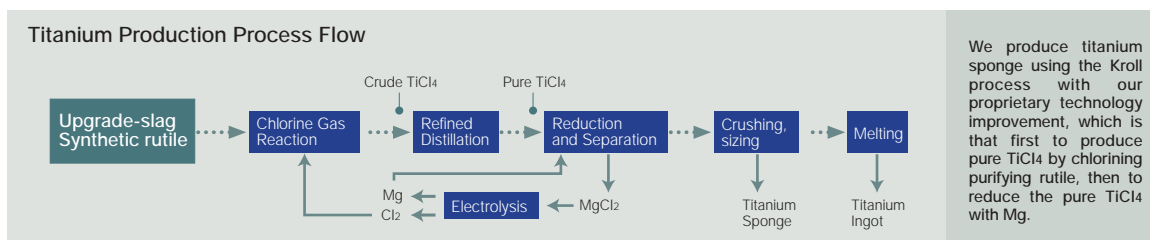
Masaaki Tachibana

Highlights of the Mid-Term Business Plan

We aim to become a world-leading titanium sponge manufacturer in both aspects of quality and quantity.

Based on the policy of our mid-term business plan, which is to solidify our position as a world-leading titanium sponge manufacturer in both aspects of quality and quantity, we intend to increase our annual production capacity of titanium sponge from 18,000 tons to 24,000 tons. For that purpose, we will bolster our production capacity of the reduction and electrolysis process as high as to the level of the chlorination

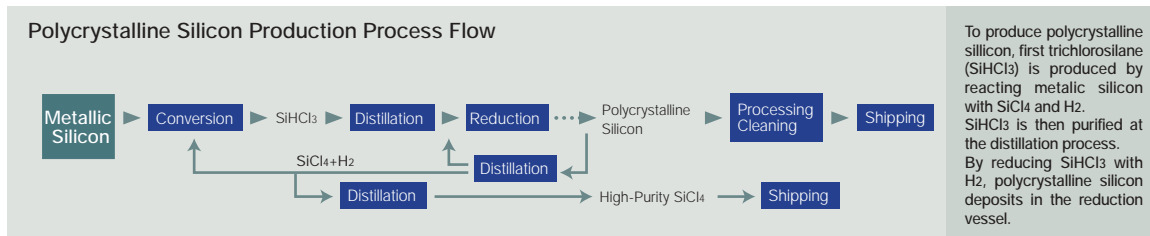
process in order to maximize the production efficiency of the whole process. The investment will be kept to the necessity minimum of 6.3 billion yen. We plan further investment in quality improvement in order to satisfy the high-level market need for high-quality products, such as low-oxygen and low-iron products, and the growing demand for high-quality products for aircraft.



We will bolster the profit-earning capacity of the semiconductor-related products business and environment- and energy- related products business.

To bolster our profit-earning capacity, we need to grow semiconductor-related products and environment- and energy- related products business, not to mention our titanium business. With regard to the semiconductor-related products such as polycrystalline silicon, high-purity titanium, and titanium tetrachloride aqueous solution, we plan to focus on polycrystalline silicon, for which demand is growing tightly, above all. For the polycrystalline silicon products, we will improve the operation efficiency, enhance productivity by investment in the replacement of equipment, and raise our

annual production capacity from 800 tons to 900 tons. In our third pillar, the environment- and energy- related products business, the product group of SiO₂, high-barrier SiO₂, titanium dioxide for photocatalysts, porous titanium, and titanium powder has the potential to become promising major products. We will intensify product development and launch new products in the market to fully satisfy the demand for clean energy on the back of the growing need for environmental protection to be implemented by all industries and societies.



We will intensify research and development investment for consolidation of our future management base and promote development of new production technologies for low-cost titanium sponge.

For consolidation of our future management base, we plan to actively invest in research and development. The environment- and energy- related products business specified above is a promising area in the 21st century, the century of eco-consciousness. We plan to promote investment in the development of (1) photocatalysts, which are useful for environmental purification; (2) porous titanium, which is expected to be applied to hydrogen-energy-related appliances and fuel batteries; and (3) high-barrier SiO₂, which

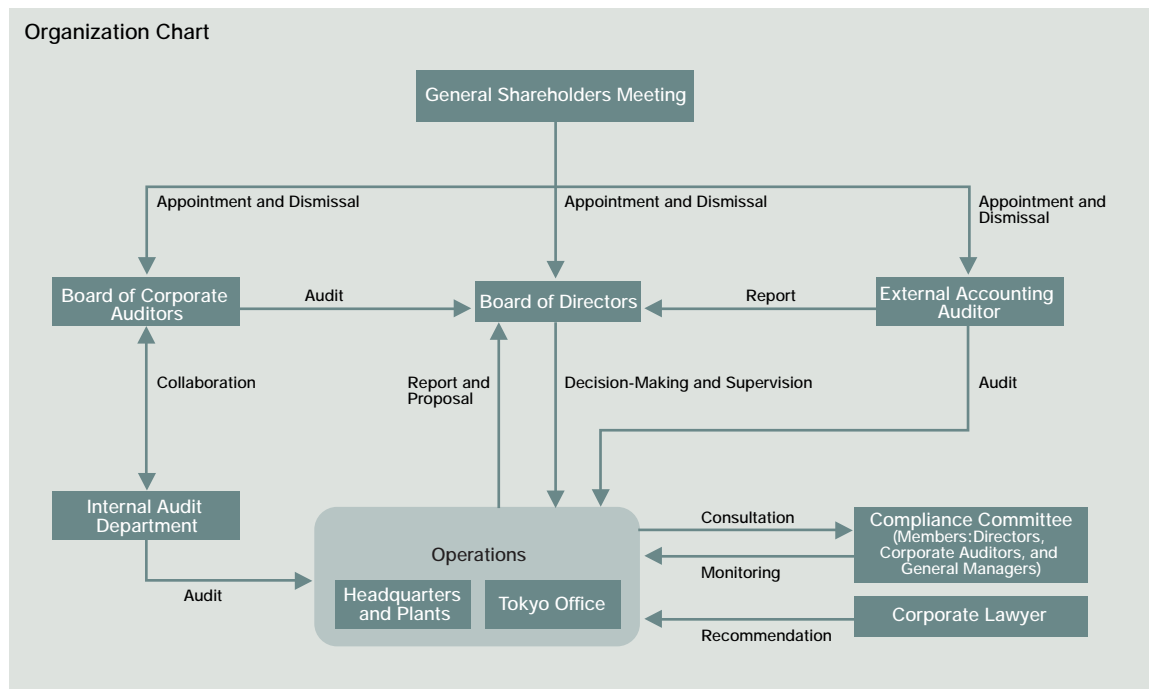
has the potential to be widely used for organic EL, a next-generation display, and others. This is intended for commercialization of these products. We will also promote development of new production technologies for low-cost titanium sponge, aiming to spread applications of titanium sponge even further. The total budget for research and development in the mid-term business plan is 2.8 billion yen, which equals twice the amount actually spent for research and development in the past three years.

Corporate Governance: Our Basic Policy and Framework

We aim to be a company that continues to create corporate value through efficient, transparent, and sound management and gains trust from all stakeholders including our customers, our shareholders, the regional communities, and our staff. The board of directors, as our management

decision-making body, consists of nine directors. The board is authorized to determine our business operations and to supervise directors' exercise of functions. We will also adopt a corporate auditor system. We have four corporate auditors including two outside corporate auditors.

Organization Chart



Our Compliance and Risk Management Policy

We established the Corporate Activity Rule in FY 2002. We always have a positive consciousness for compliance with state laws, international rules and philosophy, and for behaviors in conformity to social decency. At the same time, we have the Compliance Committee for business management in compliance with legal and social regulations for prevention of crisis and emergencies and for speedy and adequate decision-making and exercise of countermeasures. The committee is chaired by the president and CEO and consists of directors, corporate auditors, and general managers. It deliberates on the status of compliance with legal

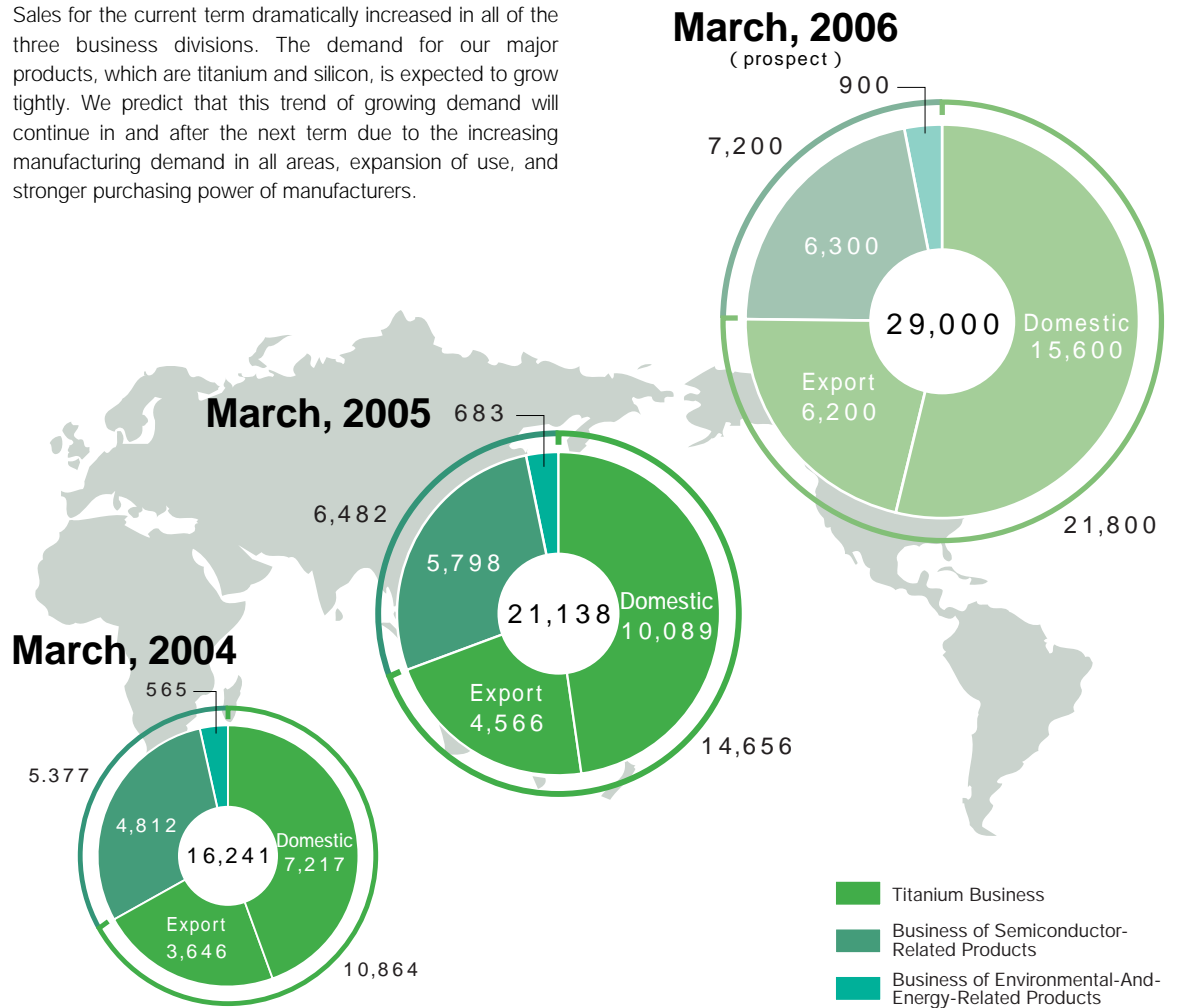
regulations along with corporate actions for legal reforms.

Meanwhile, we recognize that it is important to adequately manage various risks surrounding our business in order to maximize our corporate value on a constant basis under rapidly changing management conditions. As for risk management, the Compliance Committee reviews the state of compliance with legal regulations based on the risk survey list. The critical business risks, which may hinder business projects or the mid-term business plan or may affect the decision-making of management strategies, are fully studied by the board of directors for better solutions.

Results and Overview by Business

Transition of Sales by Business Segment (Millions of Yen)

Sales for the current term dramatically increased in all of the three business divisions. The demand for our major products, which are titanium and silicon, is expected to grow tightly. We predict that this trend of growing demand will continue in and after the next term due to the increasing manufacturing demand in all areas, expansion of use, and stronger purchasing power of manufacturers.



Estimated Risks and Action Plans

The demand for titanium and silicon, our major products, are closely connected to the business conditions of the aircraft and information technology industries. In that sense, we assume the risks of demand fluctuations caused by international and economic affairs, as well as price fluctuations owing to supply-demand balances and trends in the market. Accordingly, it is essential to manage risks when these variable factors may affect the entire business. We, therefore, closely watch the latest supply-demand trends at all times so that they are promptly reflected in our management policies. However, as titanium is more widely

used in general industries and for civilian goods and silicon is for digital consumer electronics, automobiles, and solar batteries in recent years, the risks generated by demand fluctuations are now fairly mitigated. As of the time when this report was prepared, there was no risk factor (such as disputes or litigation of intellectual properties) that would have a serious impact on our business management, except for the demand fluctuations that may occur in future.



Titanium Business

Sales significantly increased on the back of growing demand for products for aircraft and plants in China and the Middle East.



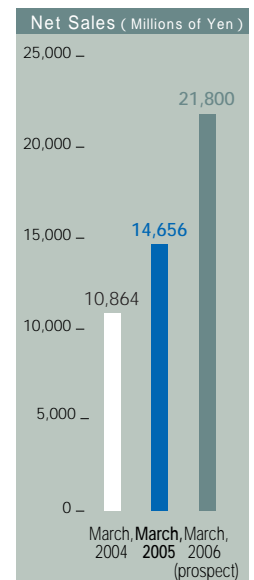
Left: Manufacturing of Titanium Sponge Right: Titanium Sponge

Overview of the Current Term

The demand for domestic mill products dramatically increased on the back of growing demand for power plants or chemical plants in China and chemical or seawater desalination plants in the Middle East. As the number of air passengers recovered from the temporary stagnation since the September 11 terrorist attacks, exports have been revitalized by the upsurge in demand for repair parts for civilian aircraft. In addition, since the Boeing Company and Airbus S.A.S. started to procure materials for their new aircraft, our exports steadily increased. Owing to the growing demand for titanium pressed by the domestic and external markets, the price increased by about 30% in the new shipping contracts for external mill products in FY 2005 compared to the previous year. Moreover, the price of titanium sponge as an additive to steel significantly increased due to the growing demand. In addition to the approximately 30% export price increase, we raised the price for the domestic market accordingly. As a result, sales of titanium largely increased to 14,656 million yen (up 34.9% on a year-on-year basis).

Outlook for the Next Term

We expect that the demand for titanium in the aircraft industries will continue to grow steadily on the back of the global air-transportation demand partly due to the increase in new-model aircraft that consume titanium more than ever before. Particularly, the shipping demand is expected to go intensively to Japanese suppliers who are able to provide high quality titanium sponge for critical parts. In areas other than aircraft industries also, the demand is predicted to grow for electric, chemical, and seawater desalination plants mainly in China and the Middle East. Under such conditions, the growing shipping demand for titanium sponge is expected to concentrate on Japanese sponge manufacturers because the supply capacity of foreign sponge manufactures will go down sharply, while the shipping demand for mill products maintains the high level as in FY 2004 in Japan. We satisfy such active customer shipping demand by bolstering our production capacity as well as by full operation of our equipment started up incrementally in the current term. Consequently, the sales of titanium in the next term are expected to increase significantly by 49% from the current term.



Major Products

- Titanium Metal (Sponge Titanium)
- Titanium Ingot (Pure Titanium·Titanium Alloy)
- Ferro-Titanium
- Titanium Tetrachloride



Semiconductor-Related Products Business

The sales of polycrystalline silicon and high-purity titanium increased owing to the recovery in demand for semiconductors used in digital consumer appliances.



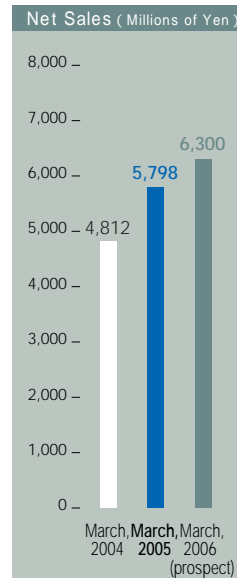
Left: Polycrystalline Silicon Manufacturing Process Distillation Tower Right: Polycrystalline Silicon

Overview of the Current Term

The demand for semiconductors mainly for digital consumer electronics remained high during the current term after showing a recovery trend from the middle of the previous term. Although there was a slight demand control in the latter half, the sales of polycrystalline silicon and high-purity titanium increased as a successful full-term result overall. As a result, the sales of semiconductor-related products amounted to 5.7 billion yen (up 20.5% on a year-on-year basis).

Outlook for the Next Term

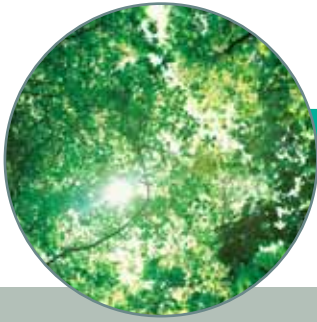
Although the global semiconductor market is now going through a slight adjustment phase, the semiconductor demand for digital consumer electronics and automobiles uses, which are main uses of our products, is expanding. Sales of polycrystalline silicon and high-purity titanium, our major products, are expected to grow stably due to the tight demand. Consequently, sales of semiconductor-related products in the next term are expected to increase by 9% from the current term.



Major Products

- Polycrystalline Silicon
- Silicon Tetrachloride
- High Purity Titanium
- Titanium Tetrachloride Aqueous Solution





Environment- and Energy- Related Products Business

Sales of titanium powder mainly for medical use increased.



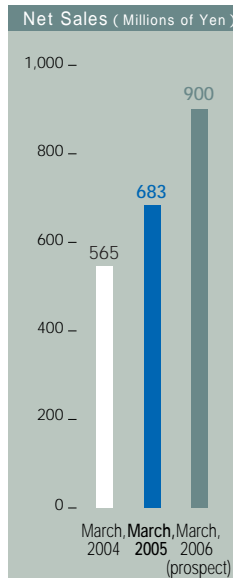
Left: Silicon Monoxide Deposition Film Center: Titanium Powder Right: Porous Titanium

Overview of the Current Term

Sales of titanium powder mainly for dental materials and other medical uses increased in our environment- and energy- related products business. As a result, sales of environment- and energy- related products amounted to 0.6 billion yen (up 21.1% on a year-on-year basis).

Outlook for the Next Term

The market demand for our high-functional products, such as titanium powder, SiO₂, and titanium dioxide for photocatalysts, has been growing. In addition to the existing demand for medical and consumer use, it is expected in various industries that they will also be used as material for environmental purification, which will lead to further sales increases. Consequently, sales of environment- and energy- related products during the next term are expected to increase significantly by 32% from the current term.



Major Products

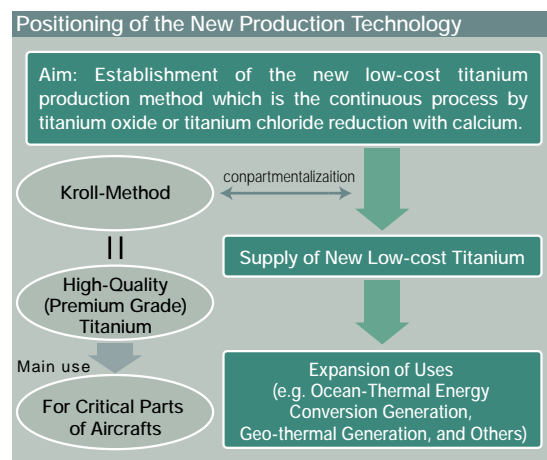
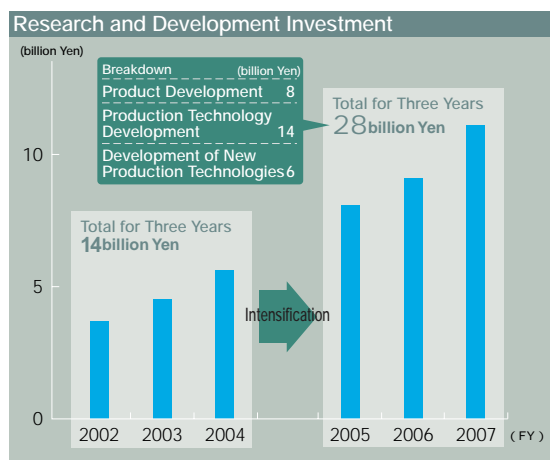
- SiO₂
- Silicon Monoxide
- Titanium Dioxide for Light Responsive Photocatalysts
- Porous Titanium
- Titanium Powder



Our Research and Development

In the mid-term business plan, the budget for investment in research and development is 2.8 billion yen in the three years. This is for new product development intended for consolidation of our future management base and development of new production technologies for low-cost titanium sponge in addition to general production technologies. We have implemented our research and development with a focus on ultraviolet and visible light responsive photocatalysts, which have attracted great attention in recent years as a new product for environmental protection with features of air purification, antibiotic properties, deodorizing power, water clarification, and an antifoulant. The visible light responsive photocatalyst, particularly, is a new product that comes under the spotlight for use as fluorescent light in a room. We have already successfully developed photocatalysts using titanium oxide generated in the upstream operation of titanium production. We plan to shift our focus to mass

production in the near future. With regard to hydrogen energy, which attracts attention as a clean energy source generating only water during combustion, we intend to develop porous titanium, which may be used as a material for the hydrogen generating system. Moreover, we will develop high-barrier SiO widely used as a sealant of organic EL and others. At the same time, we promote the research and development of new titanium sponge production technologies that may be able to lower the cost dramatically for wider application of titanium. We plan to complete the development of elemental technologies by FY 2007 and implement the research and development for construction of a highly efficient integrated bench plant to be finished in FY 2010. We intend to further enhance our corporate value through active commitment to research and development of such promising new products and technologies.



Report of Intellectual Properties

We started titanium industrial production in 1952 for the first time in Japan and now enjoy an excellent reputation with world-leading titanium production capacity. Since the quality of titanium is significantly changed by a slight amount of impure substances, the production process requires high technologies and strict quality-control systems. By leveraging our long years of experience and own technologies based on the accumulated know-how, we successfully produce high-quality products. We have obtained patents continuously based on the recognition that

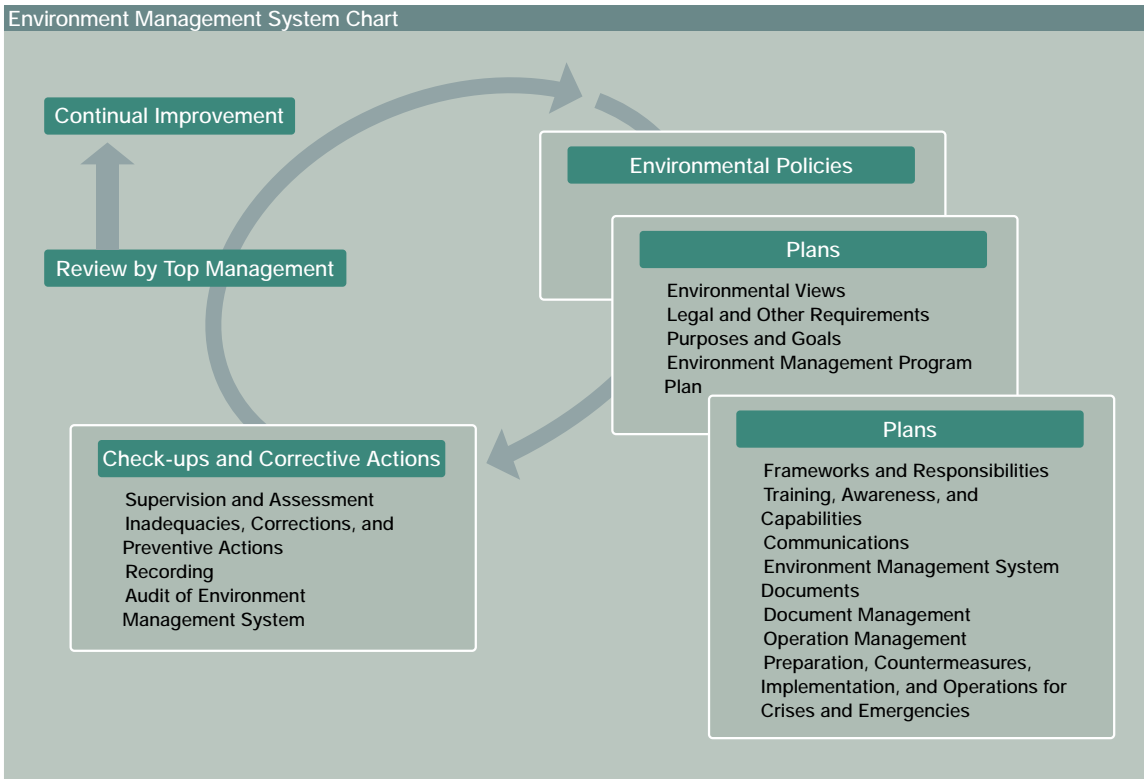
such own technologies are the source of our corporate value. We will never change the stance of placing importance on our intellectual properties in polycrystalline silicon and other areas. We have already obtained many patents that cover the core of the new titanium sponge production technologies in the course of our research and development. We continue to establish and solidify our position as a world-leading titanium sponge manufacturer by creating and accumulating intellectual properties in a positive way.

Our Environmental Protection Activities

Under the slogan that let's preserve one precious earth for our children and grandchildren, we have been treating environmental protection as one of our high-priority issues. However, being high value-added leading-edge materials themselves, our products consume a large volume of electricity and discharge polluted sludge as a waste material in the production process. Accordingly, we cannot say that our activities are entirely eco-friendly. In order to lessen the environmental impact, we are actively committed to environmental protection projects in various ways from a regional to global level. For example, we recycle almost the full amount of excrements discharged in the production process of titanium sponge and polycrystalline silicon, which are our major products. We do not dispose or remove any of them. Above all, we supply inorganic polluted sludge, which accounts for 80% of the wastes, as a material for roadbeds used for the under layers of roads. Furthermore, we

contribute to the avoidance of global warming through the supply of titanium for weight and energy savings in automobiles and aircraft and through the development of materials for environmental purification products and for satisfaction of the growing clean-energy demand. At the same time, our staff contributes to environmental protection in their daily working life by trash separation and collection as well as the recycling of paper and plastic containers and green procurement. They also actively participate in the volunteer activities of cleaning and weeding in the neighborhood to contribute to the regional societies. In future, we plan to develop and provide silicon monoxide, photocatalysts, and other products that are good for environmental protection as well as to establish eco-friendly production systems.

Environment Management System Chart



ISO 14001 Certification

We promote environmental activities based on our basic policies of environmental protection. Our headquarters and plants have been ISO 14001 certified since 1999. We intend to fulfill our duties to society and the environment by promoting our activities across the board.



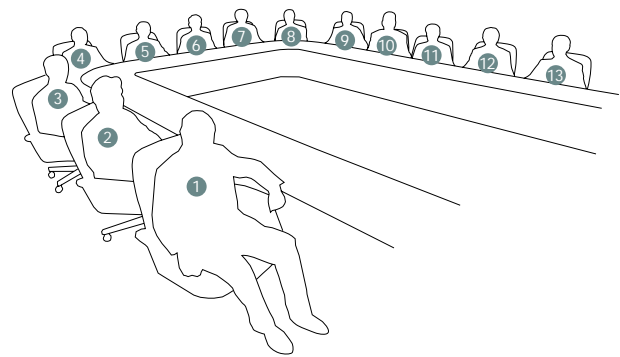
Registry Number
JQA-EM0386
(Corporate Headquarters)

Board of Directors

As of June 24, 2005



① President & Representative Director	Masaaki Tachibana
② Vice President & Representative Director	Mutsuo Yamamoto
③ Senior Executive Director	Hiroyuki Ichihashi
④ Senior Executive Director	Yasukazu Morooka
⑤ Executive Director	Akio Yamagami
⑥ Director	Tetsuro Uemura
⑦ Director	Tsuyoji Hyodo
⑧ Director	Tetsuo Shima
⑨ Director	Kimio Osada
⑩ Standing Corporate Auditor (Full-Time)	Kiichiro Kitaura
⑪ Standing Corporate Auditor (Full-Time)	Ryuichi Saji
⑫ Corporate Auditor (Part-Time)	Katsuhiko Yagi
⑬ Corporate Auditor (Part-Time)	Keiji Koyama





Sumitomo Titanium Corporation
Financial Section

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Balance Sheet

SUMITOMO TITANIUM CORPORATION
March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 761	¥ 444	\$ 7,095
Notes and accounts receivable, trade	7,230	5,404	67,369
Inventories (Note 4)	3,809	4,057	35,492
Deferred tax assets (Note 8)	229	155	2,130
Prepaid expenses and other	170	136	1,583
Less, allowance for doubtful accounts	(7)	(6)	(65)
Total current assets	12,192	10,190	113,604
Property, plant and equipment, at cost (Note 2(5)):			
Land	8,454	8,454	78,770
Buildings and structures	5,277	5,194	49,170
Machinery and equipment	17,840	15,710	166,231
Construction in progress	546	418	5,090
Subtotal	32,117	29,776	299,261
Less: accumulated depreciation	14,674	13,139	136,728
Net property, plant and equipment	17,443	16,637	162,533
Investments and other assets:			
Investments in securities (Note 5)	175	211	1,626
Investments in affiliates	390	240	3,633
Long-term loans to affiliated company	1,750	875	16,306
Prepaid pension cost	713	639	6,647
Deferred tax assets (Note 8)	107	156	994
Other	342	331	3,192
Total investments and other assets	3,477	2,452	32,398
Total assets	¥ 33,112	¥ 29,279	\$ 308,535

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans(Note 7)	¥ 7,174	¥ 8,692	\$ 66,843
Notes and accounts payable:			
Trade	3,324	1,995	30,972
Other	1,256	213	11,705
Accrued income taxes (Note 8)	919	106	8,566
Accrued expenses	261	188	2,433
Other current liabilities	628	499	5,852
Total current liabilities	13,562	11,693	126,371
Long-term liabilities:			
Long-term debt(Note 7)	1,500	774	13,977
Accrued severance indemnities (Note 9)	1,103	1,089	10,275
Other long-term liabilities	33	2	314
Total long-term liabilities	2,636	1,865	24,566
Shareholders' equity (Note 13):			
Common stock,			
Authorized:			
March 31, 2005 and 2004 - 31,440,000 shares			
Issued:			
March 31, 2005 and 2004 - 8,860,000 shares	6,583	6,583	61,340
Additional paid-in capital	6,787	6,787	63,241
Retained earnings	3,445	2,300	32,100
Unrealized holding gains on securities	99	51	917
Total shareholders' equity	16,914	15,721	157,598
Total liabilities and shareholders' equity	¥ 33,112	¥ 29,279	\$ 308,535

Statement of Income

SUMITOMO TITANIUM CORPORATION
March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Net sales (Note 12)	¥ 21,138	¥ 16,242	\$ 196,964
Cost of sales	15,932	13,172	148,457
Gross profit	5,206	3,070	48,507
Selling, general and administrative expenses	2,736	2,364	25,491
Operating income	2,470	706	23,016
Other income (expenses):			
Interest and dividend income (Note 12)	28	6	266
Interest expenses	(78)	(89)	(731)
Gain on sales of investment in affiliate	90	-	839
Foreign exchange losses, net	(54)	(125)	(504)
Loss on disposal of property, plant and equipment, net	(155)	(16)	(1,446)
Other, net	12	8	114
Income before income taxes	2,313	490	21,554
Income taxes (Note 8):			
Current	960	183	8,942
Deferred	(57)	0	(531)
Total income taxes	903	183	8,411
Net income	¥ 1,410	¥ 307	\$ 13,143

	Yen		U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Earnings per share:			
Net income :			
Basic	¥ 159.20	¥ 34.64	\$ 1.48
Cash dividends	45.00	30.00	0.42
Weighted average number of shares (Thousands) :			
Basic	8,860	8,860	

Statement of Shareholder's Equity

SUMITOMO TITANIUM CORPORATION
March 31, 2005 and 2004

	Number of shares of common stock	Millions of Yen				Thousands of U.S. Dollars (Note 3)			
		Common stock	Additional paid-in capital	Retained earnings	Unrealized holding gains(losses) on securities	Common stock	Additional paid-in capital	Retained earnings	Unrealized holding gains(losses) on securities
Balance at March 31, 2003	8,860,000	¥ 6,583	¥ 6,787	¥ 2,259	¥ (7)				
Net income	-	-	-	307	-				
Cash dividends	-	-	-	(266)	-				
Unrealized holding gains on securities	-	-	-	-	58				
Balance at March 31, 2004	8,860,000	¥ 6,583	¥ 6,787	¥ 2,300	¥ 51	\$ 61,340	\$ 63,241	\$ 21,434	\$ 472
Net income	-	-	-	1,410	-	-	-	13,143	-
Cash dividends	-	-	-	(265)	-	-	-	(2,477)	-
Unrealized holding gains on securities	-	-	-	-	48	-	-	-	445
Balance at March 31, 2005	8,860,000	¥ 6,583	¥ 6,787	¥ 3,445	¥ 99	\$ 61,340	\$ 63,241	\$ 32,100	\$ 917

Statement of Cash Flow

SUMITOMO TITANIUM CORPORATION
March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Operating activities:			
Income before income taxes	¥ 2,313	¥ 490	\$ 21,554
Adjustments for:			
Depreciation and amortization	1,745	1,849	16,264
Increase (decrease) in liability for retirement benefits	32	(27)	302
Interest and dividend income	(28)	(6)	(266)
Interest expenses	78	89	731
Net loss on sales or disposal of property, plant and equipment	155	16	1,446
Gain on sales of investment in affiliate	(90)	-	(839)
Decrease (increase) in notes and accounts receivable	(1,826)	343	(17,015)
Decrease in inventories	248	410	2,309
Increase in notes and accounts payable	1,329	5	12,380
Other, net	(2)	25	(22)
Subtotal	3,954	3,194	36,844
Interest and dividend income received	29	6	275
Interest expenses paid	(81)	(91)	(761)
Income taxes paid	(198)	(251)	(1,850)
Other, net	(118)	14	(1,096)
Net cash provided by operating activities	3,586	2,872	33,412
Investing activities:			
Payments for purchase of property, plant and equipment	(1,322)	(1,065)	(12,315)
Payments for purchase of investments in affiliate	(32)	(240)	(298)
Proceeds from sales of investments in affiliate	90	-	838
Decrease in loans receivable	(875)	(875)	(8,153)
Other, net	(72)	(107)	(673)
Net cash used in investing activities	(2,211)	(2,287)	(20,601)
Financing activities:			
Decrease in short-term bank loans	(1,500)	-	(13,977)
Proceeds from long-term debt	1,500	-	13,977
Decrease in long-term debt	(792)	(852)	(7,384)
Cash dividends paid	(265)	(264)	(2,473)
Net cash used in financing activities	(1,057)	(1,116)	(9,857)
Effect of exchange rate changes on cash and cash equivalents	0	-	4
Net increase (decrease) in cash and cash equivalents	317	(531)	2,958
Cash and cash equivalents at beginning of year	444	975	4,137
Cash and cash equivalents at end of year	¥ 761	¥ 444	\$ 7,095

Notes

SUMITOMO TITANIUM CORPORATION

March 31, 2005 and 2004

1. Basis of Presenting the Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements of Sumitomo Titanium Corporation (the "Company") is prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the non-consolidated financial statements prepared by the

Company as required by the Securities and Exchange Law of Japan.

Certain account balances, as disclosed in the basic non-consolidated financial statements in Japan, have been summarized or reclassified to the extent deemed necessary to enable presentation in a form which is more familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

(1) Cash and cash equivalents

Cash and cash equivalents are composed of cash on hands, bank deposits that are able to be withdrawn on demand and highly liquid investments with insignificant risk of changes in value which have original maturities of three month or less.

(2) Inventories

Inventories are principally stated at the lower of cost or market. Cost is determined by the average method.

(3) Securities

The Company has adopted the Financial Accounting Standard on "Accounting for Financial Instruments" issued by the Business Accounting Deliberation Council.

Following the standard, all equity securities and debt securities are classified into four categories, "trading securities", "held-to-maturity debt securities", "investments in subsidiaries and affiliates" and "other securities". Securities held by the Company were classified into "investments in subsidiaries and affiliates" and "other securities".

Marketable "other securities" are stated at market value. Unrealized gains or losses on securities included as a component of shareholders' equity and cost of securities' sold is determined based on the moving-average method. "Investments in subsidiaries and affiliates" and non-marketable "other securities" are stated at cost, and cost of securities' sold is determined based on the moving-average method.

(4) Derivative financial instruments

Following the Financial Accounting Standard on "Accounting for Financial Instruments", derivative financial instruments are recognized in the financial statements and measured at fair value. Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The company utilizes derivative financial instruments to manage its exposure resulting from fluctuation of foreign currencies and interest rates. The derivative financial instruments include foreign currency

forward exchange contracts and interest rate swaps.

The Company evaluates effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges, except for the forward exchange contracts and interest rate swaps, which qualify for hedge accounting.

(5) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is generally computed on the declining-balance method at rates based on the estimated useful lives of assets as prescribed by Japanese Corporation Tax Law.

Buildings acquired on or after April 1, 1998 are depreciated based on the straight-line method in conformity with 1998 amendments of Corporation Tax Law.

The cost of property, plant and equipment retired or otherwise disposed of and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is reflected in income during the applicable period.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(6) Consumption taxes

Consumption taxes, which are imposed on the Company's sales to customers, are withheld by the Company at the time of sales. In the accompanying non-consolidated statements of income, the consumption taxes withheld upon sales and the consumption taxes paid on purchases of goods and services by the Company are not included in revenue and expense items.

(7) Income taxes

Income taxes of the Company consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

Deferred income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(8) Accrued severance indemnities

Employees of the Company with more than one year of service are entitled to receive lump-sum indemnities upon termination of employment. The amount of the benefits is determined by the current basic rate of pay, length of service and the conditions under which the termination occurs. The amount of severance indemnities to be paid by the Company is reduced by the benefits payable under a non-contributory pension plan.

The Company has adopted the Financial Accounting Standard on "Accounting for Retirement Benefits" issued by the Business Accounting Deliberation Council. In accordance with the standard, the accrued severance indemnities represent the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the standard, the unrecognized actuarial differences are amortized on the straight-line method over the period of 17 years from the next year in which they arise.

The directors and corporate auditors of the Company are covered by a retirement benefit plan under which the retiring directors or corporate auditors are entitled to receive lump-sum retirement benefits subject to approval of shareholders meeting. The amount of such benefits is determined based on company's pertinent rules. The accrued severance indemnities for directors and corporate auditors in the accompanying balance sheets present the estimated amount to be paid if all directors and corporate auditors retired at the balance sheet dates.

(9) Foreign currency translation

The company has adopted the Financial Accounting Standard on "Accounting for Foreign Currency Transactions".

Following the standard, receivables and payables denominated in foreign currencies are translated into Japanese yen at the relevant exchange rate prevailing at the respective balance sheet dates.

Resulting transaction gains or losses are included in the determination of net income.

(10) Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts by the method which uses the percentages of its own actual experience of bad

debt loss written off against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(11) Leases

Where the financing leases do not transfer ownership of the leased property to the lessee during the terms of the leases, the leased property is not capitalized and the related rental expenses are charged to income in the periods in which they are incurred.

(12) Earnings and dividends per share

Basic earnings per share are computed based on the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share represent interim cash dividends paid and annual dividends declared as applicable to the respective years.

(13) Recent accounting pronouncement

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted.

Effective March 31, 2005, the Company adopted the Accounting Standard for Impairment of Fixed Assets which was issued by the Business Accounting Council and as a result, there were no effects by adoption of the Accounting Standard on the non-consolidated financial statements for the year ended March 31, 2005.

3. United States Dollar Amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying non-consolidated financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥107.32 =

U.S.\$1 prevailing at March 31, 2005. The inclusion of such U.S. dollar amounts is solely for convenience of the reader and is not intended to imply that Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

Notes

SUMITOMO TITANIUM CORPORATION
March 31, 2005 and 2004

4. Inventories

Inventories as of March 31, 2005 and 2004 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Finished goods	¥ 1,403	¥ 1,713	\$ 13,074
Work in process	1,054	1,023	9,817
Raw materials and supplies	1,352	1,321	12,601
Total	¥ 3,809	¥ 4,057	\$ 35,492

5. Securities

Investments in securities held by the Company as of March 31, 2005 and 2004 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Investments in securities :			
Equity securities	¥ 175	¥ 211	\$ 1,626

Book value and acquisition cost information in respect of marketable "Other securities" as of March 31, 2005 were summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Acquisition cost	Book value per Balance sheet	Difference	Acquisition cost	Book value per Balance sheet	Difference
Securities whose book values on the Non-consolidated Balance sheets exceed their acquisition costs						
Equity securities.....	¥ 122	¥ 288	¥ 166	\$ 1,142	\$ 2,688	\$ 1,546

Book values of the securities, which are not marketable as of March 31, 2005, were mainly summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Other securities:		
Equity securities.....	¥ 4	\$ 37

Book value and acquisition cost information in respect of marketable "Other securities" as of March 31, 2004 were summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Acquisition cost	Book value per Balance sheet	Difference	Acquisition cost	Book value per Balance sheet	Difference
Securities whose book values on the Non-consolidated Balance sheets exceed their acquisition costs						
Equity securities.....	¥ 122	¥ 207	¥ 85	\$ 1,159	\$ 1,966	\$ 807

Book values of the securities which are not marketable as of March 31, 2004 were mainly summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Other securities:		
Equity securities.....	¥ 4	\$ 38

6. Derivatives and Hedging Activities

(1) Forward foreign exchange contracts agreements

The Company enters into forward foreign exchange contracts to hedge risk of changes in foreign currency exchange rates associated with certain receivables and payables denominated in foreign currency.

The forward foreign exchange contract agreements which qualify for hedge accounting for the year ended March 31, 2005 and 2004, are not required to disclose market value information.

(2) Interest rate swap agreements

The Company enters into interest rate swap agreements to hedge its exposure to fluctuations in interest rates.

The interest rate swap agreements which qualify for hedge accounting and meet specific matching criteria for the year ended March 31, 2005 and 2004, are not required to disclose market value information.

7. Short-term loans and Long-term Debt

Short-term loans are principally bank loans. The average interest rate of short-term loans as of March 31, 2005 and 2004 were 0.742% and 0.767%, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Loans, principally from banks with annual interest ranging from 1.3% to 1.535%, Unsecured	¥ 2,274	¥ 1,566	\$ 21,185
Less, portion due within one year	(774)	(792)	(7,208)
	¥ 1,500	¥ 774	\$ 13,977

The aggregate annual maturities of long-term debt outstanding at March 31, 2005 were as follows:

Year ended March 31,	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 774	\$ 7,208
2007	-	-
2008 and after	1,500	13,977
Total	¥ 2,274	\$ 21,185

Notes

SUMITOMO TITANIUM CORPORATION
March 31, 2005 and 2004

8. Income Taxes

The statutory tax rates used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2005 and 2004 were 40.64% and 42% respectively

Significant components of deferred tax assets and liabilities at March 31, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Deferred tax assets(current):			
Accrued bonus	¥ 123	¥ 125	\$ 1,147
Accrued enterprise taxes.....	83	11	771
Social insurance	17	16	158
Other	6	3	54
Net deferred tax assets(current).....	229	155	2,130
Deferred tax assets(non-current):			
Loss on revaluation of golf club membership	32	40	301
Accrued severance indemnities.....	142	150	1,321
Total	174	190	1,622
Deferred tax liabilities(non-current):			
Unrealized holding gains on "Other securities"	67	34	628
Total	67	34	628
Net deferred tax assets(non-current)	¥ 107	¥ 156	\$ 994

The reconciliation of the differences between the statutory rate and the effective income tax rates as of March 31, 2005 was not disclosed because the differences between the statutory rate and the effective income tax rates were not material.

Significant differences between statutory tax rate and effective tax rate in the non-consolidated statements of income for the year ended March 31, 2004 were as follows:

Statutory tax rate	42.0%
Tax credit	(7.4)
Expenses not deductible for tax purposes	1.5
Per capital inhabitant tax	1.1
Other	0.1
Effective tax rate	37.3%

9. Accrued Severance Indemnities

The following provided reconciliation of projected benefit obligations to net liabilities for employees' retirement benefits recognized on the balance sheet as of March 31, 2005 and 2004:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Projected benefit obligations.....	¥ (2,574)	¥ (2,536)	\$ (23,989)
Fair value of plan assets.....	1,871	1,678	17,437
Benefit obligation in excess of plan assets.....	(703)	(858)	(6,552)
Unrecognized actuarial differences	395	507	3,680
Prepaid pension cost	(713)	(638)	(6,647)
Accrued severance indemnities for employees	¥ (1,021)	¥ (989)	\$ (9,519)

The accrued severance indemnities for the directors and corporate auditors amounting to ¥81million (\$755 thousand) and ¥100 million as of March 31, 2005 and 2004 were excluded from the above schedule, respectively.

Components of net periodic benefit cost for the years ended March 31, 2005 and 2004 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Service cost	¥ 130	¥ 122	\$ 1,209
Interest cost	51	60	473
Expected return on plan assets	(34)	(28)	(313)
Amortization of actuarial differences	32	32	300
Net periodic benefit cost	¥ 179	¥ 186	\$ 1,669

Service cost does not include employees' contributions of non-contributory pension plan.

The benefit obligations were determined using the discount rates of 2.0% for the years ended March 31, 2005 and 2004, and the expected rate of return on plan assets was 2.0% for the years ended March 31, 2005 and 2004.

The unrecognized actuarial differences are amortized on the straight-line method over the period of 17 years from the next year in which they arise.

Notes

SUMITOMO TITANIUM CORPORATION
March 31, 2005 and 2004

10. Lease Commitments

Rent expenses relating to the financing leases, which do not transfer ownership of the leased property to the lessee during the terms of the leases, were ¥3 million (\$ 24 thousand) and ¥ 2 million for the years ended March 31, 2005 and 2004, respectively.

Additional information such as the notional acquisition costs and accumulated depreciation as of March 31, 2005 and 2004, requested by the Business Accounting Deliberation Council of Japan, to be disclosed as not included in statements of income or balance sheets, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Notional acquisition costs:	¥ 23	¥ 8	\$ 218
Automotive equipment	4	7	40
Other equipment	27	15	258
Less: accumulated depreciation	(4)	(4)	(42)
	¥ 23	¥ 11	\$ 216

The aggregate future lease payments under finance leases as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Due within one year	¥ 5	¥ 3	\$ 51
Due after one year	18	8	165
	¥ 23	¥ 11	\$ 216

The amount of notional acquisition costs and future lease payments under finance leases included the imputed interest expenses portion. Notional depreciation expenses for the years ended March 31, 2005 and 2004, which are not reflected in the non-consolidated statements of income, were ¥3 million (\$24 thousand) and ¥2 million.

Notional acquisition costs means the costs which is characterized as the total lease payment, including interest due to the immateriality of the leased property. Notional depreciation expense is calculated by the straight-line method over the terms of the lease based on notional acquisition costs, assuming that there is no scrap value.

11. Research and development

Research and development expenditures charged to income were ¥513 million (\$ 4,779 thousand) and ¥453 million for the years ended March 31, 2005 and 2004, respectively.

12. Related Party Transactions

Related party transactions are summarized below:
Sumitomo Metal Industries, Ltd., a principal shareholder:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Net sales	¥ 1,324	¥ 954	\$ 12,341
Accounts receivable	653	404	6,082

ST Real Estate Corporation, an affiliate:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2004	March 31, 2005
Ground rent	¥ 144	¥ -	\$ 1,342
Interest income	22	-	205

13. Shareholders' Equity

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of new shares issued is required to be capitalized as stated capital, although the Company may, by resolution of its board of directors, capitalize an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital. The Company may, by resolution of the board of directors, distribute additional paid-in capital or the

stated capital in the form of stock splits. The Code also provides that legal reserve and additional paid-in capital reserve until 25% of the Company's stated capital. The legal reserve and additional paid-in capital may be transferred to stated capital through suitable director actions or used to reduce a deficit through suitable shareholders action.

14. Subsequent Event

At the general shareholders' meeting of the Company held on June 24, 2005, the payments of cash dividends (¥45 or \$0.419

per share) were approved, which amounted to ¥399 million (\$3,715 thousand).

Report of Independent Auditors

SUMITOMO TITANIUM CORPORATION

To the Board of Directors and Shareholders of Sumitomo Titanium Corporation

We have audited the accompanying non-consolidated balance sheets of Sumitomo Titanium Corporation as of March 31, 2005 and 2004, and the related non-consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Sumitomo Titanium Corporation as of March 31, 2005 and 2004, and the non-consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying non-consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Osaka, Japan
June 24, 2005

Investor Information

Corporate Profile

Company	SUMITOMO TITANIUM CORPORATION
Established	November 26, 1952
Paid-up capital	8,739,620,000 yen (at July 15, 2005)
Market listings	Tokyo Stock Exchange (1st section)
Employees	381 (at March 31, 2005)
President	Masaaki Tachibana
Location	Headquarters 1 Higashi-hamacho, Amagasaki-City, Hyogo 660-8533, Japan Tel. 81-6-6413-9911 Fax. 81-6-6413-4343 Tokyo Office (Sales & Marketing) Shimbashi-Sumitomo Bldg. 6F, 11-3 Shimbashi5-Chome, Minato-Ku, Tokyo 105-0004, Japan Tel. 81-3-5776-3101 Fax. 81-3-5776-3111
Main products	Titanium Business / Titanium metal (Titanium sponge) Titanium ingots (Pure titanium, Titanium alloy) Ferro-titanium Other Businesses / Polycrystalline silicon (Semiconductor-grade) Silicon tetrachloride Silicon monoxide (SiO) Titanium hydride Titanium powder High-purity titanium Titanium tetrachloride aqueous solution

Key events

1937	Established as Osaka Special Steel Manufacturing
1950	Incorporated as Osaka Special Steel Manufacturing Co.
1951	Commenced research into manufacture of titanium metal
1952	Equity stake taken by Sumitomo Metal Industries, Ltd. Changed company name to Osaka Titanium Co., Ltd. Built Japan's first titanium pilot plant
1954	Started up titanium plant with 25 tons/month production capability
1957	Commenced research into polycrystalline silicon
1960	Started production of polycrystalline silicon with 80 kg/month
1961	Completed magnesium chloride electrolysis plant
1967	Awarded Okouchi Memorial Production Prize for titanium manufacturing technology Completed first phase of second electrolysis plant, completed 14 silos to hold raw materials for titanium production
1975	Completed 80,000 ampere electrolysis cell, received MITI grant for unifying reduction and separation processes
1977	Completed reduction/separation furnace (2 ton batch), completed liquid chloride furnace
1978	Integrated titanium U-furnace (5 ton batch), started operation
1980	Completed new electrolysis cell Participated in NEDO project
1981	Completed titanium ingot plant, completed new distillation plant
1982	Completed new titanium sponge plant, complete new products plant
1984	Started up new polycrystalline plant
1992	Merged with Kyushu Electronic Metal Co., Ltd.
1993	Changed name to Sumitomo Sitix Corporation
1996	Head office Amagasaki Plant received ISO9002 registration
1997	Amagasaki manufacturing and technology units (titanium, polycrystalline silicon, new products) spun off from Sumitomo Sitix, establishing Sumitomo Sitix of Amagasaki, Inc.
1999	Received ISO14001 registration
2000	Received AS9000 registration
2002	Changed name to Sumitomo Titanium Corporation Installed additional reduction furnaces to titanium sponge plant, increased nominal annual production capacity from 15,000 tons to 18,000 tons Listed on second section of Tokyo Stock Exchange
2005	Transfer from the 2nd section to the 1st section of Tokyo Stock Exchange



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