

Corporate Profile

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

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

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Safe Harbor Note on Forward-Looking Statements

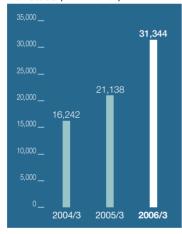
Please be advised that this annual report includes not only the Company's past and present facts but also forward-looking statements about the Company's business and business environments. Such forward-looking statements, which are the assumptions or judgments based on the information as of the report 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.

Financial Highlights

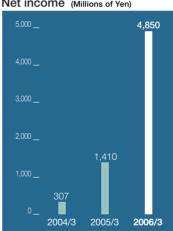
	March, 2004	March, 2005	March, 2006	March, 2006
For the year (Millions of Yen) (Thousands of U.S. Dollars)				
Net sales	¥ 16,242	¥ 21,138	¥ 31,344	\$ 266,799
Operating income	706	2,470	8,368	71,229
Net income · · · · · · · · · · · · · · · · · · ·	307	1,410	4,850	41,282
At Year-End (Millions of Yen) (Thousands of U.S. Dollars)				
Total assets	29,279	33,112	46,319	394,275
Total shareholders' equity	15,721	16,914	25,921	220,643
Per Share Data (Yen) (U.S. Dollars)				
Shareholders' equity	1,774.36	1,908.96	1,408.78	11.99
Net income	34.64	159.20	266.41	2.27
Equity ratio (%)	53.7	51.1	56.0	56.0
Retum on equity (%)	2.0	8.6	22.5	22.5

The conversion of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate on March 31, 2006, which was ¥117.48=U.S.\$1

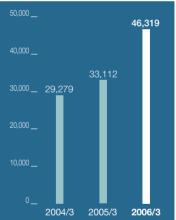
Net sales (Millions of Yen)



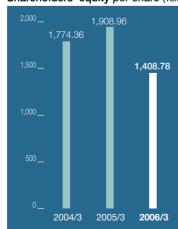
Net income (Millions of Yen)



Total assets (Millions of Yen)

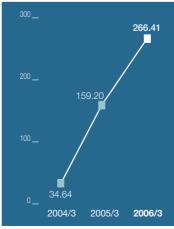


Shareholders' equity per share (Yen)

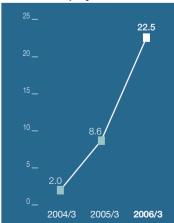


The Company carried out a 1:2 stock split that came into force on November 18, 2005.

Net income per share (Yen)



Retum on equity (%)



Products and Markets

Taking the Role of a World-Leading Titanium and Silicon Supplier

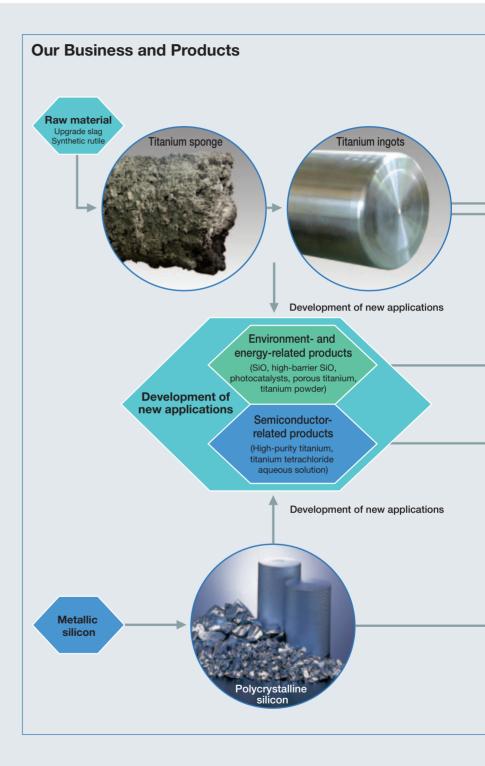
Lightweight, strong and corrosion-resistant—titanium is mankind's dream metal, boasting all these properties. The fields of application for titanium are profuse, through products spanning aircraft, large-scale plants, automobile parts, medical equipment, golf clubs, eyeglass frames and ornamental articles.

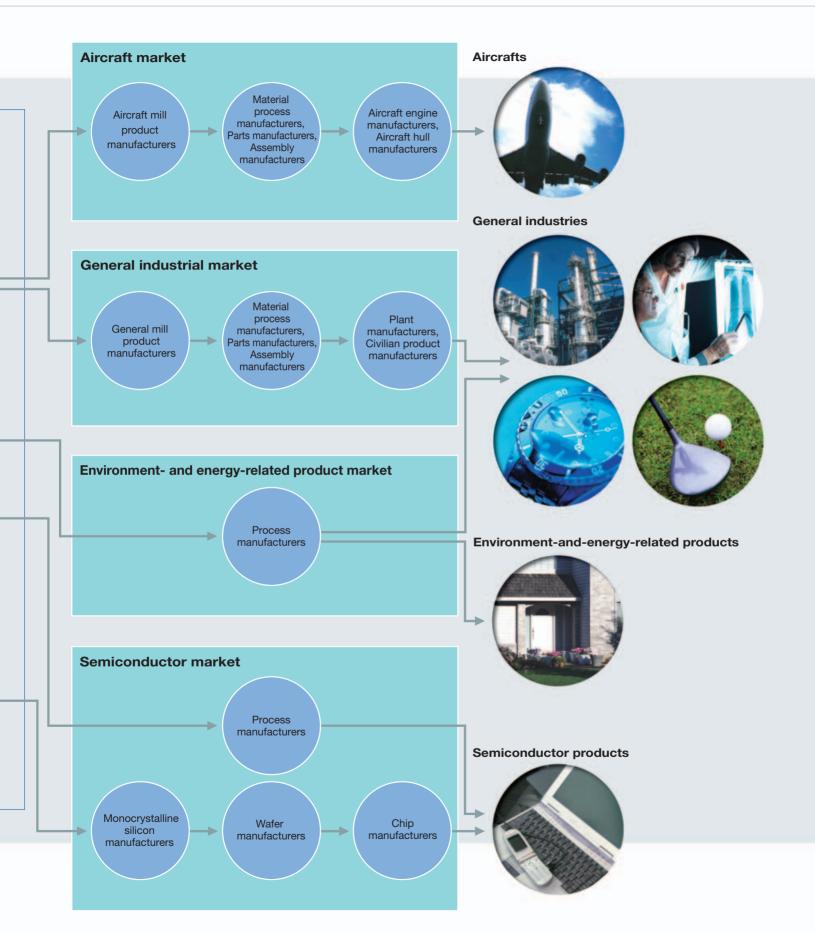
Electronic products using semiconductors, such as digital consumer electronic goods and personal computers, have penetrated deeply throughout our lives. Stable supply of silicon as a semiconductor material therefore is a pillar supporting our lifestyles.

The 21st century has been described as the age of the environment. Sumitomo Titanium's two major products, titanium and silicon, are optimum materials to meet the needs of this age. Titanium consumption is accelerating from the standpoint of energy conservation, for low-fuel-consumption aircraft with high-volume titanium use and automobile development and production. Meanwhile, silicon has become an indispensable material for solar energy generation, which is a leading clean energy.

With the emergence of environmental preservation as a major factor in operations, Sumitomo Titanium is facing escalating titanium and silicon applications in increasingly diverse fields. We will continue to take the role of a world-leading titanium and silicon supplier.

Supplying Approximately 20% of the World's Titanium Sponge Total world annual titanium sponge production is currently approximately 127,900 tons. Leading producers are Japan, the United States, Russia, Khazafstan, the Ukraine and China. Sumitomo Titanium estimates that its annual production capacity of 24,000 tons represents approximately 20% of this figure. Annual production capacity for titanium sponge Sumitomo Titanium: 24,000 tons Worldwide:127,900 tons



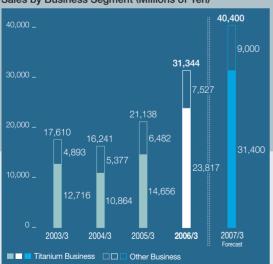


To Our Shareholders and Friends

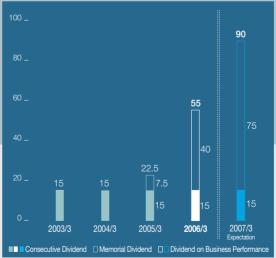
With record profits resulting from global demand growth, Sumitomo Titanium is aggressively promoting investment in medium-and long-term growth and returns for shareholders.



Sales by Business Segment (Millions of Yen)



Cash Dividends Per Share (Yen)



The Company carried out a 1:2 stock split that came into force on October 1, 2006. While the interim dividend remains at ¥45, the year-end dividend, calculated on the basis of shareholdings subsequent to this adjustment, is ¥22.5.

Business overview for the year ended 31 March 2006

Sumitomo Titanium Corporation promoted operational development through its mid-term business plan, implemented in February 2005 for the fiscal years 2005 to 2007. This plan aims to reinforce earnings based on three pillars: titanium, semiconductor-related products, and environmentand energy-related products. Overall, market conditions were extremely favorable for titanium business during the year, as well as for the Company's other businesses.

Our titanium business progressed through continued high level of domestic demand for mill products, with expanding exports led by a sharp increase in new orders for civilian aircraft, primarily new models with high-volume titanium use. Supply and demand for titanium sponge continued to experience stringent conditions. Sumitomo Titanium responded by reinforcing titanium sponge production capacity, realizing a 24,000-ton annual production system that gained the Company merits as a market leader. Moreover, titanium market prices rose sharply against the background of tight supply and demand, resulting in a jump in titanium business sales of 62.5%, to ¥23,817 million.

Semiconductor-related products business benefited from robust sales of polycrystalline silicon, high-purity titanium and other products. There was significant demand growth for polycrystalline silicon, led by semiconductor demand arising for solar cells, against a global supply deficiency that spurred selling price rises. Sales from environment- and energy-related products were boosted by increased sales of silicon monoxide for packing materials, contributing to total growth in sales from the Company's other businesses of 16.1%, to ¥7,527 million.

The above performances represent another year of growth in sales and profit for the Company: net sales rose 48.3% compared to the previous fiscal year to ¥31,344 million; operating income leapt 238.8% to ¥8,368 million; and net income jumped 243.8% to ¥4,850 million. These results show that

numerically Sumitomo Titanium has achieved the first-year targets of its mid-term business plan.

Dividend policy

Sumitomo Titanium is strengthening its management base to ensure shareholder value, while prioritizing management that returns profits to shareholders. As a result of the favorable results for the year, the dividend is estimated to increase to 55 yen per share.

Sumitomo Titanium's share price continued to escalate during the year, reflecting the Company's performance. In order to foster an environment that encourages further investment by shareholders, we carried out a 1:2 stock split that came into force on 18 November 2005.

The Company plans to amend its articles of association to implement a mobile dividend following implementation of Company Law. In accordance, from the term ending March 2007, a stable dividend of 15 yen per share will be established, with a performance-linked supplement targeting a payout ratio of 20%. We think that this will best realize direct return to shareholders.

Principal strategies during the term

During the term under review, Sumitomo Titanium aggressively pursued the strategies of its mid-term business plan, for the most part smoothly advancing with the plan's agenda for its first fiscal year. Notably, each step toward increasing titanium sponge production capacity—a key point in the plan—was fully and strategically achieved. The first phase to raise annual production 4,000 tons was started in October 2005, and the second phase to add a further 2,000 tons per year was completed in March 2006. The Company is currently shifting to a 24,000-ton annual production system.

As with titanium, there is global supply deficit for polycrystalline silicon. We have raised productivity to boost production capacity to our target of 900

tons per year, and consequently achieved growth in sales.

Research into a new titanium sponge production method is another objective of the mid-term business plan that advanced during the year. This has been authorized as a national project, which should accelerate research and development to progress on schedule with the other strategies of the plan.

Total capital investment for the year was ¥9,306 million, primarily related to boosting sponge titanium production capacity. This investment was partially realized through a capital increase of ¥4,312 million carried out in July 2005, with the remainder derived from funds on hand.

Foci and prospects for the next term

During the fiscal year ending March 2007, we expect our titanium business to advance, spurred by continuing high demand for mill products from the domestic market and for exports. Although some other titanium sponge manufacturers plan to increase production, the tight supply-demand balance is forecast to continue. The Company plans fulfill its responsibilities as service provider by utilizing its annual production capacity of 24,000 tons to attain stable production and supply. Moreover, selling prices should benefit from new contract prices for mill products for the domestic market and export, which have been determined at twice the level of the previous year. As a result, titanium business sales of ¥31,400 million are anticipated for the next year, an increase of 31.8%.

Semiconductor-related products are forecast to progress on the back of polycrystalline silicon and high-purity titanium sales arising from solid semiconductor demand. In particular, a 44% expansion of current polycrystalline silicon capacity, from 900 tons to 1,300 tons, has been determined in response to concerns over an aggravated supply deficit accompanying growth in demand for solar cells. The Company's environment- and energy-related products business is expected to benefit from steady sales expansion for such new products as silicon monoxide (SiO) for packaging materials

and photocatalysts. As a result, Sumitomo Titanium's other businesses are expected to generate sales of ¥9,000 million during the year, a rise of 19.6%.

In this operating environment, the Company forecasts a third consecutive year of growth in sales and profit for the year ending 31 March 2007, with net sales rising 28.9% to ¥40,400 million, operating income expanding 71.6% to ¥14,360 million, and net income rising 73.2% to ¥8,400 million. Sumitomo Titanium forecast a dividend of ¥90 per share for the year (¥45 interim and ¥45 at year-end). However, the Company carried out a 1:2 stock split that came into force on October 1, 2006. While the interim dividend remains at ¥45, the year-end dividend, calculated on the basis of shareholdings subsequent to this adjustment, is ¥22.5. Accordingly, the dividend for the year is forecast at ¥67.5 per share.

Our results have largely met the first-year targets set in our mid-term business plan. However, the plan's integral objectives to establish Sumitomo Titanium as the world's leading titanium sponge manufacturer in terms of quality and quantity and to expand investment in research and development in such fields as photocatalyst research to reinforce our management base for the future remain to be achieved. The Company shall continue to strive for fulfillment of these aims during the next year. However, while still executing the existing plan, we are formulating new mid-term business plan, better attuned to current conditions, which will form the basis to propel our development from March 2008. The date of release of the new mid-term business plan should be announced around February 2007.

We would like to thank our shareholders and many stakeholders for their understanding cooperation.

Masaahi Tachibana

July 2006 Sumitomo Titanium Corporation President

Masaaki Tachibana



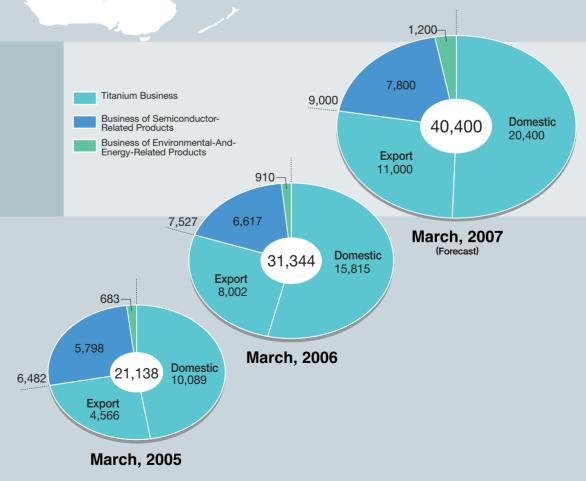
Results and Overview by Business

Operating Performance

During the year, all three of Sumitomo Titanium's business areas enjoyed demand growth, which spurred overall rises in market prices. As a result, net sales rose 48.3% compared to the previous fiscal year, to ¥31,344 million. These trends are forecast to continue through fiscal 2006 and beyond, supported in each segment by increasing demand and expanding applications, even taking into account the capacities of other manufacturers. Consequently, we anticipate net sales to step up 28.9%, to ¥40,400 million during the next fiscal year.

Estimated Risks and Action Plans

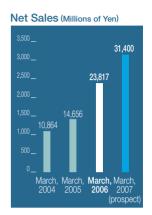
The demand for titanium and silicon, our major products, are closely connected to the business conditions of the aircraft and information technology industries. In that sense, we assume the risks of demand fluctuations caused by international and economic affairs, as well as price fluctuations owing 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

Overview of the current term

Domestic demand for titanium mill products advanced, principally led by high demand for power, chemical and seawater desalination plants in Asia and the Middle East and for marine heat exchangers. Exports were spurred by continued growth in demand for aircraft resulting from substantial increases in new contracts for civilian aircraft, primarily fuel-efficient new models with high-volume titanium use, against a background of global expansion in airline passenger demand and fuel price escalation. In addition, the tight titanium sponge supply-demand balance continued. In this environment, the domestic market and export selling price for mill products leapt approximately three-fold compared with the previous year, and the market price rose sharply with steady demand for additives to steel. As a result, titanium business sales jumped 62.5% compared with the previous year, to ¥23,817 million.



Outlook for the next term

Demand for mill products from the domestic market and for exports is expected to continue at its high level. Although some other titanium sponge manufacturers plan to increase production, the tight supply-demand balance is forecast to continue. The Company plans fulfill responsibilities as service provider by fully utilizing new annual production capacity of 24,000 tons, which was boosted in March 2006, to attain stable production and supply. Moreover, selling prices should benefit from new contract prices for mill products for the domestic market and export, which have been determined at twice the level of the previous year. As a result, titanium business sales of ¥31,400 million are anticipated for the next year, an increase of 31.8%.



Titanium Tetrachloride Distillation Tower



Titanium Sponge



Titanium Ingot

Major Products

Properties and Applications of Titanium Sponge

Using the Kroll method, Sumitomo Titanium manufactures various types of titanium sponge to respond to diverse user needs. The Company's titanium sponge finds applications in such fields as aircraft and aerospace, general industry and specialty stainless steel production. In particular, we employ a stringent quality control system to produce premium-grade titanium sponge for aircraft hull parts.

Properties and Applications of Titanium Ingots

Sumitomo Titanium uses titanium sponge manufactured in-house to produce titanium ingots on a large scale (5 to 10 tons), with the surface and internal quality of pure-titanium ingots. Applications are led by heat exchangers and piping for such large-scale plants as petrochemical plants, thermal and nuclear powergeneration plants and seawater desalination plants.

Properties and Applications of Titanium Tetrachloride

Titanium tetrachloride is an interim byproduct of the titanium sponge manufacturing process. Our titanium tetrachloride products are refined subject to stringent quality control and transported in containers tailored to product form. They are primarily applied as manufacturing materials for such polyolefin materials as polypropylene and polyethylene and as a material for specialty titanium oxide.

Semiconductor-Related Products Business

Overview of the current term

Sumitomo Titanium's semiconductor-related products business was propelled by polycrystalline silicon and high-purity titanium sales levels. Principal contributors were demand for our products in digital consumer electronics, which has completed its inventory adjustment phase, continued solid growth in demand for use in personal computers, and a jump in demand resulting from expanding applications in automobiles. In particular, marked growth in demand for solar cells stimulated semiconductor demand, causing a global supply deficit for polycrystalline silicon. In this environment, polycrystalline silicon selling prices rose, leading to a 14.1% increase in sales from our semiconductor-related business, to ¥6,617 million.

Outlook for the next term

Semiconductor-related products are forecast to progress on the back of polycrystalline silicon and high-purity titanium sales arising from solid semiconductor demand. Moreover, we anticipate benefits from a revision in selling price as a result of a jump in selling price for new contracts for polycrystalline silicon from February 2006. Concerns over an aggravated supply deficit accompanying growth in demand for solar cells have boosted orders from our clients, so we have resolved to invest in a 44% expansion of current polycrystalline silicon production capacity, from 900 tons to 1,300 tons. Sales from semiconductor-related business for the next year are estimated to increase 17.9% to ¥7,800 million.

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Polycrystalline Silicon Production Facilities

Polycrystalline Silicon

Major Products

Properties and Applications of Polycrystalline Silicon

Properties and Applications of Silicon Tetrachloride

Sumitomo Titanium recovers highgrade silicon tetrachloride, which is a byproduct of the high-purity silicon manufacturing process. Ultrahigh-purity silicon tetrachloride is produced by repeated refining. Silicon tetrachloride is used as a material for high-precision optical lenses and synthetic quartz, and in semiconductor photomasks and optical fibers. Properties and Applications of High-Purity Titanium

The Company's 99.999%-purity titanium is applied as an indispensable sputtering target material for semiconductor production.

Properties and Applications of TiCl₄ Aqueous Solution

Titanium tetrachloride aqueous solution is produced by refining and dissolving in water titanium tetrachloride, which is an interim product of the titanium sponge manufacturing process. It is used as a material for titanium oxide, ceramic condensers and other applications.

Environment-and Energy-Related Products Business

Overview of the current term

Heightened global awareness of environmental preservation has stimulated interest in environmental purification products, which has highlighted the Company's silicon monoxide (SiO), photocatalyst and porous titanium.

Demand for titanium powder has advanced steadily, led by application of its metal-allergy-free properties as a material for microscopic parts for medical equipment and appliances. During the fiscal year, growth in sales of SiO for packaging materials boosted sales from Sumitomo Titanium's environment- and energy-related products business 33.1% to ¥910 million.

Outlook for the next term

Sales of such new products as SiO for packaging materials and photocatalysts are forecast to expand steadily, supported by growing environmental awareness. Such new products as high-barrier SiO, porous titanium and titanium powder are expected to realize their potential as frontline Sumitomo Titanium products. We are reinforcing development and promoting marketing of products to respond to rising consciousness of environmental preservation throughout industry and society.

The Company also actively participates in exhibitions and other events and promotes environmental- and energy-related products. During the next year, we anticipate a rise of 31.9% in sales from environmental- and energy-related products business, to ¥1,200 million.

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Titanium Powder



Titanium Oxide Photocatalysts

Major Products

Properties and Applications of Silicon Monoxide (SiO)

As a material for high-purity silicon, the Company's SiO is a widely used high-quality product in vacuum technologies for titanium sponge manufacturing. It is used as a protective film material for electrical parts, electronic components and devices, and other applications.

Properties and Applications of Titanium Oxide Photocatalysts

Ultraviolet-responsive photocatalysts manufactured and marketed by Sumitomo Titanium are produced using a unique chemical vapor deposition (CVD) process that involves direct deposition on a substrate surface. Accordingly, they boast excellent characteristics in terms of high activity and uniform thickness of deposition on the substrate.

Properties and Applications of Titanium Powder

Sumitomo Titanium is the world's first company to employ gas atomization successfully to realize TILOP, a titanium powder characterized by true spherical form. It is applied to metal injection molding in the fabrication of minute metal parts. Titanium powder manufactured by the hydrogenation/dehydrogenation method is ideal as a material for pressable powder metallurgy. It can be used as a getter material for vacuum tubes and for liquid crystal backlight parts.

Properties and Applications of Porous Titanium

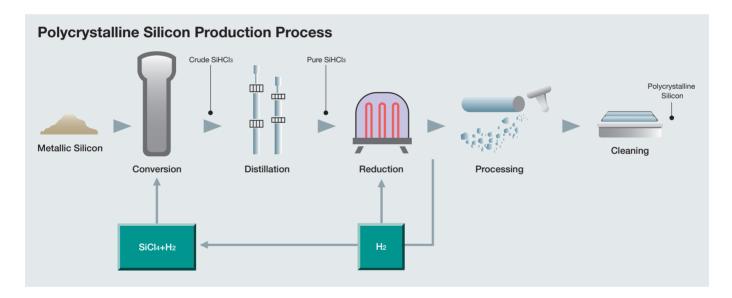
TIPOROUS, a porous titanium obtained from sintering spherical titanium powder, combines the excellent properties of titanium with the characteristics of lightness and uniform pore distribution of porous substances. It is expected to find applications as a material for parts in fuel cells.



Reinforced Polycrystalline Silicon Production Capacity

During fiscal 2005, the worldwide polycrystalline silicon supply-demand balance shifted from a supply surplus to a supply deficit as a result of expansion in demand for use in solar cells along with the recovery in demand as semiconductor materials. Demand from both these sectors is forecast to continue with sufficient impetus that indications from major world suppliers of intentions to boost production capacity aimed at solar cells will not interrupt immediate tight demand conditions.

We are currently working at full capacity to produce and ship polycrystalline silicon to meet demand for semiconductors. Accordingly, Sumitomo Titanium has decided to invest ¥5.4 billion to boost production its capacity to meet forecast increases in demand for the manufacture of silicon wafers for semiconductors by its clients. This initiative will bolster the current annual production capacity for 900 tons by 400 tons to create a 1,300-ton annual production capacity by June 2007. The investment will principally be used to add a fourth conversion furnace, to boost the 9 current distillation columns to 11 and to add a seventh reduction furnace. The new facilities are anticipated to commence shipments in July 2007.



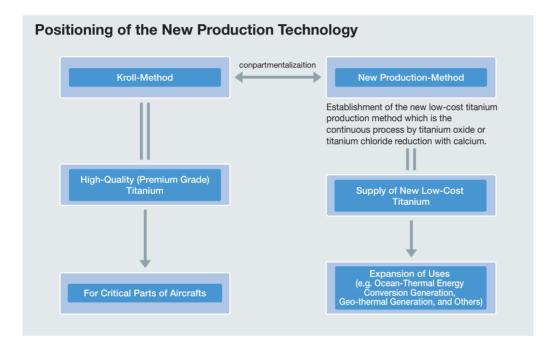
Research and Development Efforts

To fortify its business base for the future, Sumitomo Titanium has earmarked ¥2.8 billion for investment in R&D over three years from fiscal 2005 to fund development of new products and a new production method that will facilitate low-cost production of titanium sponge. We are currently carrying out a technological development program to enable mass production of ultraviolet and visible light responsive photocatalysts, which find environmental protection applications through air purification and their antibacterial, deodorizing, water-purifying and antifouling properties. Other technologies now into mass production are porous titanium, which is anticipated to find applications in as a material for parts in the hydrogen-generation units of fuel cells—cited as a clean energy as they generate only water on combustion—and high-barrier SiO, which has such expanding uses as sealants for organic EL.

We are researching a new production method to implement radical cuts to the costs of our

primary product, titanium, which has had its widespread use constrained by this factor. Using this method, we will slash the cost of the titanium sponge we manufacture to approximately one-third of premium-grade products. We established trial facilities in house in March 2006, which are currently under preparation to go on line. During fiscal 2005, research into this new production method was authorized as a national project, and as a core team member for this project we are targeting 2010 for establishment of a high-efficiency integrated bench plant.

Through its R&D drive into the new products and technologies of the future, Sumitomo Titanium is further enhancing its own corporate value.



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.

Environmental Preservation

Our Basic Philosophy on Environmental Protection

Under the slogan "Let's preserve our precious earth for our children and grandchildren," Sumitomo Titanium has been making environmental protection a top management priority.

Titanium and silicon, the Company's primary products, are leading-edge materials supporting the next generation of technologies. Through lightweight, strong and corrosion-resistant products, titanium offers energy-saving functionality compared to other materials. Moreover, in addition to its applications in information technology, silicon contributes to environmental preservation through use in solar cells that promote effective use of natural energy. In this way, we are proud to contribute to global environmental protection by supplying our products to customers.

However, these are high-value-added, leading-edge materials, so we cannot disguise the fact that their production processes are energy intensive and carry an environmental burden. Accordingly, Sumitomo Titanium wholeheartedly pursues a variety of environmental protection activities from a regional level to global scale. We also aim to create a production system with reduced environmental impact and promote development of such eco-friendly products as photocatalysts.

Cleaning activities in a local neighborhood

Environmental Protection Activities

Our employees operate with a high environmental consciousness Companywide and participate in various social contribution activities. Within the Company, we sort trash for collection, recycle paper and containers and operate a green procurement policy. Moreover, staff carry out voluntary cleaning and weeding activities in the neighborhood around the Company. Part of office facilities are dedicated to a rooftop garden, which helps with energy saving and atmospheric pollution.

Examples of our social contribution activities involving government bodies and regional companies for Shogegawa waterway oil spill countermeasures.



Participation in Osaka Bay Clean Strategy activities

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.

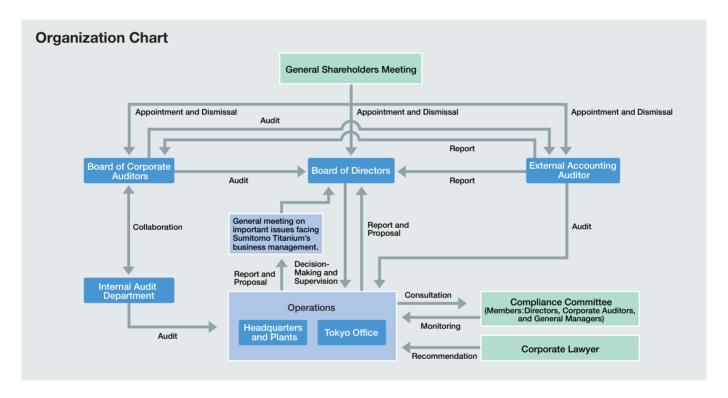


Registry Number JQA-EM0386 (Corporate Headquarters)

Corporate Governance

Basic Policy on Corporate Governance

Sumitomo Titanium aims to continue to build its corporate value through efficient, transparent and robust management, while gaining the trust of all its stakeholders_customers, shareholders, regional communities and staff. 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 the execution of their duties. We also employ a corporate auditor system, comprising four corporate auditors, two of whom are external.



Compliance and Risk Management Policy

In fiscal 2002, we established the Corporate Activity Rule, which states our commitment to comply with the laws of all countries, international rules and the accompanying philosophies and to act with social integrity. The Company has also established a Compliance Committee to guarantee legal and social compliance in the execution of management, to prevent crises and to ensure swift and appropriate decision-making in the eventuality of emergencies. The committee is chaired by the president and CEO and consists of directors, corporate auditors and general managers. It monitors the Company's state of compliance with laws and regulations and investigates corporate response to legal reforms. We recognize the importance of appropriate management of the diverse risks that accompany the Company's operations to optimize continuous corporate value in the face of major changes in operating environment. Risk management is subject to checks for legal compliance based on a risk survey list maintained by the Compliance Committee. Further, the Board of Directors fully investigates and determines measures for critical risks relating to business strategy decision-making that could hinder operational plans or the mid-term business plan.

Board of Directors

As of June 23, 2006



President &
Representative Director
Masaaki Tachibana



Vice President & Representative Director **Mutsuo Yamamoto**



Senior Executive Director Hiroyuki Ichihashi



Senior Executive Director Yasukazu Morooka



Executive Director Akio Yamagami



Director **Tetsurou Uemura**



Director Tsuyoji Hyodo



Director
Tetsuo Shima



Director Kimio Osada



Standing Corporate Auditor (Full-Time) Kiichiro Kitaura



Standing Corporate Auditor (Full-Time) **Ryuichi Saji**



Corporate Auditor (Part-Time) Katsuhiko Yagi



Corporate Auditor (Part-Time) Tomoyuki Kaya

Sumitomo Titanium Corporation Financial Section

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Operating Performance by Business Segment -

Titanium

Domestic demand for mill products remained strong, fueled by demand for electrical power, chemical and seawater desalination plants in Asia and the Middle East, as well as for marine heat exchangers. Export demand for use in aircraft also continued to expand. Orders from the Boeing Company and Airbus S.A.S. for use in new civilian aircraft grew significantly, driven by increased air passenger traffic and high fuel prices, as titanium use corresponds to higher fuel efficiency. Demand for titanium sponge also remained robust.

Domestic and export contract prices on mill products grew approximately 30% from the preceding year, pushed up by higher costs of sales and tight demand. Market prices for titanium used as a steel additive also surged on the back of strong demand.

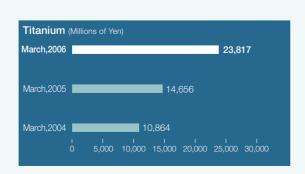
Owing to these factors, titanium sales jumped 62.5% during the year, to ¥23,817 million.

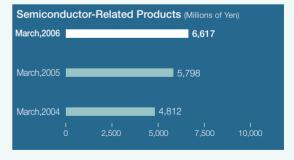
Semiconductor-Related Products

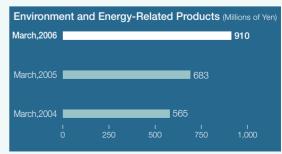
Sales of semiconductor-related products expanded 14.1%, to ¥6,617 million. In particular, sales of polycrystalline silicon and high-purity titanium remained high as semiconductor demand continued to expand during the year. As inventory adjustments ran their course, demand for use in digital consumer electronics picked up. Demand for use in personal computers continued to be strong, and as the number of automotive applications increased demand from this sector expanded significantly. In addition to semiconductors, marked global demand for polycrystalline silicon for use in solar cells created supply shortages, which pushed up polycrystalline silicon sales prices.

Environment and Energy-Related Products

Sales of environment and energy-related products grew 33.1%, to ¥910 million. Notably, sales of silicon monoxide for use in packaging materials increased.







Operating Performance .

Net Sales

During the year, strong demand from the major markets for titanium and the Company's other products continued. To meet sales requirements, we continued full-capacity production of such mainstay items as titanium sponge, polycrystalline silicon and high-purity titanium. In February 2005, we began first-phase construction of a facility to expand our titanium sponge production capacity. This facility came on line in October, contributing to higher production volume during the fiscal year. Tight supplies of titanium sponge and polycrystalline silicon contributed to major improvements in selling prices.

As a result of these factors, during the year net sales amounted to ¥31,344 million, rising 48.3% and building on the significant expansion posted in the preceding term.

Cost of Sales and Selling, General and Administrative Expenses

In line with the substantial rise in net sales, cost of sales increased ¥3,539million, from ¥15,932 million to ¥19,471 million. The cost of sales ratio, however,

declined 13.3 percentage points, to 62.1%, owing to higher selling prices, increased production volumes and the effects of cost-cutting efforts.

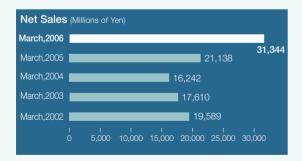
Selling, general and administrative expenses rose ¥769 million, from ¥2,736 million to ¥3,505 million. This increase was attributable to an increase in selling expenses and higher research and development costs.

Operating Income and Net Income

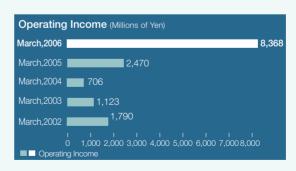
Operating income expanded ¥5,898 million, growing from ¥2,470 million to ¥8,368 million.

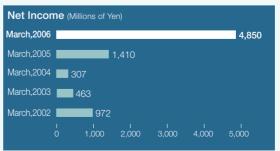
Within the other income (expenses) category, foreign exchange losses rose ¥87million from the preceding term. In the previous fiscal year, the company posted an ¥90 million gain on sales of investment in affiliates. This extraordinary income item was absent in the year under review. In addition, the Company posted a ¥29 million loss on the disposal of property, plant and equipment.

As a result of the factors outlined above, net income expanded 43,440 million during the term, rising from 41,410 million to 44,850 million.









Assets, Liabilities and Shareholders' Equity -

Assets

As of March 31, 2006, total assets were ¥46,319 million, up ¥13,207 million from ¥33,112 million one year earlier. Of this amount, current assets totaled ¥18,639 million, up ¥6,447 million from ¥12,192 million at the end of the preceding term. The primary reason was a higher balance of notes and accounts receivable, trade, in line with the expansion of net sales.

Property, plant and equipment, at cost was \$23,802 million, up \$6,359 million from \$17,443 million one year earlier. The investment in facilities to raise titanium sponge production capacity was the major factor behind this increase.

Liabilities

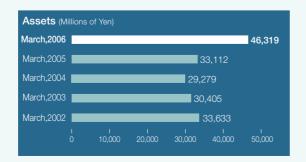
Total liabilities on March 31, 2006, were ¥20,398 million, up ¥4,200 million from ¥16,198 million one year earlier. In particular, notes and accounts payable increased in tandem with our higher production levels, and higher capital investment caused expenses for facilities, such as related notes and accounts payable, to rise. Accrued income taxes also increased.

The Company's overall borrowings—the total of short-term bank loans and long-term debt—came to ¥7,900 million as of March 31, 2006. This amount is ¥774 million less than the ¥8,674 million posted one year earlier.

Shareholders' Equity

Shareholders' equity at the end of the fiscal year was ¥25,921 million, up ¥9,007 million from ¥16,914 million at the previous year-end. One factor was a public offering in July 2005, which funds constituted some of our capital investment in facilities to raise titanium sponge production capacity. Higher retained earnings also played a role.

As a result, net assets per share amounted to $\pm 1,408.78$ on March 31, 2006, down from $\pm 1,908.96$ one year earlier, or ± 954.48 after taking our share split into account. The shareholders' equity ratio was 56.0%, up from 51.1%.





Liquidity and Cash Flows -

Cash Flows

During the year, net cash provided by operating activities came to ¥4,406 million. Net cash provided by financing activities ¥3,117 million, mainly owing to the issuance of shares to finance our investment in production facilities to raise titanium sponge production capacity. Net cash used in investing activities was ¥7,688 million. As a result of these cash flows during the year, cash and cash equivalents at the end of the year stood at ¥600 million, down ¥161 million from one year earlier. Details of each of these cash flows are outlined below.

Cash Flows from Operating Activities

During the fiscal year, net cash provided by operating activities came to ¥4,406 million, up ¥820 million. Increases in notes and accounts receivable and inventories were negative factors, which were outweighed by contributions from net income and depreciation and amortization. Consequently, these cash flows were up substantially from the previous year.

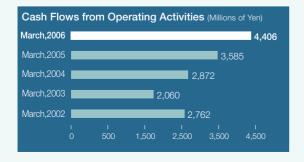
Cash Flows from Investing Activities

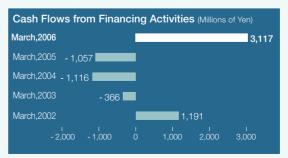
Net cash used in investing activities during the term was ¥7,688 million, ¥5,477 million more than in the previous year. Increased capital investment in facilities to raise titanium sponge production capacity was the major cause of this increase.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥3,117 million, a ¥4,174 million increase from the previous year. Our capital increase through a new share issue was the primary reason.







Non-Consolidated Balance Sheets

SUMITOMO TITANIUM CORPORATION March 31, 2006 and 2005

	March 31, 2006	Thousands of U.S. Dollars (Note 3) March 31, 2006	
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 600	¥ 761	\$ 5,104
Notes and accounts receivable, trade (Note 12) ·····	12,142	7,230	103,358
Inventories (Note 4) ·····	5,165	3,809	43,965
Deferred tax assets (Note 8)	445	229	3,791
Prepaid expenses and other	298	170	2,532
Less, allowance for doubtful accounts	(11)	(7)	(94)
Total current assets	18,639	12,192	158,656
Property, plant and equipment, at cost (Note 2(5)):			
Land ·····	8,454	8,454	71,958
Buildings and structures	5,965	5,277	50,776
Machinery and equipment	26,528	17,840	225,812
Construction in progress	290	546	2,470
Subtotal ·····	41,237	32,117	351,016
Less: accumulated depreciation	17,435	14,674	148,412
Net property, plant and equipment	23,802	17,443	202,604
Investments and other assets:			
Investments in securities (Note 5)	429	175	3,651
Investments in affiliates	551	390	4,690
Long-term loans to affiliated company	1,750	1,750	14,896
Prepaid pension cost ······	723	713	6,159
Deferred tax assets (Note 8)	6	107	49
Other	419	342	3,570
Total investments and other assets ······	3,878	3,477	33,015
Total assets	¥ 46,319	¥ 33,112	\$ 394,275

	Millior	Thousands of U.S. Dollars (Note 3)	
	March 31, 2006	March 31, 2005	March 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 7)	¥ 5,950	¥ 7,174	\$ 50,647
Notes and accounts payable:			
Trade · · · · · · · · · · · · · · · · · · ·	4,050	3,324	34,471
Other	2,749	1,256	23,397
Accrued income taxes (Note 8) ·····	3,073	919	26,157
Accrued expenses ·····	351	261	2,993
Other current liabilities	1,117	628	9,513
Total current liabilities	17,290	13,562	147,178
Long-term liabilities:			
Long-term debt (Note 7)······	1,950	1,500	16,599
Accrued severance indemnities (Note 9)	1,140	1,103	9,704
Other long-term liabilities	1,140	1,103	9,704
-			
Total long-term liabilities ······	3,108	2,636	26,454
Shareholders' equity (Note 13):			
Common stock,			
Authorized:			
March 31, 2006 - 62,880,000 shares and March 31, 2005 - 31,440,000 shares			
Issued:			
March 31, 2006 - 18,400,000 shares and March 31, 2005 - 8,860,000 shares · · · ·	8,740	6,583	74,392
Additional paid-in capital	8,943	6,787	76,124
Retained earnings	7,896	3,445	67,212
Unrealized holding gains on securities	345	99	2,937
Less: Treasury stock, at cost			
March 31, 2006 - 210 shares	(3)	_	(22)
Total shareholders' equity	25,921	16,914	220,643
Total liabilities and shareholders' equity	¥ 46,319	¥ 33,112	\$ 394,275

Non-Consolidated Statements of Income

SUMITOMO TITANIUM CORPORATIONFor the years ended March 31, 2006 and 2005

		ns of Yen	Thousands of U.S. Dollars (Note 3)
	March 31, 2006	March 31, 2005	March 31, 2006
Net sales (Note 12) ·····	¥ 31,344	¥ 21,138	\$ 266,799
Cost of sales (Note 12) ·····	19,471	15,932	165,732
Gross profit	11,873	5,206	101,067
Selling, general and administrative expenses	3,505	2,736	29,838
Operating income ······	8,368	2,470	71,229
Other income (expenses):			
Interest and dividend income (Note 12)	52	28	444
Interest expenses ·····	(72)	(78)	(615)
Gain on sales of investment in affiliate	_	90	_
Foreign exchange losses, net ·····	(141)	(54)	(1,200)
Loss on disposal of property, plant and equipment, net	(184)	(155)	(1,568)
Other, net ·····	0	12	4
Income before income taxes ······	8,023	2,313	68,294
Income taxes (Note 8):			
Current ·····	3,458	960	29,436
Deferred ·····	(285)	(57)	(2,424)
Total income taxes ·····	3,173	903	27,012
Net income ·····	¥ 4,850	¥ 1,410	\$ 41,282

	March 31, 2006	Yen March 31, 2005	U.S. Dollars (Note 3) March 31, 2006		
Earnings per share:					
Net income:					
Basic ·····	¥ 266.41	¥ 159.20	\$	2.27	
Cash dividends ·····	55.00	45.00		0.47	
Weighted average number of shares (Thousands):					
Basic	18,204	8,860			

Non-Consolidated Statements of Shareholders' Equity

SUMITOMO TITANIUM CORPORATIONFor the years ended March 31, 2006 and 2005

		Millions of Yen						Thousands of	of U.S. Dollars	(Note 3)	
	Number of shares of common stock		Additional paid- in capital		Unrealized holding gains(losses) on securities	Treasury stock	Common stock	Additional paid- in capital	Retained earnings	Unrealized holding gains(losses) on securities	Treasury stock
Balance at March 31, 2004	8,860,000	¥ 6,583	¥ 6,787	¥ 2,300	¥ 51	¥ -					
Net income ·····	-	-	-	1,410	-	-					
Cash dividends	-	-	-	(266)	-	-					
Unrealized holding gains on securities	-	-	-	-	48	-					
Balance at March 31, 2005	8,860,000	¥ 6,583	¥ 6,787	¥ 3,445	¥ 99	¥ -	\$ 56,035	\$ 57,771	\$ 29,324	\$ 838	\$ -
Issuance of common stock	340,000	2,157	2,156	-	-	-	18,357	18,353	-	-	-
Stock split ·····	9,200,000	-	-	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	(3)	-	-	-	-	(22)
Net income ·····	-	-	-	4,850	-	-	-	-	41,282	-	-
Cash dividends	-	-	-	(399)	-	-	-	-	(3,394	-	-
Unrealized holding gains on securities	-	-	-	-	246	-	-	-	-	2,099	-
Balance at March 31, 2006	18,400,000	¥ 8,740	¥ 8,943	¥ 7,896	¥ 345	¥ (3)	\$ 74,392	\$ 76,124	\$ 67,212	\$ 2,937	\$ (22)

Non-Consolidated Statements of Cash Flows

SUMITOMO TITANIUM CORPORATIONFor the years ended March 31, 2006 and 2005

	Million March 31, 2006	ns of Yen March 31, 2005	Thousands of U.S. Dollars (Note 3) March 31, 2006
Operating activities:			
Income before income taxes ·····	¥ 8,023	¥ 2,313	\$ 68,294
Adjustments for:			
Depreciation and amortization ·····	2,913	1,745	24,796
Increase in liability for retirement benefits · · · · · · · · · · · · · · · · · · ·	9	32	76
Interest and dividend income ·····	(52)	(28)	(443)
Interest expenses ·····	72	78	615
Net loss on sales or disposal of property, plant and equipment	184	155	1,568
Gain on sales of investment in affiliate	_	(90)	· _
Decrease in notes and accounts receivable	(4,912)	(1,826)	(41,815)
(Increase) decrease in inventories ·····	(1,356)	248	(11,543)
Increase in notes and accounts payable ······	726	1,329	6,178
Other, net ·····	353	(2)	2,998
Subtotal ·····	5,960	3,954	50,724
Interest and dividend income received ······	51	29	437
Interest expenses paid ·····	(81)	(81)	(690)
Income taxes paid ······	(1,397)	(198)	(11,887)
Other, net ·····	(127)	(118)	(1,085)
Net cash provided by operating activities ·····	4,406	3,586	37,499
Investing activities:			
Payments for purchase of property, plant and equipment	(7,457)	(1,322)	(63,479)
Payments for purchase of investments in affiliate	_	(32)	_
Proceeds from sales of investments in affiliate	_	90	_
Decrease in loans receivable	_	(875)	_
Other, net ·····	(231)	(72)	(1,969)
Net cash used in investing activities ·····	(7,688)	(2,211)	(65,448)
Financing activities:			
Decrease in short-term bank loans	(500)	(1,500)	(4,256)
Proceeds from long-term debt ·····	500	1,500	4,256
Decrease in long-term debt	(774)	(792)	(6,585)
Proceeds from issuance of common stock······	4,313	_	36,710
Expenditures for issuance of common stock ······	(20)	_	(169)
Cash dividends paid ······	(399)	(265)	(3,398)
Acquisition of treasury stock ·····	(3)	(200)	(23)
Net cash provided by (used in) financing activities	3,117	(1,057)	26,535
Effect of exchange rate changes on cash and cash equivalents	4	0	37
Net increase (decrease) in cash and cash equivalents	(161)	318	(1,377)
Cash and cash equivalents at beginning of year ······	761	444	6,481
Cash and cash equivalents at end of year ······	¥ 600	¥ 761	\$ 5,104
	. 000	. 701	Ψ 3,101

Notes to The Non-Consolidated Financial Statements

SUMITOMO TITANIUM CORPORATION

For the years ended March 31, 2006 and 2005

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 nonconsolidated 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. 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.

The Company distributed a 2-for-1 stock split on November 18, 2005. Basic earnings per share assuming that such a stock split was made at the beginning of the year ended March 31, 2005 are as follows:

Basic ¥79.60 (\$0.68)

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 \$117.48 = U.S.\$1 prevailing at March 31,

2006. 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

4. Inventories

Inventories as of March 31, 2006 and 2005 consisted of the followings:

	Millior	ns of Yen	Thousands of U.S. Dollars
	March 31, 2006	March 31, 2005	March 31, 2006
Finished goods ·····	¥ 2,002	¥ 1,403	\$ 17,043
Work in process ·····	1,338	1,054	11,387
Raw materials and supplies ·····	1,825	1,352	15,535
Total ·····	¥ 5,165	¥ 3,809	\$ 43,965

5. Securities

Investments in securities held by the Company as of March 31, 2006 and 2005 were summarized as follows:

	Million	ns of Yen	Thousands of U.S. Dollars		
	March 31, 2006	March 31, 2005	March 31, 2006		
Investments in securities:					
Equity securities ·····	¥ 429	¥ 175	\$ 3,651		

Book value and acquisition cost information in respect of marketable "Other securities" as of March 31, 2006 were summarized as follows:

		Millions of Yen			Thousands	of U.S. Dollars			
	Acquisition cost Book value per Balance sheet Difference		Acqui	sition cost	Book value per Balance sheet		Diffe	Difference	
Securities whose book values on the Nor									
Equity securities	¥ 123	¥ 704	¥ 581	\$	1,043	\$	5,991	\$	4,948

Book values of the securities, which are not marketable as of March 31, 2006, were mainly summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Other securities:		
Equity securities	¥ 4	\$ 34

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

	Millions of Yen					
	Acquisition c	ost	Book va Balanc	alue per e sheet	Diffe	rence
Securities whose book values on the Non-consolidated Balance sheets exceed their acquisition costs						
Equity securities	¥ 12	22	¥	288	¥	166

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

	Mi	illions of Y	ren
Other securities:			
Equity securities		¥	4

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, 2006 and 2005, 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, 2006 and 2005, are not required to disclose market value information.

7. Short-term loans and Long-term Debt

Short-term loans are principally bank loans. The weighted average interest rate of short-term loans as of March 31, 2006 and 2005 were 0.623% and 0.742%, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of:

	Million	Thousands of U.S. Dollars	
	March 31, 2006	March 31, 2005	March 31, 2006
Loans, principally from banks with annual interest ranging from 0.960% to 1.395%,			
Unsecured ·····	¥ 2,000	¥ 2,274	\$ 17,024
Less, portion due within one year ·····	(50)	(774)	(425)
	¥ 1,950	¥ 1,500	\$ 16,599

The aggregate annual maturities of long-term debt outstanding at March 31, 2006 were as follows:

Year ended March 31,	Millions of Yen	Thousands of U.S. Dollars
2007	¥ 50	\$ 425
2008	50	425
2009	400	3,405
2010 and after	1,500	12,769
Total	¥ 2,000	\$ 17,024

Notes

SUMITOMO TITANIUM CORPORATION

8. Income Taxes

The statutory tax rates used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2006 and 2005 were 40.64% respectively.

Significant components of deferred tax assets and liabilities at March 31, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2006	March 31, 2005	March 31, 2006
Deferred tax assets (current):			
Accrued bonus ·····	¥ 177	¥ 123	\$ 1,510
Accrued enterprise taxes·····	240	83	2,042
Social insurance	23	17	193
Other	5	6	46
Net deferred tax assets (current)	445	229	3,791
Deferred tax assets (non-current):			
Loss on revaluation of golf club membership	35	32	293
Accrued severance indemnities	169	142	1,441
Other	38	_	326
Total ·····	242	174	2,060
Deferred tax liabilities (non-current):			
Unrealized holding gains on "Other securities"	236	67	2,011
Total ·····	236	67	2,011
Net deferred tax assets (non-current)	¥ 6	¥ 107	\$ 49

The reconciliation of the differences between the statutory rate and the effective income tax rate as of March 31, 2006 and 2005 was not disclosed because the differences between the statutory rate and the effective income tax rate were not material.

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, 2006 and 2005:

	Millions of Yen March 31, 2006 March 31, 2005		Thousands of U.S. Dollars March 31, 2006
Projected benefit obligations	¥ (2,573)	¥ (2,574)	\$ (21,899)
Fair value of plan assets	2,101	1,871	17,881
Benefit obligation in excess of plan assets	(472)	(703)	(4,018)
Unrecognized actuarial differences	165	395	1,405
Prepaid pension cost ·····	(724)	(713)	(6,159)
Accrued severance indemnities for employees ·····	¥ (1,031)	¥ (1,021)	\$ (8,772)

The accrued severance indemnities for the directors and corporate auditors amounting to ¥109million (\$932 thousand) and ¥81 million as of March 31, 2006 and 2005 were excluded from the above schedule, respectively.

Components of net periodic benefit cost for the years ended March 31, 2006 and 2005 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2006	March 31, 2005	March 31, 2006
Service cost ·····	¥ 126	¥ 130	\$ 1,076
Interest cost ·····	52	51	440
Expected return on plan assets	(37)	(34)	(319)
Amortization of actuarial differences ·····	27	32	234
Net periodic benefit cost ·····	¥ 168	¥ 179	\$ 1,431

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, 2006 and 2005, and the expected rate of return on plan assets was 2.0% for the years ended March 31, 2006 and 2005.

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

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 ¥8 million (\$ 66 thousand) and ¥3 million for the years ended March 31, 2006 and 2005, respectively.

Additional information such as the notional acquisition costs and accumulated depreciation as of March 31, 2006 and 2005, 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:

	Millior	Thousands of U.S. Dollars	
	March 31, 2006	March 31, 2005	March 31, 2006
Notional acquisition costs:			
Automotive equipment ·····	¥ 23	¥ 23	\$ 199
Other equipment ·····	37	4	319
	60	27	518
Less: accumulated depreciation	(14)	(4)	(122)
	¥ 46	¥ 23	\$ 396

The aggregate future lease payments under finance leases as of March 31, 2006 and 2005 were as follows:

	Million	Thousands of U.S. Dollars	
	March 31, 2006	March 31, 2005	March 31, 2006
Due within one year ·····	¥ 12	¥ 5	\$ 102
Due after one year ·····	35	18	294
	¥ 47	¥ 23	\$ 396

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, 2006 and 2005, which are not reflected in the non-consolidated statements of income, were ¥8 million (\$66 thousand) and ¥3 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 ¥657 million (\$ 5,594 thousand) and ¥513 million for the years ended March 31, 2006 and 2005, respectively.

12. Related Party Transactions

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

	Millior	Thousands of U.S. Dollars	
	March 31, 2006	March 31, 2005	March 31, 2006
Net sales ·····	¥ 2,752	¥ 1,324	\$ 23,426
Accounts receivable	1,348	653	11,475

ST Real Estate Corporation, an affiliate:

	Millior	Thousands of U.S. Dollars	
	March 31, 2006	March 31, 2005	March 31, 2006
Ground rent ····	¥ 122	¥ 144	\$ 1,037
Interest income ·····	54	22	464

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 23, 2006, the payments of cash dividends (¥55 or \$0.468 per share) were approved, which amounted to ¥1,012 million (\$8,614thousand).

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, 2006 and 2005, 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, 2006 and 2005, 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

Chuo Avyama Pricewaterhouse Coopers

Osaka, Japan June 23, 2006

Julie 23, 2000

Investor Information

Corporate Profile

Company SUMITOMO TITANIUM CORPORATION **Established** November 26, 1952 Paid-up capital 8,739,620,000 yen (at march, 31,2006) Market listings Tokyo Stock Exchange (1st section) **Employees** 404 (at March 31, 2006) 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

Main products

Titanium Business

Titanium metal (Titanium sponge)
Titanium ingots (Pure titanium, Titanium alloy)
Ferro-titanium

Tel. 81-3-5776-3101 Fax. 81-3-5776-3111

Shimbashi5-Chome, Minato-Ku,

Tokyo 105-0004, Japan

Semiconductor-Related Products Business

Polycrystalline silicon (Semiconductor-grade)
Titanium 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/ 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** Transter 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





SUMITOMO TITANIUM CORPORATION

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