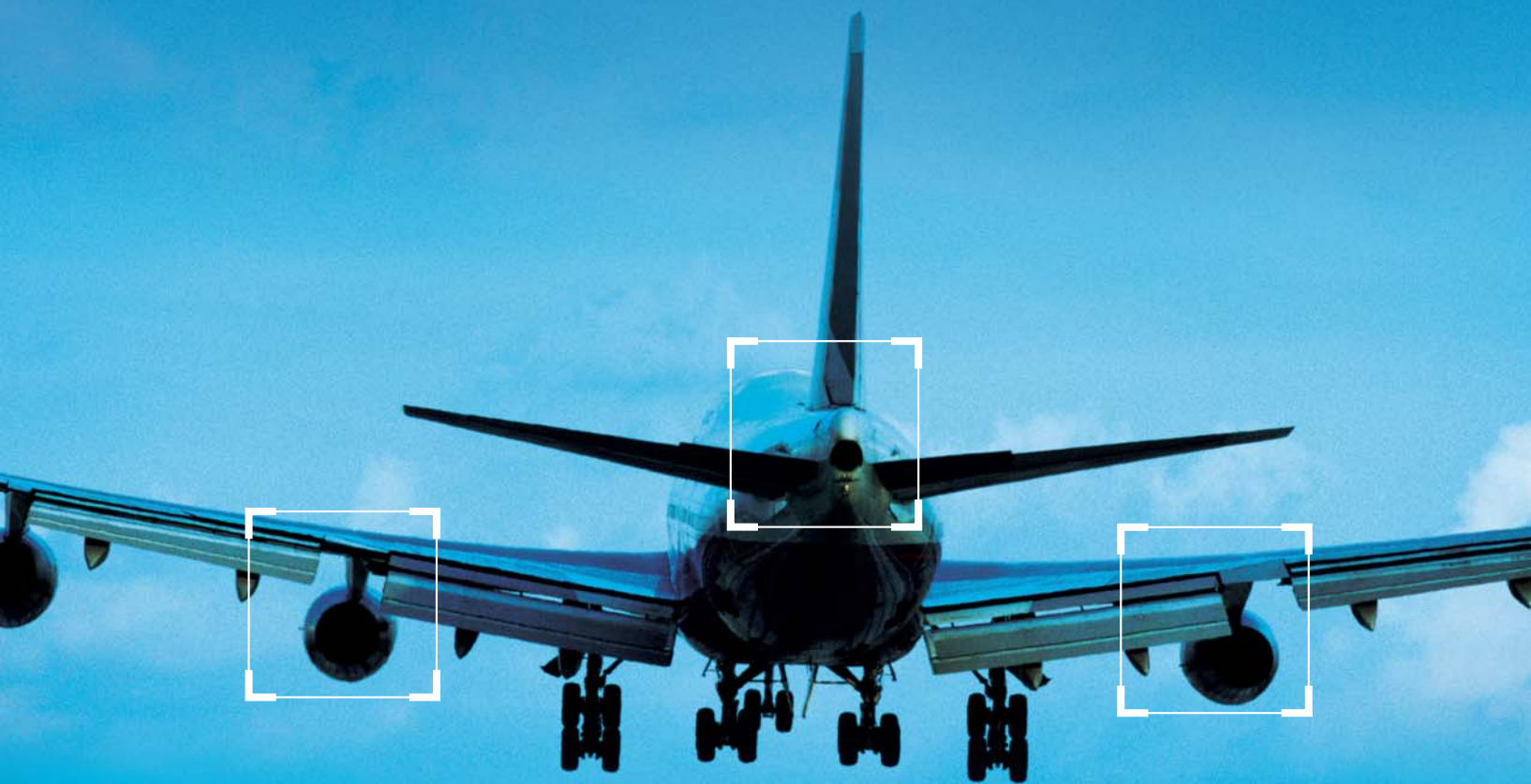
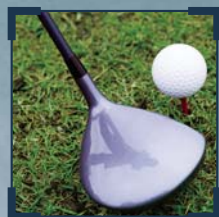


Annual Report 2007

April 1, 2006–March 31, 2007



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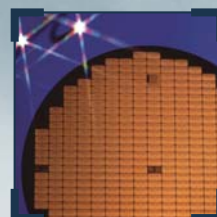
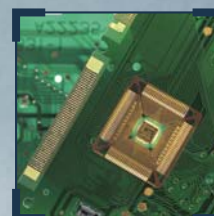


Sumitomo Titanium Corporation became Japan's first successful industrialized titanium company in 1952 and remains the country's pioneer in titanium sponge production. Since 1960, we have also manufactured polycrystalline silicon. The Company has continued to produce two leading-edge materials—titanium and silicon—that support modern society. We fulfill this role as a supplier of high-purity and high-quality products, primarily to the aerospace and electronics industries.

The 21st century will see expanding applications for titanium and silicon. Sumitomo Titanium aims to maximize the potential of these materials, from large-scale infrastructure to daily necessities: aircraft and automobiles that feature increasingly high functionality and low fuel consumption; seawater desalination plants, which are being constructed worldwide to overcome fresh water shortages; such marine activities as deep-sea surveys and power generation by ocean thermal energy conversion; environmentally friendly solar power generation; digital consumer electronics, with growing impact on all aspects of our lives; and leisure and sporting goods. We will continue to pursue the unlimited potential of these vanguard materials to realize humanity's dreams for a more abundant, dynamic and secure world.

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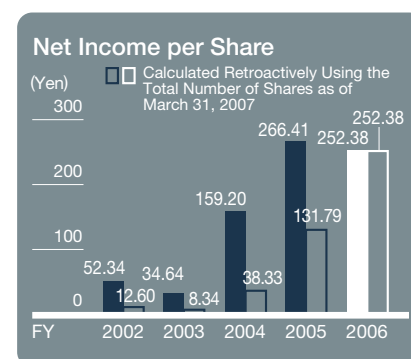
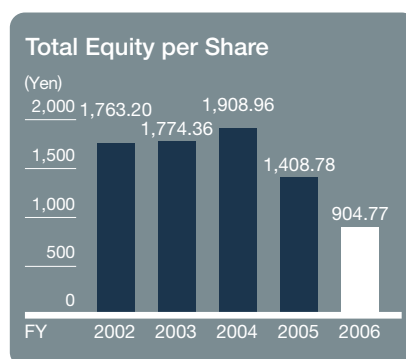
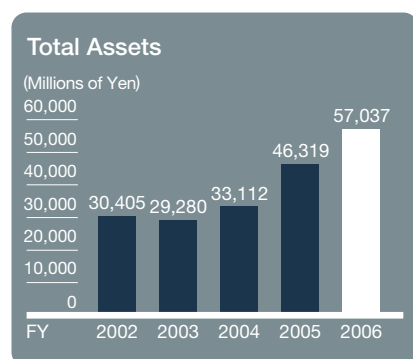
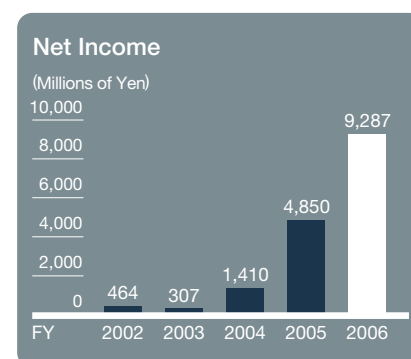
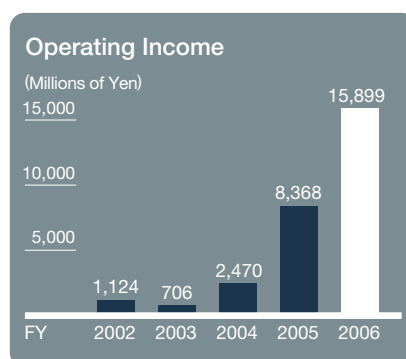
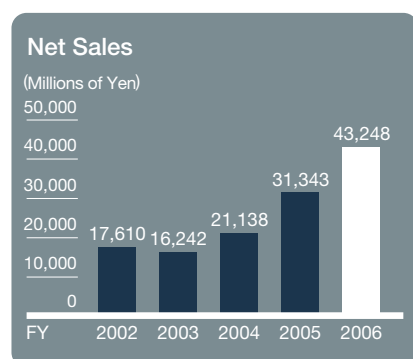
Financial Highlights

Sumitomo Titanium Corporation

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2006
For the Year (Millions of Yen) (Thousands of U.S. Dollars)						
Net sales	¥ 17,610	¥ 16,242	¥ 21,138	¥ 31,343	¥ 43,248	\$366,229
Operating income	1,124	706	2,470	8,368	15,899	134,635
Net income	464	307	1,410	4,850	9,287	78,643
At Year-End (Millions of Yen) (Thousands of U.S. Dollars)						
Total assets	30,405	29,280	33,112	46,319	57,037	482,996
Total equity	15,622	15,721	16,914	25,921	33,295	281,946
Per Share Data (Yen) (U.S. Dollars)						
Total equity	1,763.20	1,774.36	1,908.96	1,408.78	904.77	7.6617
Net income	52.34	34.64	159.20	266.41	252.38	2.14
Cash dividends	30	30	45	55	75	0.64
Ratio (%)						
Equity ratio	51.4	53.7	51.1	56.0	58.4	58.4
Return on equity	3.0	2.0	8.6	22.6	31.4	31.4


Notes: 1. The Company carried out two-for-one stock splits in fiscal 2005 and fiscal 2006.

2. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118.09 to \$1, the approximate rate of exchange at March 31, 2007.



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 assumptions or judgments based on the information available as of the date the report is prepared, involve known or unknown risks and uncertainties. Accordingly, actual results and business environments may differ materially from those indicated by forward-looking statements.



To Our Shareholders and Investors

Sumitomo Titanium's new medium-term
management plan targets doubled
earnings by fiscal 2009.

Masaaki Tachibana

President
Sumitomo Titanium Corporation

Overview for the Year ended March 31, 2007, and Prospects for the Upcoming Term

Sales and Profits Rise for the Third Straight Term

In the fiscal year under review, Sumitomo Titanium's sales and profits grew dramatically for the third consecutive year. Net sales rose 38.0% compared with the previous fiscal year, to ¥43,248 million; operating income soared 90.0%, to ¥15,899 million; ordinary income leapt 92.9%, to ¥15,839 million; and net income jumped 91.5%, to ¥9,287 million.

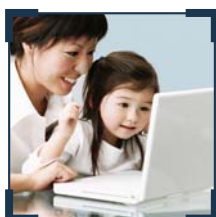
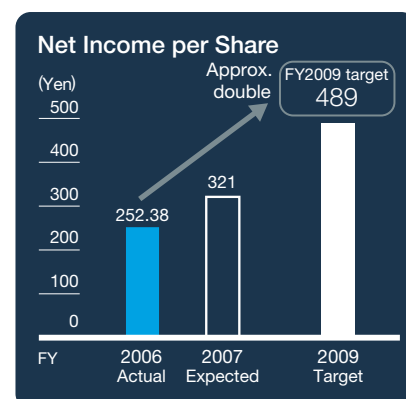
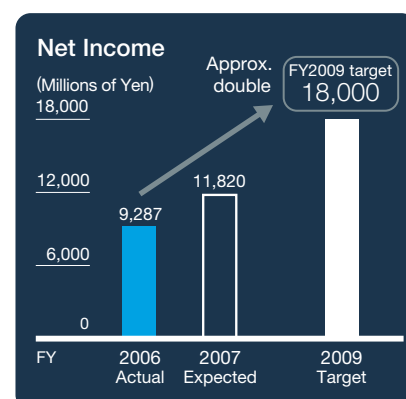
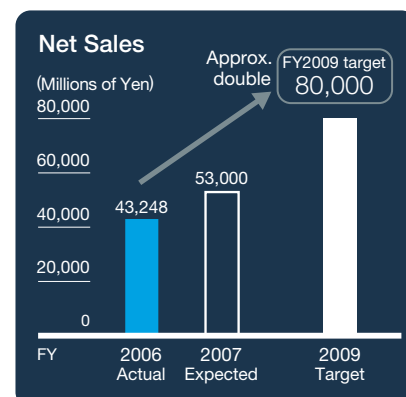
The higher earnings were largely due to increased sales of the Company's mainstay titanium sponge and polycrystalline silicon products. Sales grew on the expansion of core aircraft and semiconductor markets, supported by the Company's efforts beginning in 2005 to reinforce production capacity for both products. Sales prices have also risen substantially over the previous fiscal year. Titanium sponge prices in particular showed significant growth, rising approximately 20%. Furthermore, the Company absorbed raw material price hikes and reduced costs through measures to bolster productivity.

During the next fiscal year, we expect further growth in sales and profits as demand for titanium sponge and polycrystalline silicon continues to expand. We forecast net sales of ¥53,000 million, operating income of ¥20,200 million and net income of ¥11,820 million. For polycrystalline silicon, we anticipate significant sales increases as a new facility with heightened production capacity—which began shipments in July 2007—boosts annual shipping volume from 900 tons to 1,300 tons. Prices for both products are also expected to continue rising. Domestic and export sales prices for titanium sponge in particular are set for a major enhancement of around 30% over the previous year.

Formulating a New Medium-Term Management Plan

Targeting Doubled Earnings through More Aggressive Management

The Company achieved its performance targets for fiscal 2007—specified in the medium-term management plan started in fiscal 2005—a year ahead of schedule, as demand for titanium and silicon expanded faster than the Company's forecasts. We therefore formulated a new medium-term management plan in February 2007. Advancing more aggressive management, we have set fiscal 2009 targets for net sales of ¥80,000 million, ordinary income of ¥30,000 million and net income of ¥18,000 million—all double the results for the fiscal period under review.



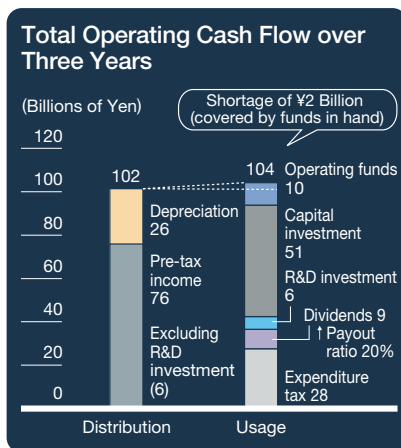


Further Capital Investment to Reinforce Production Capacity

Capital investment and R&D are the driving forces for achieving the performance goals of the new medium-term management plan. Demand for titanium sponge and polycrystalline silicon is expected to grow substantially worldwide. To meet this demand, Sumitomo Titanium aggressively invests in facilities to enhance production capabilities. For titanium sponge, we are spending ¥31,900 million to increase annual capacity from 24,000 tons to 38,000 tons, and for polycrystalline silicon we are investing ¥6,600 million to raise capacity from 900 tons to 1,400 tons. We already completed a facilities expansion for polycrystalline silicon in July 2007, raising capacity to 1,300 tons. We are also raising high-purity titanium production capacity and considering investments in facilities to enhance capacity for titanium ingot production. Please refer to the Products and Markets section, pages 7 to 10 of this report, for details on market trend forecasts and capital investment.

In R&D, the Company continues to focus on the new titanium sponge production method—already under development for several years—and on products supporting society's environmental conservation needs.

Operating cash flow forecasts for the period of the new medium-term management plan are shown in the graph to the left. We expect the Company's own funds to cover capital investments and development investments, which will primarily consist of spending to reinforce production capacity.



Capital Investment Areas and Amounts

		Amount Invested (Billions of Yen)	Comments	
Investment to increase capacity	Titanium sponge capacity increase	31.9	Decided	Capacity 24,000 → 38,000 tons per year
	Titanium ingot capacity increase	2.0	(Decision pending)	Capacity 7,000 → 8,500 tons per year
	Polycrystalline silicon capacity increase	6.6	Decided	Capacity 900 → 1,400 tons per year
	High-purity titanium capacity increase	0.5	Decided	
	Subtotal	41.0		
General investment		10.0		
Total		51.0		

Dividend Policy

Major Dividend Increase on Strong Performance

Sumitomo Titanium considers returns to shareholders a top management priority. We aim for a 20% payout ratio, consisting of stable dividends of ¥7.5 per share in addition to a portion tied to performance. For the fiscal period under review, we paid a considerably increased dividend of ¥75 (a ¥45 interim dividend and ¥30 at year-end) to reflect favorable business performance.

As Sumitomo Titanium's strong earnings continue to boost its stock price, the Company strives to make its shares more accessible to investors. To achieve this aim, we instituted a two-for-one stock split on October 1, 2006, following a split in 2005. Cash dividends per share for fiscal 2006, calculated after the latest split, totaled ¥52.5 (interim dividends of ¥22.5 plus year-end dividends of ¥30). For fiscal 2007, we expect to pay cash dividends of ¥70 per share (interim dividends of ¥35 plus year-end dividends of ¥35), which is ¥17.5 higher than the fiscal 2006 amount.

Company Name to Change in Preparation for Broad Global Advancement From Sumitomo Titanium Corporation to OSAKA Titanium technologies Co.,Ltd.

The Company's new medium-term management plan calls for a substantial increase in titanium sponge production capacity.

This facility upgrade will set the stage for wider global success. To mark this step forward, we are changing the Company's name to OSAKA Titanium technologies Co.,Ltd. as of October 1, 2007.

In 1952, OSAKA Titanium Co.,Ltd. —the Company's forerunner—was the first in Japan to develop industrial methods for sponge titanium production and is known worldwide for its leading role in the titanium industry. The new name revives the "OSAKA Titanium" brand, adding the word "Technology" to represent our commitment to thrive by proprietary technologies, as set forth in our Management Principles.

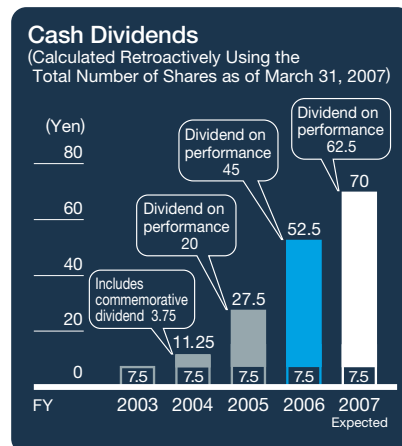
We look forward to the continued support of our shareholders, investors and our many other stakeholders.

July 2007

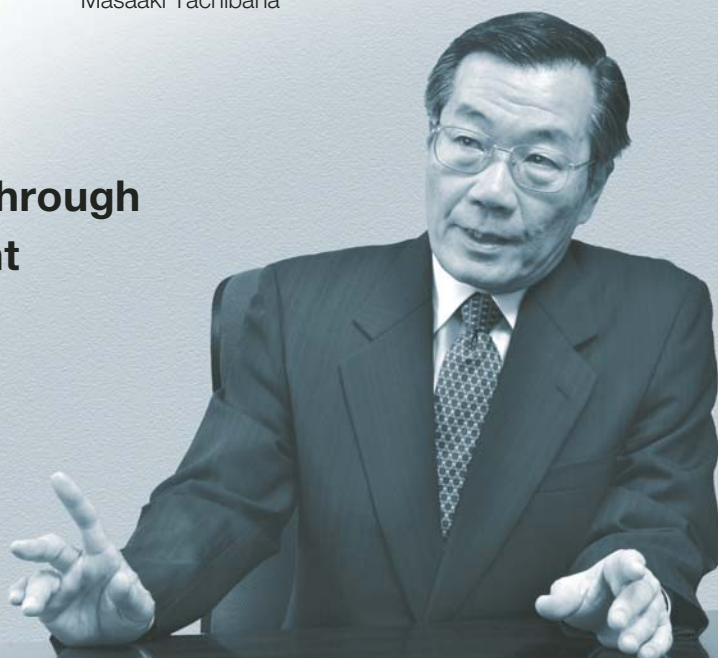
President
Sumitomo Titanium Corporation

Masaaki Tachibana
Masaaki Tachibana

Targeting Doubled Earnings through More Aggressive Management



Note: For easier comparison of cash dividends for fiscal 2006 and earlier with the amount for fiscal 2007, dividends per share have been retroactively calculated to take into account the number of shares outstanding after two-for-one stock splits in November 2005 and October 2006.



Responding to Aircraft Market Expansion

We will further increase titanium sponge production capacity

Aircraft Premium-Grade Titanium

Sumitomo Titanium produces “premium-grade” titanium—a high-quality titanium used in engines and fuselages. We are one of only three companies in the world able to refine titanium to this level.



Aircraft fuselage



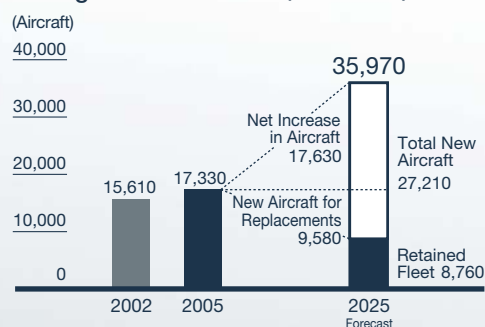
Aircraft engine

Commercial Aircraft in Operation to Increase Approximately 110% by 2025

The aircraft industry accounts for nearly half of all titanium demand, and these requirements are projected to continue growing over the medium to long term.

The number of commercial aircraft in operation worldwide is expected to grow substantially. Forecasts predict 27,210 new aircraft in service by 2025, with the worldwide total expanding to 35,970—around 110% more than in 2005. India, China and countries in the Middle East experiencing rapid economic development are likely to contribute significantly to the increase in new aircraft as the nations rush to create air transportation networks.

Commercial Aircraft in Operation Boeing Market Overview (June 2006)



In addition, the amount of titanium used in each aircraft is expected to increase considerably. Surging crude oil prices are exerting major pressure on airlines to improve fuel economy. As a solution, aircraft makers are developing models that incorporate more lightweight titanium for reduced fuel consumption.



Titanium Usage Per Aircraft (Estimate by Sumitomo Titanium)

Currently in Operation		New Aircraft	
Model	Titanium Usage	Model	Titanium Usage
B747-4	20t	B787	110t
B777	50t	A380	70t
A330	10t	A350	90t

A: Airbus B: Boeing

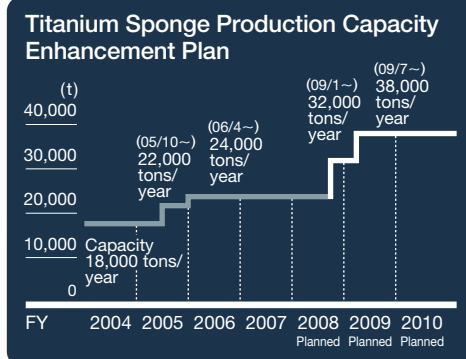
Increasing Titanium Sponge Production Capacity 50% by 2009

Titanium sponge manufacturers are working to increase supply capacity in anticipation of stronger titanium demand. The currently wide supply-demand gap should gradually close overall as manufacturers raise their capacity.

However, in high-quality titanium chiefly for use in aircraft—Sumitomo Titanium's specialty—the high barrier to entry dims possibilities of easily bridging the supply-demand gap.

We therefore plan to step up titanium sponge production capacity from the current annual capacity of 24,000 tons to 38,000 tons by 2009—a 14,000 ton increase.

We aim to secure our position as the world's top titanium maker in both quality and quantity, by producing titanium of unrivaled quality in greater quantities than any other manufacturer.



Titanium Sponge (Annual) Production Capacity Enhancement Plan

24,000t → 38,000t

Fiscal 2006 (from April) Fiscal 2009 (from July)

Kroll-Process Engineering Development Project Team

In July 2006, the Company formed the Kroll-Process Engineering Development Project Team ("K Pro") for titanium sponge. The team spans the entire Company and will be integral in considering the optimal facilities for the 2009 target of a 38,000-ton annual capacity and in developing the required production technologies.

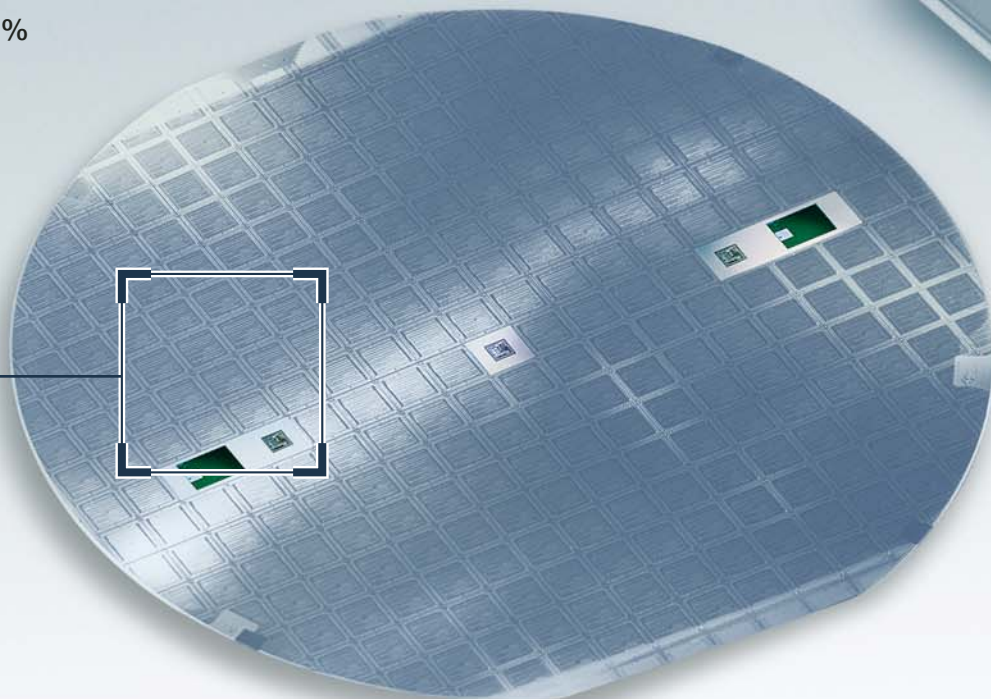


Ultra High-Purity 99.999999999% Polycrystalline Silicon

Sumitomo Titanium produces semiconductor-grade “eleven-nine” polycrystalline silicon with 99.999999999% purity.



Polycrystalline silicon



Responding to Semiconductor Market Expansion

We will further increase polycrystalline silicon production capacity

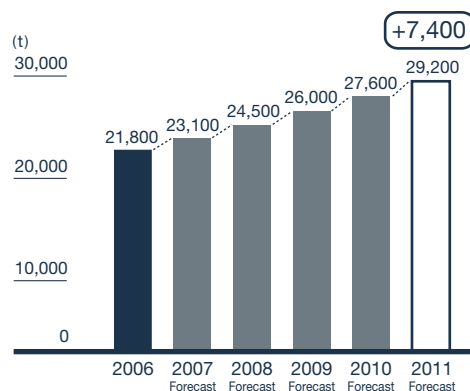
Semiconductor-Grade Polycrystalline Silicon Demand to Expand Approximately 30% over the Next Five Years

Overall demand for polycrystalline silicon is predicted to grow worldwide.

Demand for semiconductor-grade polycrystalline silicon is expected to continue rising steadily by 6% per annum, reaching 29,200 tons per year in 2011—around 30% higher than in 2006.

As environmental conservation needs grow, demand for polycrystalline silicon for solar panels is also likely to rise sharply.

Demand Forecast for Semiconductor-grade Polycrystalline Silicon (Estimate by Sumitomo Titanium)





Polycrystalline Silicon (Annual) Production Capacity Enhancement Plan

900t → 1,300t → 1,400t

Fiscal 2006 Fiscal 2007 (from July) Fiscal 2008 (from October)

Increasing Annual Polycrystalline Silicon Production Capacity to 1,400 Tons by 2008

Polycrystalline silicon manufacturers are also moving to beef up supply capacity in anticipation of higher demand. By 2011, total polycrystalline silicon output across all manufacturers is forecasted to grow 180% over the 2006 amount.

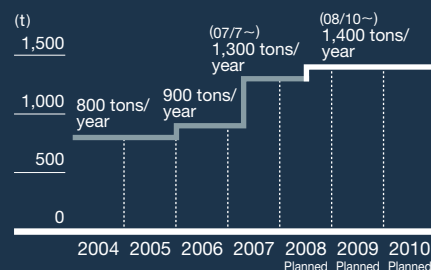
However, the majority of that polycrystalline silicon is the “six-nine” grade—with 99.9999% purity—used in solar panels. This relatively low-purity silicon allows for easier market entry, which should greatly assist production output.

On the other hand, difficulties in quality assurance for the extremely high 99.99999999%

(“eleven-nine”) purity semiconductor-grade polycrystalline silicon we produce seem to pose a high barrier to new entry into the market.

Sumitomo Titanium therefore increased annual production capacity in July 2007 from 900 tons to 1,300 tons, and will further upgrade its facilities in October 2008 to gain an additional 100 tons of capacity, for a total annual capacity of 1,400 tons.

Polycrystalline Silicon Production Capacity Enhancement Plan



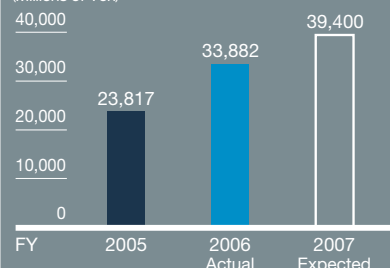
Polycrystalline Silicon Production Capacity Enhancement Plan Completed

The first stage of the plan to increase annual polycrystalline silicon production capacity from 900 tons to 1,300 tons—set to begin shipping at the new capacity in July 2007—has been completed on schedule. A completion ceremony was held on May 18, 2007, with around 50 concerned persons from inside and outside the Company in attendance. We are continuing with the second stage of the enhancement plan to begin shipping at an annual capacity of 1,400 tons from October 2008.



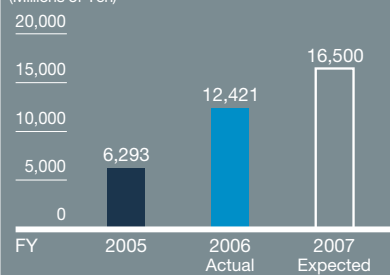
Net Sales

(Millions of Yen)



Operating Income

(Millions of Yen)



Titanium Business

Overview of the Current Term

Domestic demand for titanium sponge mill products remained strong, principally led by high demand for power, chemical and seawater desalination plants in Asia and the Middle East, and for plate heat exchangers for marine use. In exports, the tight titanium sponge supply-demand balance continued as contracts increased for new commercial aircraft—primarily new models with high-volume titanium usage for lighter weight—against a background of global economic expansion and crude oil price escalation. Under such circumstances, the Company boosted sales while ensuring stable operations by making maximal use of its 24,000-ton annual capacity to meet intense customer demand.

Domestic and export contract sales prices for titanium sponge mill products shipped in 2006 rose 20% over the previous year, on robust demand. Furthermore, prices on new export contracts for product shipped from January 2007 are up 30% from 2006. Additives for steel also enjoyed healthy demand throughout the year, with market prices flying high.

As a result, titanium business net sales soared 42.3% compared with the preceding year, to ¥33,882 million, and operating income surged 97.4%, to ¥12,420 million.

Outlook for the Next Term

Domestic and export demand for titanium sponge mill products is expected to expand further and continue outpacing supply. The Company will fulfill its responsibilities as a supplier by fully utilizing its production capacity while maintaining stable operations. New contract sales prices for mill products have been determined at approximately 30% higher than the previous year for both domestic and export contracts. At the same time, despite sustained firm demand for additives for steel, greater titanium scrap production could slightly deflate market prices.

Consequently, titanium business net sales for the next fiscal year are anticipated to increase 16.3%, to ¥39,400 million, and operating income is expected to jump 32.9%, to ¥16,500 million.

Titanium Business Products

- Titanium metal (titanium sponge)
- Titanium ingot (pure titanium, titanium alloy)
- Ferro-titanium
- Titanium tetrachloride



Titanium metal (titanium sponge)



Titanium ingot (pure titanium, titanium alloy)

Other Business (Semiconductor-Related Products and Environment- and Energy-Related Products)

Overview of the Current Term

In semiconductor-related products, demand for polycrystalline silicon and high-purity titanium continued to expand on solid semiconductor demand, primarily for digital home appliances and cellular phones. The Company maintained strong sales for polycrystalline silicon and high-purity titanium by capitalizing on such market trends through full use of its production capacity.

Sales prices for polycrystalline silicon also gained, owing to tightened supply-demand balance brought on by rapid growth in demand for the material in solar cells, in addition to semiconductors. In response to market trends and heavy customer demand, the Company resolved to invest to raise annual polycrystalline silicon capacity by 400 tons—from 900 tons to 1,300 tons—and began shipping at the new capacity from July 2007 as planned.

In environment- and energy-related products, sales of titanium powder increased mainly in environment-related product segment.

Accordingly, other business net sales swelled 24.4%, to ¥9,366 million, and operating income rose 67.6%, to ¥3,478 million.

Outlook for the Next Term

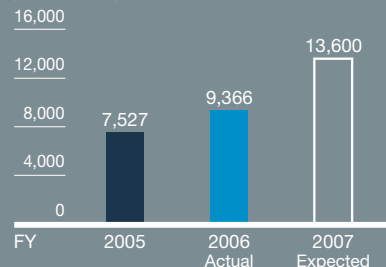
New contracts for polycrystalline silicon from February 2007 have been concluded at improved sales prices over those for the fiscal year under review. Moreover, we expect substantial sales growth from increased shipments starting July 2007, thanks to the operation of facilities upgraded to increase annual capacity from 900 tons to 1,300 tons.

In environment- and energy-related products, sales of titanium powder for environmental applications and silicon monoxide for packaging are forecast to grow steadily.

Net sales from other business for the next term are estimated to increase 45.2%, to ¥13,600 million, and operating income is expected to edge up 6.4%, to ¥3,700 million.

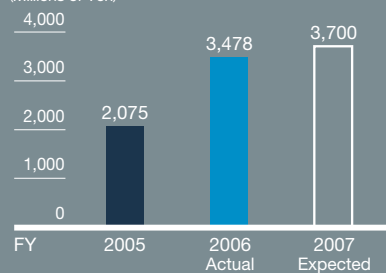
Net Sales

(Millions of Yen)



Operating Income

(Millions of Yen)



Polycrystalline silicon



Silicon monoxide (SiO)



Titanium powder

Other Business Major Products

Semiconductor-Related Products

- Polycrystalline silicon (semiconductor-grade)
- Titanium tetrachloride aqueous solution
- High-purity titanium
- Silicon tetrachloride

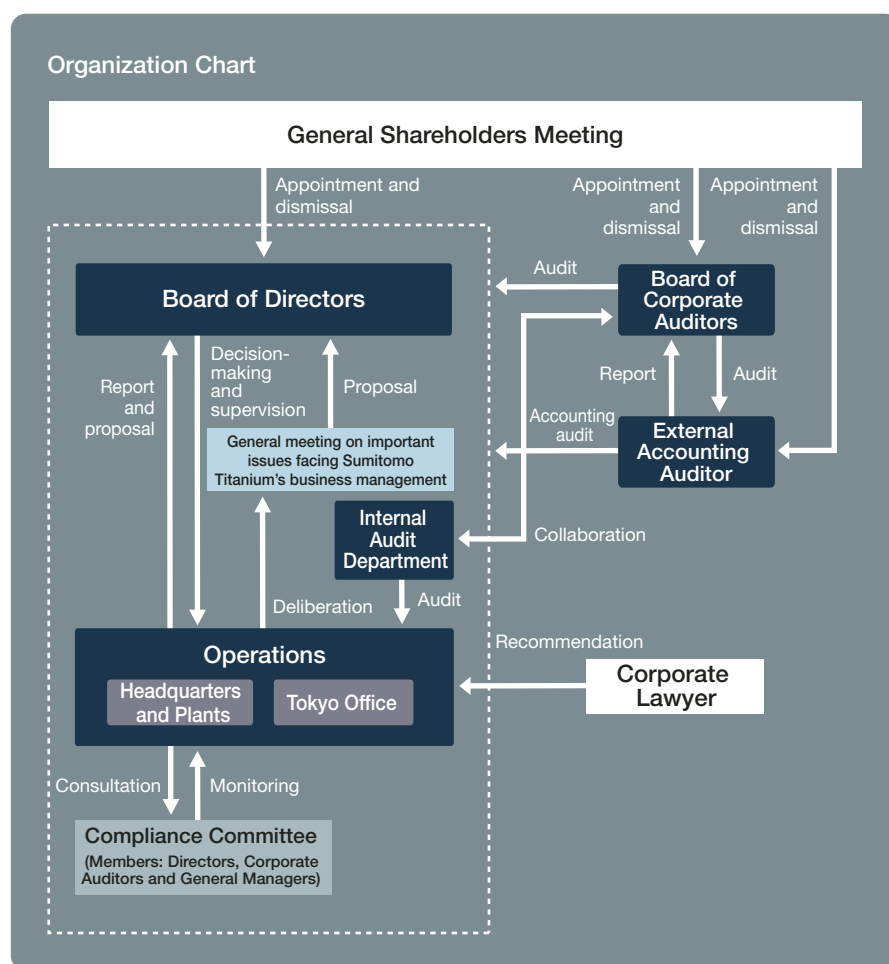
Environment- and Energy-Related Products

- Silicon monoxide (SiO)
- Titanium powder
- Titanium hydride

Basic Policy on Corporate Governance

Sumitomo Titanium aims to continue building its corporate value by streamlining its management and ensuring transparency and financial health while gaining the trust of customers, shareholders, regional communities, employees and all other stakeholders.

The Board of Directors—the body at the helm of business management—consists of nine directors. The Board determines the implementation of business and supervises the directors in their execution of duties. The Company also employs a corporate auditor system, comprising four corporate auditors, two of whom are external.



Directors



Masaaki Tachibana
President &
Representative Director



Mutsuo Yamamoto
Vice President &
Representative Director



Hiroyuki Ichihashi
Senior Managing
Director



Yasukazu Morooka
Senior Managing
Director



Akio Yamagami
Managing
Director



Tetsurou Uemura
Managing
Director



Tsuyoji Hyodo
Managing
Director



Tetsuo Shima
Director



Kimio Osada
Director

Auditors



Kiichiro Kitaura
Permanent
Auditor (Full-Time)



Hiroshi Sakai
Corporate Auditor
(Full-Time)



Katsuhiko Yagi
Corporate Auditor
(Part-Time)



Hiromichi Abe
Corporate Auditor
(Part-Time)

Major Compliance and Risk Management Efforts in Fiscal 2006

Revising the Risk Survey List

- Periodically revise a risk survey list compiled companywide
- Continually monitor risks related to the Company's business activities, based on the risk survey list

Information Security Measures

- Implement information security leakage countermeasures

Compliance Training

- Theme
Raising awareness and understanding of compliance and risk management
- Participants
Directors, corporate auditors, general managers, managers

Human Rights Training

- Theme
Basic human rights, mental health
- Participants
Managers, assistant managers, supervisors

Strengthening Health and Safety Management

- Enhance health and safety policies (including health management)
- Ensure understanding of legal reforms

Compliance

Sumitomo Titanium maintains a compliance framework to uphold laws and social norms in its management. In fiscal 2002, we established the Corporate Activity Rules, which state the commitment of our officers and employees to comply with the laws of all countries, international rules and the accompanying philosophies. The Company has also established a Compliance Committee, chaired by the president and CEO and consisting of directors, corporate auditors and general managers. The committee monitors the Company's legal compliance and corporate response to legal reforms.

We also set up a Compliance Helpline to take in constructive suggestions and opinions from officers and employees on compliance matters that may seriously affect confidence in the Company. Moreover, the Company publishes a Compliance Manual succinctly detailing the basic policies to be observed by officers and employees. In fiscal 2006, to further ingrain compliance, we held compliance and human rights training sessions for directors, corporate auditors, general managers, managers. We will continue reinforcing compliance efforts through training sessions and other programs.

Risk Management

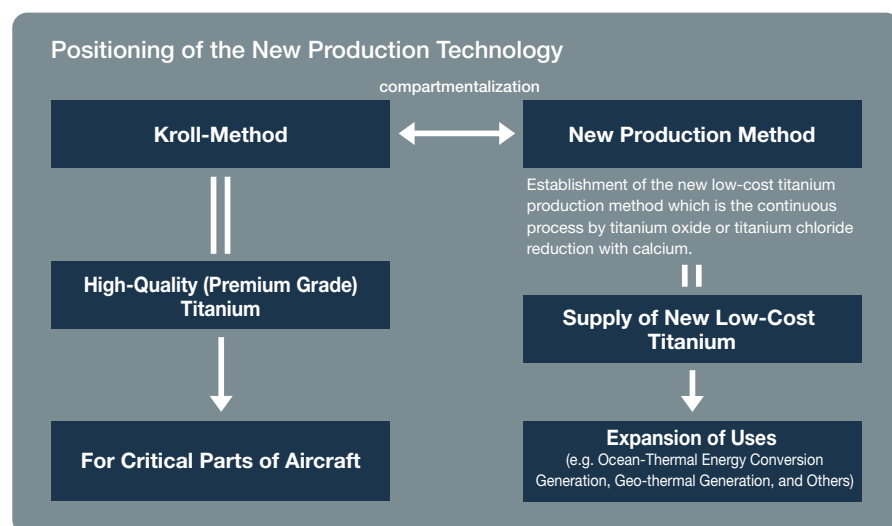
Sumitomo Titanium considers it important to appropriately manage the diverse risks inherent in the Company's operations to continually maximize corporate value in the face of major changes in the operating environment. Compliance and risk management status are monitored based on a risk survey list maintained by the Compliance Committee. The Board of Directors fully investigates and takes action on critical management risks that could interfere with operational plans or the medium-term management plan.

Research and Development

To fortify its business base for the future, Sumitomo Titanium has earmarked ¥5.6 billion for investment in R&D over three years from fiscal 2007. In particular, we plan to spend ¥2.7 billion on researching and developing new refining methods to dramatically reduce titanium production costs—the main factor limiting popular use of the metal.

Titanium sponge refined using the new method is expected to cost 30% less to produce than the premium grade. Research into the new refining method has Japanese government backing, and the Company is a core member of the project team. We will complete development of the elemental technologies by the end of fiscal 2008. We will then move to the next stage: development of mass production technologies. In fiscal 2009, we aim to build a highly-efficient, integrated pilot plant.

Sumitomo Titanium strives to further increase corporate value by focusing on developing promising new products and technologies.



Intellectual Property Report

Sumitomo Titanium started industrial titanium production in 1952 for the first time in Japan and now enjoys an excellent reputation with world-leading titanium production capacity. As even slight impurities can significantly affect the quality of titanium, the production process requires advanced technologies and strict quality control systems. We produce high-quality products by leveraging our long years of experience and proprietary technologies based on accumulated expertise.

We will continue to obtain patents based on the recognition that such proprietary technologies are the source of our corporate value. We will never change our stance of emphasizing intellectual property in polycrystalline silicon and other areas. We remain committed to solidifying our position as a world-leading titanium sponge manufacturer by aggressively creating and accumulating intellectual property.



Participation in Osaka Bay Cleanup Project

Environmental Preservation Activities

Under the slogan, “Preserve our precious earth for our children and grandchildren,” Sumitomo Titanium has made environmental protection a top management priority. We create environmentally-friendly products and actively contribute to society at the local community level.

Our employees operate with high environmental awareness companywide and engage in a variety of environmental conservation activities. Within the Company, we sort trash for collection, recycle paper and containers and adhere to a green procurement policy. Employees also carry out cleaning and weeding activities in the neighborhood around the Company premises. Moreover, some facilities incorporate rooftop gardens to help save energy and clean the air.

Examples of our social contribution activities for local environmental preservation include participation in the Osaka Bay Cleanup Project and training for oil spill relief measures for the Shogegawa waterway.

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)

Public Relations for Environmental Preservation Activities

In fiscal 2006, Sumitomo Titanium launched a public relations campaign to a wide audience of citizens introducing the environmentally friendly properties of titanium—its core product. We participated in publishing a Japanese Titanium Society leaflet, *Titanium: A Titan to Protect the Global Environment*.

The campaign introduced uses of titanium to increase efficiency in turbine blades for power generation and as a highly corrosion-resistant construction material. Such applications underscored the metal's ability to contribute to global environmental preservation in a broad array of fields through its unique properties, in addition to saving energy by enhancing aircraft fuel economy.



Financial Section

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Ten-Year Summary

Sumitomo Titanium Corporation

	FY 1997	FY 1998	FY 1999
Net sales (millions of yen)	¥ 13,421	¥ 20,749	¥ 16,201
Operating income (loss) (millions of yen)	1,150	1,315	(23)
Net income (loss) (millions of yen)	579	160	(206)
Income (loss) from equity-method affiliates (millions of yen)	—	—	—
Common stock (millions of yen)	4,250	5,850	5,860
Total number of shares outstanding (thousands)	85	117	7,860
Total equity (millions of yen)	9,079	12,429	12,414
Total assets (millions of yen)	27,693	32,268	26,906
Total equity per share (yen)	106,806.95	106,231.49	1,579.33
Dividends per share	—	—	—
(Interim dividends per share) (yen)	(—)	(—)	(—)
Basic net income (loss) per share (yen)	6,806.95	1,855.62	(33.00)
Equity ratio (%)	32.8	38.5	46.1
Return on equity (ROE) (%)	6.4	1.5	—
Price/earnings (P/E) ratio (times)	—	—	—
Dividend payout ratio (%)	—	—	—
Cash flows from operating activities (millions of yen)	—	—	3,805
Cash flows from investing activities (millions of yen)	—	—	(1,783)
Cash flows from financing activities (millions of yen)	—	—	(2,730)
Cash and cash equivalents at year-end (millions of yen)	—	—	1,237
Number of employees (persons)	442	445	413
(Average number of temporary employees) (persons)	(—)	(—)	(—)

FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
¥ 18,855	¥ 19,589	¥ 17,610	¥ 16,242	¥ 21,138	¥ 31,343	¥ 43,248
1,272	1,791	1,124	706	2,470	8,368	15,899
739	972	464	307	1,410	4,850	9,287
—	—	—	—	3	0	(8)
5,860	6,583	6,583	6,583	6,583	8,740	8,740
7,860	8,860	8,860	8,860	8,860	18,400 *1	36,800 *2
13,182	15,438	15,622	15,721	16,914	25,921	33,295
28,471	33,633	30,405	29,280	33,112	46,319	57,037
1,677.05	1,742.40	1,763.20	1,774.36	1,908.96	1408.78 *1	904.77 *2
45	30	30	30	45	55 *1	75 *2
(—)	(—)	(—)	(—)	(—)	(—)	(45)
94.04	122.65	52.34	34.64	159.20	266.41 *1	252.38 *2
46.3	45.9	51.4	53.7	51.1	56.0	58.4
5.8	6.8	3.0	2.0	8.6	22.6	31.4
—	16.39	21.25	57.16	53.02	75.41 *1	51.87 *2
47.8	27.3	57.3	86.6	28.3	20.6	20.8
2,193	2,762	2,060	2,872	3,586	4,406	12,803
(1,141)	(2,591)	(3,619)	(2,287)	(2,211)	(7,688)	(6,669)
760	1,191	(366)	(1,116)	(1,057)	3,117	(1,887)
1,536	2,900	975	444	761	600	4,856
403	398	397	394	381	404	445
(—)	(—)	(—)	(—)	(—)	(62)	(73)

*1 The Company carried out a two-for-one stock split that came into effect on November 18, 2005.

*2 The Company carried out a two-for-one stock split that came into effect on October 1, 2006.

Analysis of Operating Results

Sales increased for the business year under review, as all main production facilities—including a titanium sponge plant newly-upgraded for increased capacity in fiscal 2006—operated at full capacity to meet further expanding demand for core products in the Company's titanium and other business. Healthy demand also improved sales prices for titanium sponge and semiconductor-related products dramatically over the preceding business year. The Company realized cost reductions as enhanced productivity—partly owing to scaled-up production—boosted production efficiency to absorb the impact of rising raw material prices.

As a result, sales and income for the year under review increased substantially for the third consecutive year. Net sales grew 38.0% compared with the previous business year, to ¥43,248 million, and net income soared 91.5%, to ¥9,287 million.

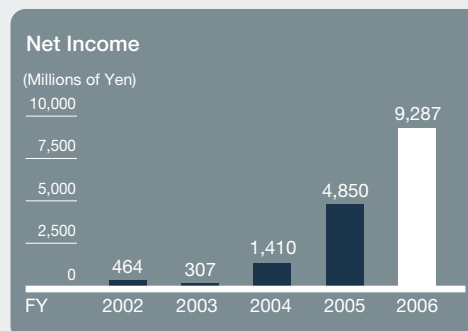
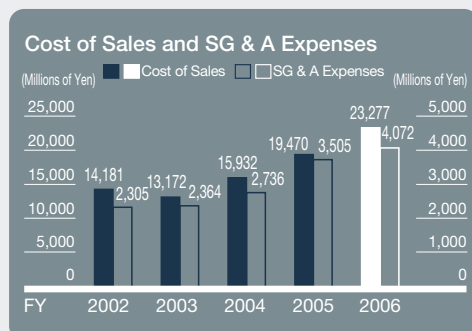
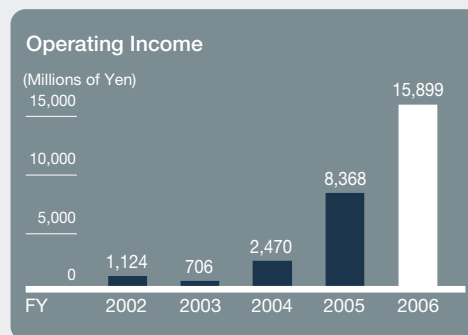
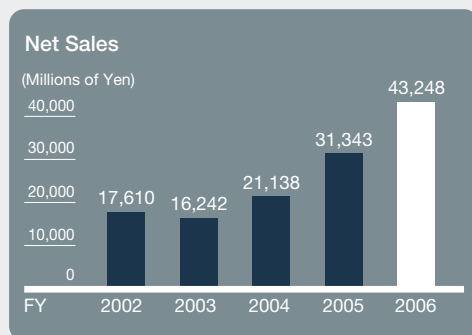
In line with the substantial rise in net sales, cost of sales grew from ¥19,470 million in the previous fiscal year to ¥23,277 million—a ¥3,806 million increase. The cost of sales ratio, however, declined 8.3 percentage points, to 53.8%, owing to higher selling prices and increased production volumes.

Selling, general and administrative expenses rose ¥567 million, from ¥3,505 million to ¥4,072 million. This increase was mainly attributable to an increase in selling expenses and higher research and development costs.

As a result, operating income expanded ¥7,530 million, growing from ¥8,368 million to ¥15,899 million.

Other expenses grew ¥30 million, due to loss on disposal of property, plant and equipment, despite higher gains on the sale of disused items.

As a result of the factors outlined above, net income increased ¥4,437 million during the term, rising from ¥4,850 million to ¥9,287 million.



Analysis of Financial Position

Assets

As of March 31, 2007, total assets were ¥57,037 million, up ¥10,717 million from one year earlier. Of this amount, current assets totaled ¥26,561 million, up ¥7,922 million. The primary reasons were an increase in cash and cash equivalents and a higher balance of notes and accounts receivable, trade, in line with the expansion of net sales.

Property, plant and equipment, at cost was ¥26,688 million, up ¥2,886 million. The investment in facilities to raise polycrystalline silicon production capacity was the major factor behind this increase. (Please refer to *Analysis of Cash Flows* on the next page for factors instrumental to the increase in cash and cash equivalents.)

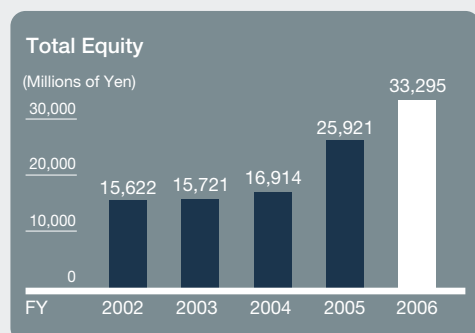
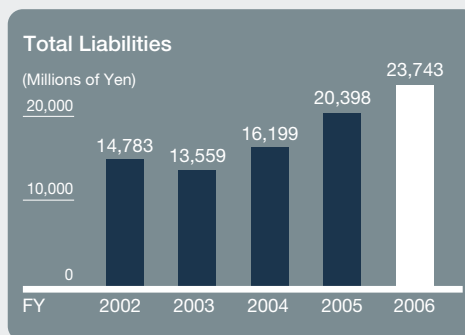
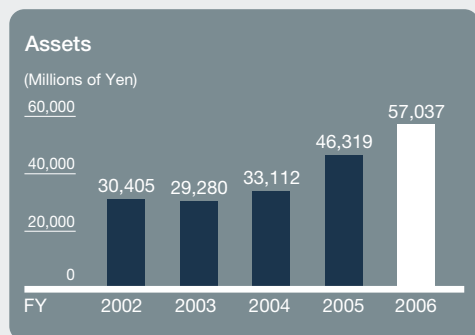
Liabilities

Total liabilities on March 31, 2007, were ¥23,743 million, up ¥3,345 million from the end of the previous fiscal year. This rise was primarily due to higher accrued income taxes on stronger earnings, and increased notes and accounts payable stemming from greater production levels.

Total equity

Total equity at the end of the fiscal year were ¥33,295 million, up ¥7,374 million from the previous year-end. This increase was mainly attributable to an increase in retained earnings, which expanded on healthier net income, despite higher cash dividend payments.

The equity ratio was 58.4%, up 2.4 percentage points from the 56.0% figure posted in the preceding term.



Analysis of Cash Flows

During the year, net cash used in investing activities was ¥6,669 million, mainly for facility upgrades, and net cash used in financing activities came to ¥1,887 million, primarily for the payment of cash dividends. Meanwhile, surging net income boosted net cash provided by operating activities to ¥12,803 million. Consequently, cash and cash equivalents at the end of the year stood at ¥4,855 million, up ¥4,256 million from one year earlier.

Cash Flows from Operating Activities

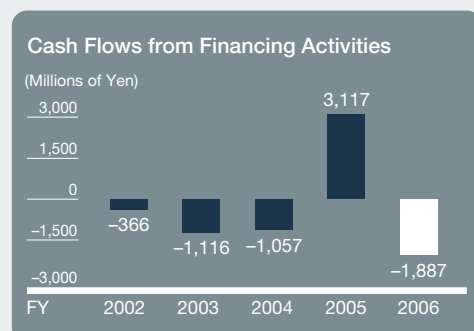
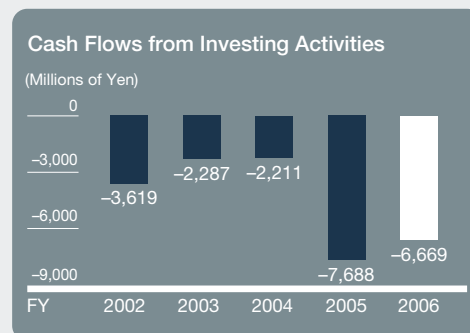
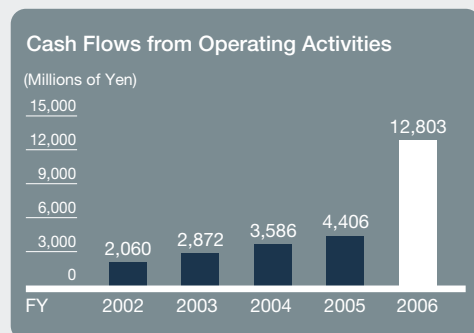
During the fiscal year, net cash provided by operating activities came to ¥12,803 million, up ¥8,397 million. This was primarily a result of substantially higher net income.

Cash Flows from Investing Activities

Net cash used in investing activities during the term was ¥6,669 million, ¥1,019 million less than in the previous year. Lower capital investment was the major cause of this decrease.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥1,887 million, a ¥5,004 million increase from the previous year. The primary reasons were a reduction in proceeds from the Company's issuance of new shares in the preceding fiscal year and higher dividend payouts on increased dividends.



Business Risks and Uncertainties

Forward-looking statements in this annual report are the Company's judgments as of the end of the fiscal year under review.

Major risks related to the Company's operations and other factors deemed to have the potential to significantly impact investor decisions are outlined below.

Influence of External Business Environment

• Titanium Business

Exports of titanium sponge—primarily employed in high-quality aircraft components—comprised 30.0% of the Company's total net sales in the business year under review. Accordingly, the Company's business performance could be affected by fluctuations in orders from aircraft manufacturers or in aircraft maintenance demand.

At the same time, domestic sales of titanium metal (titanium sponge and ingots) made up 43.2% of the Company's total net sales. These products are chiefly sold directly or indirectly from mill product manufacturers, mainly in Asia and the Middle East for use in general industrial applications, including power and chemical plants and marine plate heat exchangers. The Company's performance may be impacted by fluctuations in economic conditions in these regions.

Within domestic sales of titanium metal, sales to mainstay users Sumitomo Metal Industries, Ltd., and Kobe Steel, Ltd. (including sales through trading companies) accounted for 33.5% of the Company's total net sales. The Company's business results could be influenced by changes in the two user companies' material procurement methods or fluctuations in their titanium businesses.

• Other Business

The Company's backbone product in other business is polycrystalline silicon and high-purity titanium for use in semiconductors. These two products comprised 17.6% of the Company's total net sales.

The Company sells the majority of its polycrystalline silicon to SUMCO Corporation, and the portion sold to this company itself accounted for 12.7% of the Company's total net sales. The Company's performance could therefore be affected by semiconductor business conditions or changes in SUMCO Corporation's material procurement methods.

Influence of Exports Sales Ratios and Exchange Rate Fluctuations

Exports made up 32.7% of the Company's total net sales in the business year under review.

The Company's export sales are mostly denominated in United States dollars. This tends to result in a surplus of U.S. dollars, even after import purchases of raw materials in dollars and indirect dollar-based payments for electricity, LNG and other expenses. As a consequence, the Company's performance may be influenced by the width of currency movements.

Influence of Variations in Electric Power Expenses

The Company's production processes consume large amounts of electricity, and electric power expenses accounted for 20.3% of the Company's total production expenses in the business year under review. A major change in power expenses—due to fluctuations in crude oil prices or other factors—could have an effect on the Company's business results.

However, in cases where power expenses rise mainly due to yen depreciation, impact on the Company's performance would be absorbed by increased U.S. dollar income based on yen, thanks to the Company's retention of a dollar surplus.

Influence of Natural Disasters and Accidents

The Company's only production base is its headquarters plant in Amagasaki, Hyogo Prefecture. To fulfill its supply obligations, the Company's management prioritizes stable operations and makes every effort to prepare for large-scale natural disasters—such as earthquakes—and prevent facility malfunctions.

However, in the event of a severe natural disaster or major accident, production activities could be impeded and the Company's performance may be affected.

Balance Sheets

Sumitomo Titanium Corporation
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 4,856	¥ 600	\$ 41,121
Receivables:			
Trade notes	46	44	390
Trade accounts	14,646	12,098	124,024
Others	279	110	2,363
Allowance for doubtful receivables	(4)	(11)	(34)
Inventories (Note 5)	6,061	5,165	51,325
Deferred tax assets (Note 9)	534	445	4,522
Prepaid expenses and other	143	188	1,211
Total current assets	26,561	18,639	224,922
PROPERTY, PLANT AND EQUIPMENT:			
Land	8,454	8,454	71,589
Buildings and structures	6,737	5,965	57,050
Machinery and equipment	29,791	26,172	252,274
Furniture and fixtures	605	356	5,123
Construction in progress	2,322	290	19,663
Total	47,909	41,237	405,699
Accumulated depreciation	(21,221)	(17,435)	(179,702)
Net property, plant and equipment	26,688	23,802	225,997
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	587	708	4,971
Investments in and advances to an associated company (Note 4)	2,022	2,022	17,122
Deferred tax assets (Note 9)	94	6	796
Prepaid pension cost (Note 7)	758	724	6,419
Other assets	327	418	2,769
Total investments and other assets	3,788	3,878	32,077
TOTAL	¥ 57,037	¥ 46,319	\$ 482,996

See notes to financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 5,900	¥ 5,900	\$ 49,962
Current portion of long-term debt (Note 6)	50	50	423
Payables:			
Trade notes	846	775	7,164
Trade accounts	4,078	3,275	34,533
Construction and other	3,482	3,302	29,486
Income taxes payable	4,740	3,073	40,139
Accrued expenses	866	788	7,333
Other	711	127	6,021
Total current liabilities	20,673	17,290	175,061
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	1,900	1,950	16,089
Liability for retirement benefits (Note 7)	1,050	1,140	8,892
Other	119	18	1,008
Total long-term liabilities	3,069	3,108	25,989
CONTINGENT LIABILITIES (Note 12)			
EQUITY (Note 8):			
Common stock, authorized, 125,760,000 shares; issued, 36,800,000 shares in 2007 and 18,400,000 shares in 2006	8,740	8,740	74,011
Capital surplus - Additional paid-in capital	8,943	8,943	75,730
Retained earnings:			
Legal reserve	38	38	322
Unappropriated	15,305	7,858	129,605
Unrealized gain on available-for-sale securities	274	345	2,320
Deferred gain on derivatives under hedge accounting	1		9
Treasury stock - at cost: 663 shares in 2007 and 210 shares in 2006	(6)	(3)	(51)
Total equity	33,295	25,921	281,946
TOTAL	¥ 57,037	¥ 46,319	\$ 482,996

Statements of Income

Sumitomo Titanium Corporation
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES	¥ 43,248	¥ 31,343	\$ 366,229
COST OF SALES	23,277	19,470	197,112
Gross profit	19,971	11,873	169,117
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,072	3,505	34,482
Operating income	15,899	8,368	134,635
OTHER INCOME (EXPENSES):			
Interest and dividend income	58	52	491
Interest expense	(80)	(72)	(677)
Loss on disposal of property, plant and equipment	(256)	(184)	(2,168)
Foreign exchange losses - net	(156)	(141)	(1,321)
Other - net	120	(0)	1,016
Other expenses - net	(314)	(345)	(2,659)
INCOME BEFORE INCOME TAXES	15,585	8,023	131,976
INCOME TAXES (Note 9):			
Current	6,426	3,458	54,416
Deferred	(128)	(285)	(1,083)
Total income taxes	6,298	3,173	53,333
NET INCOME	¥ 9,287	¥ 4,850	\$ 78,643
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.q):			
Basic net income	¥ 252.38	¥ 133.21	\$ 2.14
Cash dividends applicable to the year	75.00	55.00	0.64

See notes to financial statements.

Statements of Cash Flows

Sumitomo Titanium Corporation
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes	¥ 15,585	¥ 8,023	\$ 131,976
Adjustments for:			
Income taxes - paid	(4,886)	(1,396)	(41,375)
Depreciation and amortization	3,982	2,913	33,720
Loss on disposal of property, plant and equipment	256	184	2,168
Changes in assets and liabilities:			
Increase in receivables - trade	(2,550)	(4,912)	(21,594)
Increase in inventories	(896)	(1,356)	(7,588)
Increase in payables - trade	874	726	7,401
Increase (decrease) in interest payable	6	(9)	51
Increase in liability for retirement benefits	124	27	1,050
Other - net	308	206	2,608
Total adjustments	(2,782)	(3,617)	(23,559)
Net cash provided by operating activities	12,803	4,406	108,417
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(6,630)	(7,457)	(56,144)
Other	(39)	(231)	(330)
Net cash used in investing activities	(6,669)	(7,688)	(56,474)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans - net		(500)	
Proceeds from long-term debt		500	
Repayments of long-term debt	(50)	(774)	(423)
Proceeds from issuance of common stock		4,313	
Expenditures for issuance of common stock		(20)	
Repurchase of treasury stock	(3)	(3)	(26)
Dividends paid	(1,834)	(399)	(15,530)
Net cash provided (used) by financing activities	(1,887)	3,117	(15,979)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	9	4	76
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,256	(161)	36,040
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	600	761	5,081
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 4,856	¥ 600	\$ 41,121

See notes to financial statements.

Statements of Changes in Equity

Sumitomo Titanium Corporation
Years Ended March 31, 2007 and 2006

	Thousands	Millions of Yen							
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings		Unrealized Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
			Additional Paid-in Capital	Legal Reserve	Unappropriated				
BALANCE, APRIL 1, 2005	8,860,000	¥ 6,583	¥ 6,787	¥ 38	¥ 3,407	¥ 99	—	—	¥ 16,914
Net income	—	—	—	—	4,850	—	—	—	4,850
Cash dividends	—	—	—	—	(399)	—	—	—	(399)
Issuance of common stock	340,000	2,157	2,156	—	—	—	—	—	4,313
Stock split (Note 8)	9,200,000	—	—	—	—	—	—	—	—
Repurchase of treasury stock	(210)	—	—	—	—	—	—	¥ (3)	(3)
Net increase in unrealized gain on available-for-sale securities	—	—	—	—	—	246	—	—	246
BALANCE, MARCH 31, 2006	18,399,790	8,740	8,943	38	7,858	345	—	(3)	25,921
Net income	—	—	—	—	9,287	—	—	—	9,287
Cash dividends	—	—	—	—	(1,840)	—	—	—	(1,840)
Repurchase of treasury stock	(190)	—	—	—	—	—	—	(3)	(3)
Stock split (Note 8)	18,399,737	—	—	—	—	—	—	—	—
Net change in the year	—	—	—	—	—	(71)	¥ 1	—	(70)
BALANCE, MARCH 31, 2007	36,799,337	¥ 8,740	¥ 8,943	¥ 38	¥ 15,305	¥ 274	¥ 1	¥ (6)	¥ 33,295

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings		Unrealized Gain on Available- for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
		Additional Paid-in Capital	Legal Reserve	Unappropriated				
BALANCE, MARCH 31, 2006	\$ 74,011	\$ 75,730	\$ 322	\$ 66,543	\$ 2,921	—	\$ (25)	\$ 219,502
Net income	—	—	—	78,643	—	—	—	78,643
Cash dividends	—	—	—	(15,581)	—	—	—	(15,581)
Repurchase of treasury stock	—	—	—	—	—	—	(26)	(26)
Net change in the year	—	—	—	—	(601)	\$ 9	—	(592)
BALANCE, MARCH 31, 2007	\$ 74,011	\$ 75,730	\$ 322	\$ 129,605	\$ 2,320	\$ 9	\$ (51)	\$ 281,946

See notes to financial statements.

Notes to Financial Statements

Sumitomo Titanium Corporation
Years Ended March 31, 2007 and 2006

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying financial statements have been prepared from the accounts maintained by Sumitomo Titanium Corporation (the "Company") in accordance with the provisions set forth in the Corporate Law of Japan or the Commercial Code of Japan and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan ("ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the statement of changes in equity" in the current fiscal year.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118.09 to \$1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Non-consolidation - The financial statements do not include the accounts of subsidiaries because the Company does not have any subsidiaries. Investments in an associated company is stated at cost.

(b) Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

(c) Inventories - Inventories are stated at the lower of cost, determined by the average method, or market.

(d) Investment Securities - Investment securities are classified and accounted for, depending on management's intent, as follows: i) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings, ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, iii) investment securities in an associated company is reported at cost, and iv) available-for-sale securities, which are not classified as either of the aforementioned securities, are

reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(e) Investments in an Associated Company - Investment in an associated company is stated at cost. If the equity method of accounting had been applied to the investments in the company, retained earnings at the beginning of 2007 and 2006 would be increased by ¥3 million (\$25 thousand) and ¥3 million, equity in earnings of an unconsolidated associated company would amount to ¥267 million (\$2,261 thousand) and ¥275 million for the years ended March 31, 2007 and 2006, respectively, and as a result, retained earnings at March 31, 2007 and 2006 would be decreased by ¥8 million (\$68 thousand) and increased by ¥0.2 million, respectively.

(f) Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, at rates based on the estimated useful lives of the assets prescribed by Japanese Corporate Tax Law.

Notes to Financial Statements

Sumitomo Titanium Corporation
Years Ended March 31, 2007 and 2006

(g) Long-lived Assets - The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(h) Liability for Retirement Benefits - Employees who retire at or after age 60 are entitled to their benefits in the form of an annuity. The funds for the annuity payments are entrusted to an outside trustee.

The Company accounts for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

Prior to March 31, 2006, retirement benefit to directors and corporate auditors were provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date (see Note 7). In June, 2006, the Company terminated retirement benefit to directors and corporate auditors. The balance of benefits granted prior to the termination date in the amount of ¥119 million (\$1,008 thousand) is included in other long-term liabilities as of March 31, 2007.

(i) Presentation of Equity - On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

The balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

(j) Research and Development Costs - Research and development costs are charged to income as incurred.

(k) Leases - All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(l) Bonuses to Directors and Corporate Auditors - Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors", which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors in the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes for the year ended March 31, 2007 by ¥34 million (\$288 thousand).

(m) Income Taxes - The provision for income taxes is computed based on the pretax income included in the 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 between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(n) Appropriations of Retained Earnings - Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(o) Foreign Currency Transactions - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. However, short-term and long-term receivables and payables covered by forward exchange contracts are translated at the contract rates.

(p) Derivatives and Hedging Activities - The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Company to reduce foreign currency exchange and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of raw materials from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

(q) Per Share Information - Basic net income per share is computed by dividing net income available to common

shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

The computation of net income per common share is based on the weighted average number of shares outstanding. The weighted average number of common shares outstanding used in the computation were 36,799,455 and 36,408,542 for fiscal 2007 and 2006, respectively.

Cash dividends per share presented in the accompanying statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(r) New Accounting Pronouncements

Measurement of Inventories - Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting - On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Notes to Financial Statements

Sumitomo Titanium Corporation
Years Ended March 31, 2007 and 2006

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Non-current:			
Marketable equity securities:			
Kobe Steel, Ltd., a principal shareholder	¥ 296	¥ 279	\$ 2,507
Other	287	425	2,430
Non-marketable equity securities	4	4	34
Total	¥ 587	¥ 708	\$ 4,971

The carrying amounts and aggregate fair values of investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 122	¥ 461	—	¥ 583

	Millions of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 122	¥ 582	—	¥ 704

	Thousands of U.S. Dollars			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 1,033	\$ 3,904	—	\$ 4,937

4. INVESTMENTS IN AND ADVANCES TO AN ASSOCIATED COMPANY

Investments in and advances to an associated company at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Investments (non-marketable securities)	¥ 272	¥ 272	\$ 2,303
Advances	1,750	1,750	14,819
Total	¥ 2,022	¥ 2,022	\$ 17,122

5. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Finished products	¥ 2,505	¥ 2,002	\$ 21,212
Work in process	1,388	1,338	11,754
Raw materials and supplies	2,168	1,825	18,359
Total	¥ 6,061	¥ 5,165	\$ 51,325

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2007 and 2006 consisted of notes to banks and bank overdrafts.

The weighted average interest rate of short-term loans as of March 31, 2007 and 2006 were 1.0% and 0.6%, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Loans from banks due serially to 2010 with interest rates ranging from 0.9% to 1.2% (2007) and from 1.0% to 1.4% (2006) - Unsecured	¥ 1,950	¥ 2,000	\$ 16,512
Less current portion	50	50	423
Long-term debt, less current portion	¥ 1,900	¥ 1,950	\$ 16,089

Annual maturities of long-term debt at March 31, 2007 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 400	\$ 3,387
2010	¥ 1,500	12,702
Total	¥ 1,900	\$ 16,089

Notes to Financial Statements

Sumitomo Titanium Corporation
Years Ended March 31, 2007 and 2006

7. LIABILITY FOR RETIREMENT BENEFITS

The liability (asset) for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥ (2,657)	¥ (2,573)	\$ (22,500)
Fair value of plan assets	2,216	2,101	18,765
Unrecognized actuarial loss	149	165	1,262
Prepaid pension cost	(758)	(724)	(6,419)
Net liability	¥ (1,050)	¥ (1,031)	\$ (8,892)

The Company also had recorded a liability for unfunded retirement benefit plan for its directors and corporate auditors in the amount of ¥109 million as of March 31, 2006.

The components of net periodic benefit costs are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥ 127	¥ 126	\$ 1,075
Interest cost	51	52	432
Expected return on plan assets	(42)	(37)	(356)
Recognized actuarial loss	16	27	136
Net periodic benefit costs	¥ 152	¥ 168	\$ 1,287

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Recognition period of actuarial gain/loss	17 years	17 years

8. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in

capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On November 18, 2005, the Company made a two for one stock split by way of a free share distribution and 9,200,000 shares were issued to shareholders of record on September 30, 2005.

On October 1, 2006, the Company made a two for one stock split by way of a free share distribution and 18,400,000 shares were issued to shareholders of record on September 30, 2006.

Notes to Financial Statements

Sumitomo Titanium Corporation
Years Ended March 31, 2007 and 2006

9. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets (current):			
Accrued bonus	¥ 148	¥ 177	\$ 1,253
Accrued enterprise taxes	362	240	3,066
Social insurance	19	23	161
Other	5	5	42
Net deferred tax assets (current)	¥ 534	¥ 445	\$ 4,522
Deferred tax assets (non-current):			
Loss on revaluation of golf club membership	¥ 36	¥ 35	\$ 305
Liability for retirement benefits	119	169	1,008
Other long-term liabilities - terminated retirement benefit to directors and corporate auditors	48		406
Other	78	38	661
Total	281	242	2,380
Deferred tax liabilities (non-current):			
Unrealized holding gains on "Other securities"	187	236	1,584
Total	187	236	1,584
Net deferred tax assets (non-current)	¥ 94	¥ 6	\$ 796

The reconciliation of the differences between the normal effective statutory tax rate and the actual effective tax rate as of March 31, 2007 and 2006 was not disclosed because the differences were not material.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥751 million (\$6,360 thousand) and ¥657 million for the years ended March 31, 2007 and 2006, respectively.

11. LEASES

The Company leases certain automotive equipment and other equipment.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2007 and 2006 were ¥12 million (\$102 thousand) and ¥8 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006, was as follows:

	Millions of Yen					
	2007			2006		
	Automotive Equipment	Other Equipment	Total	Automotive Equipment	Other Equipment	Total
Acquisition cost	¥ 29	¥ 38	¥ 67	¥ 23	¥ 38	¥ 61
Accumulated depreciation	(12)	(15)	(27)	(6)	(8)	(14)
Net leased property	¥ 17	¥ 23	¥ 40	¥ 17	¥ 30	¥ 47

	Thousands of U.S. Dollars		
	2007		
	Automotive Equipment	Other Equipment	Total
Acquisition cost	\$ 246	\$ 322	\$ 568
Accumulated depreciation	(102)	(127)	(229)
Net leased property	\$ 144	\$ 195	\$ 339

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 13	¥ 12	\$ 110
Due after one year	27	35	229
Total	¥ 40	¥ 47	\$ 339

The amount of acquisition cost and obligations for finance leases include the imputed interest expense portion.

Depreciation expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥ 13	¥ 8	\$ 110

Depreciation expense which is not reflected in the accompanying statements of income, is computed by the straight-line method.

Interest expense is included in depreciation expense because interest expense is not material.

Notes to Financial Statements

Sumitomo Titanium Corporation
Years Ended March 31, 2007 and 2006

12. CONTINGENT LIABILITIES

At March 31, 2007, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans of employees	¥ 588	\$ 4,979

13. RELATED PARTY TRANSACTIONS

Related party transactions are summarized below:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Sumitomo Metal Industries, Ltd., a principal shareholder:			
Net sales	¥ 2,856	¥ 2,752	\$ 24,185
Accounts receivable	1,283	1,348	10,865
ST Real Estate Corporation, an associated:			
Rental expense for land	¥ 110	¥ 122	\$ 931
Interest income	47	54	398
Advance	1,750	1,750	14,819

14. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2007 was approved at the Board of Directors held on May 23, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (\$0.25) per shares	¥ 1,104	\$ 9,349



To the Board of Directors of Sumitomo Titanium Corporation:

We have audited the accompanying balance sheet of Sumitomo Titanium Corporation as of March 31, 2007, and the related statements of income, changes in equity, and cash flows for the year then ended, all expressed in Japanese 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. The financial statements of Sumitomo Titanium Corporation for the year ended March 31, 2006 were audited by other auditors whose report, dated June 23, 2006, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Titanium Corporation as of March 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 22, 2007

Total Number of Shares (as of March 31, 2007)

Total shares issuable (Shares)	125,760,000
Shares issued (Shares)	36,800,000

Changes in Total Shares Outstanding and Capital

Date	Increases in Total Shares Outstanding (Shares)	Balance of Total Shares Outstanding (Shares)	Increases in Capital (Thousands of Yen)	Balance of Capital (Thousands of Yen)	Increases in Additional Paid-in Capital (Thousands of Yen)	Balance of Additional Paid-in Capital (Thousands of Yen)
July 15, 2005* ¹	340,000	9,200,000	2,156,620	8,739,620	2,156,076	8,943,076
November 18, 2005* ²	9,200,000	18,400,000	—	8,739,620	—	8,943,076
October 1, 2006* ²	18,400,000	36,800,000	—	8,739,620	—	8,943,076

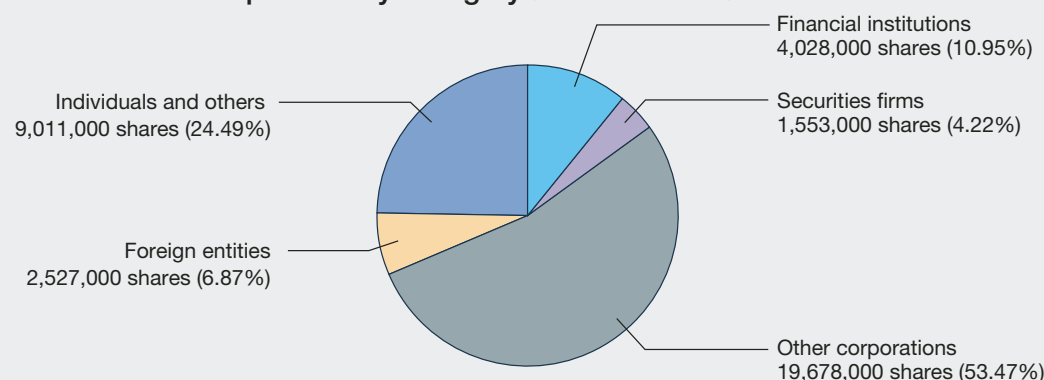
*1 Compensated public offering (book building method)

Issue price ¥13,230 Underwriting price ¥12,684.40

Issue value ¥12,684.40 Paid-in capital ¥6,343

*2 Increase in number of shares is the result of a two-for-one stock split.

Shareholder Composition by Category (as of March 31, 2007)



Major Shareholders (as of March 31, 2007)

Name of Entity	Shares Held (Thousands of Shares)	Ratio of Shares Held to Total Shares Outstanding (%)
Sumitomo Metal Industries, Ltd.	8,800	23.91
Kobe Steel, Ltd.	8,800	23.91
Sumitomo Corporation	1,600	4.35
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,398	3.80
Japan Trustee Services Bank, Ltd. (Trust Account)	850	2.31
Japan Securities Finance Co., Ltd.	561	1.53
Morgan Stanley & Co. International Limited (standing proxy: Morgan Stanley Japan Securities Co., Ltd.)	194	0.53
Daiwa Securities Co. Ltd.	182	0.50
Mitsubishi UFJ Securities Co., Ltd.	162	0.44
Bank of New York GCM Client Accounts EISG (standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	161	0.44
Total	22,710	61.72

Note: Of the share holdings listed above, those involved in trust services are shown below.

The Master Trust Bank of Japan, Ltd. (Trust Account) 1,185,000 shares

Japan Trustee Services Bank, Ltd. (Trust Account) 707,000 shares

Corporate Profile

Company	SUMITOMO TITANIUM CORPORATION
Established	November 26, 1952
Paid-up capital	8,739,620,000 yen (as of March 31, 2007)
Market listings	Tokyo Stock Exchange (1st section)
Employees	445 (as of March 31, 2007)
President	Masaaki Tachibana
Location	Headquarters/ 1 Higashihaman-cho, Amagasaki, Hyogo 660-8533, Japan Tel.+81-6-6413-9911 Fax.+81-6-6413-4343 Tokyo Office (Sales & Marketing)/ Shimbashi Sumitomo Building 6F, 5-11-3 Shimbashi, Minato-ku, Tokyo 105-0004, Japan Tel.+81-3-5776-3101 Fax.+81-3-5776-3111
Major products	Titanium Business Titanium metal (titanium sponge) Titanium ingot (pure titanium, titanium alloy) Ferro-titanium Semiconductor-Related Products Business Polycrystalline silicon (semiconductor-grade) Tetrachloride aqueous solution High-purity titanium Silicon tetrachloride Environment-and Energy-Related Products Business Silicon monoxide (SiO) Titanium powder Titanium hydride

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
2006	Increase in nominal annual production of titanium sponge from 18,000 tons to 24,000 tons
2007	Raised polycrystalline silicon production capacity from 900 tons a year to 1,300 tons



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