

February 18, 2010

SUMIDA CORPORATION – MID-TERM BUSINESS PLAN 2010-2012

Introduction

Sumida's current mid-term business plan "Triple Ex" was announced at the beginning of 2008 and was to have been concluded by the end of 2010.

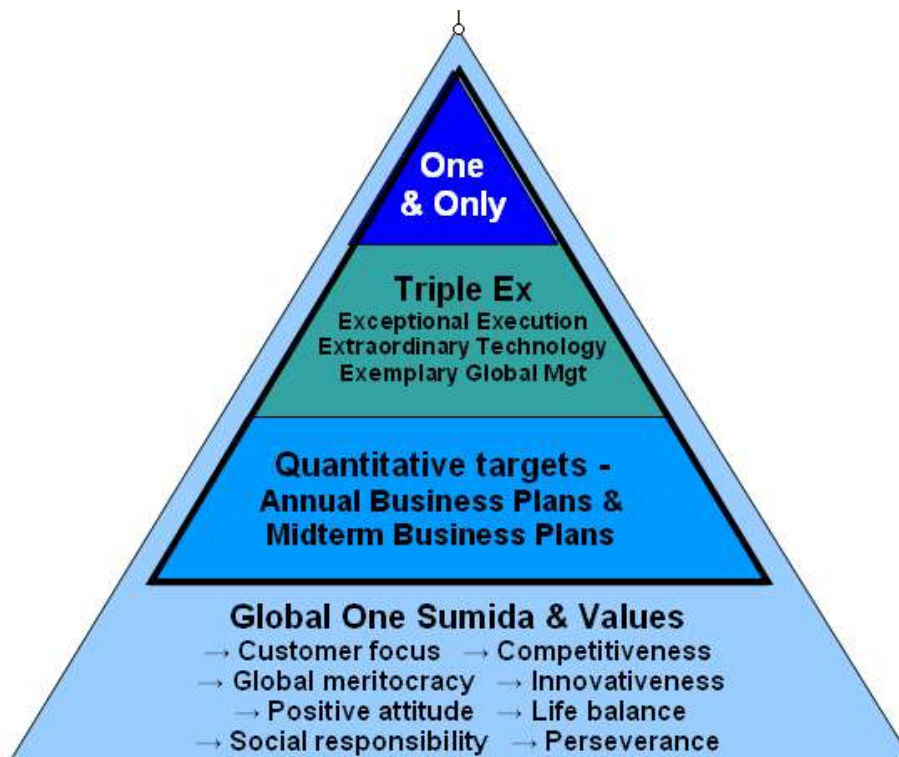
However the economic and financial crisis that started in the second half of 2008 caused Sumida to suspend the Business Plan and to concentrate on getting through the crisis.

Although there is still uncertainty, the world appears to be out of the crisis. It is therefore the right time to focus on a revised midterm business plan that will lead us back to where we were before the crisis, and to resume our growth path.

Reviewed approach to long-term growth

The crisis was an opportunity for us to review our approach to long-term growth. It is a case of going back to basics, to fundamentals. The following diagram shows the hierarchy of priorities.

At the top of the pyramid, is Sumida's long-term vision, to be the "One & Only", the market leader in whatever it does, and to be unique, presenting a competitive customer proposition that our competitors cannot.



Directly below the Sumida Vision is the Triple Ex framework for becoming an Excellent company. Becoming an excellent company is a prerequisite for achieving our vision of being the “One & Only”. We believe that the Triple Ex framework of Exceptional Execution, Extraordinary Technology, and Exemplary Global Management System should not be limited to just a mid-term business plan but instead it should be attributes that Sumida must have for the long term.

To map out our path towards excellence and our vision, the midterm business plans and the annual business plans define intermediate steps and goals. Our business plan for 2010 (5-3-2-100) as well as our new midterm business plan for 2010-2012 are our next steps in this journey towards our vision.

Our new mid-term business plan for 2010-2012

Our new mid-term business plan is defined for a period of three years and it is focused on bringing us back to the business performance of 2007 i.e. a sales turnover of 70.2 billion JPY and an operating income of 4.7 billion JPY.

We understand that these targets need to be achieved in a challenging external environment. The forecasts from various sources vary but one common assessment is that while the developed markets in Europe and NAFTA will recover slowly, the emerging markets will show significantly greater growth. And these forecasts all come with the caveat that there are a whole host of factors that could derail the global recovery.

Specific trends or risks that we have identified are

- (a) **rising wage costs and shortage of labour in Southern China** where we have our manufacturing base. One factor behind these developments is a government policy to promote the development of the inner areas of China and to narrow the development gap between the coastal areas and the inland provinces.
- (b) **Potential appreciation of the Chinese RMB over the coming years.** Since 2005 the RMB has appreciated against the US\$ by some 21%. This trend is expected to continue and will have a significant effect on Sumida, given its considerable exposure to China.
- (c) **Uncertainty in commodity prices in particular copper.** Although copper prices have risen considerably in 2009 in line with the global recovery and China demand, the trend is somewhat uncertain in January. The price development will be a major determinant in our business performance.

The financial target for the period of the mid-term business plan

The following table shows the business performance for 2007-09 as well as the targeted business performance in 2010-12.

| | Unit JPY M | | | | |
|------------------------------|------------|---------|---------|---------|---------|
| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2012 |
| Sales | 70,210 | 55,734 | 43,653 | 50,000 | 70,200 |
| Cost of Sales | 53,102 | 42,898 | 35,075 | 38,500 | 54,756 |
| Gross Profit | 17,108 | 12,836 | 8,578 | 11,500 | 15,444 |
| GPR | 24.4% | 23.0% | 19.7% | 23.0% | 22.0% |
| SGA Expense | 12,396 | 10,669 | 8,488 | 8,500 | 10,744 |
| Operating Income | 4,712 | 2,167 | -233 | 3,000 | 4,700 |
| OIR | 6.7% | 3.9% | -0.5% | 6.0% | 6.7% |
| Net income | 2,855 | -5,743 | -2,009 | 2,000 | 3,000 |
| Outstanding Shares (Million) | 20 | 20 | 20 | 20 | 20 |
| EPS (Yen/Share) | 143 | -288 | -101 | 100 | 150 |
| ROE | | | | 17.1% | 18.0% |

The targets are challenging but achievable. In terms of organic growth we expect a turnover growth of around 15% yoy in 2010. This is possible given the low base of 2009. We have summarized the targets for 2010 as “5-3-2-100” to make it easy for all Sumida staff to focus on.

For the two subsequent years (2011-2012), we are aiming for annual organic growth of around 10%. This would bring us to around 60 billion JPY – to achieve in 2012 the 2007 turnover of 70.2 billion JPY, M&A will be actively pursued.

The strategic imperative of the midterm business plan

To achieve our challenging targets in a difficult and uncertain external environment, Sumida needs to position itself for sustainable profitable growth.

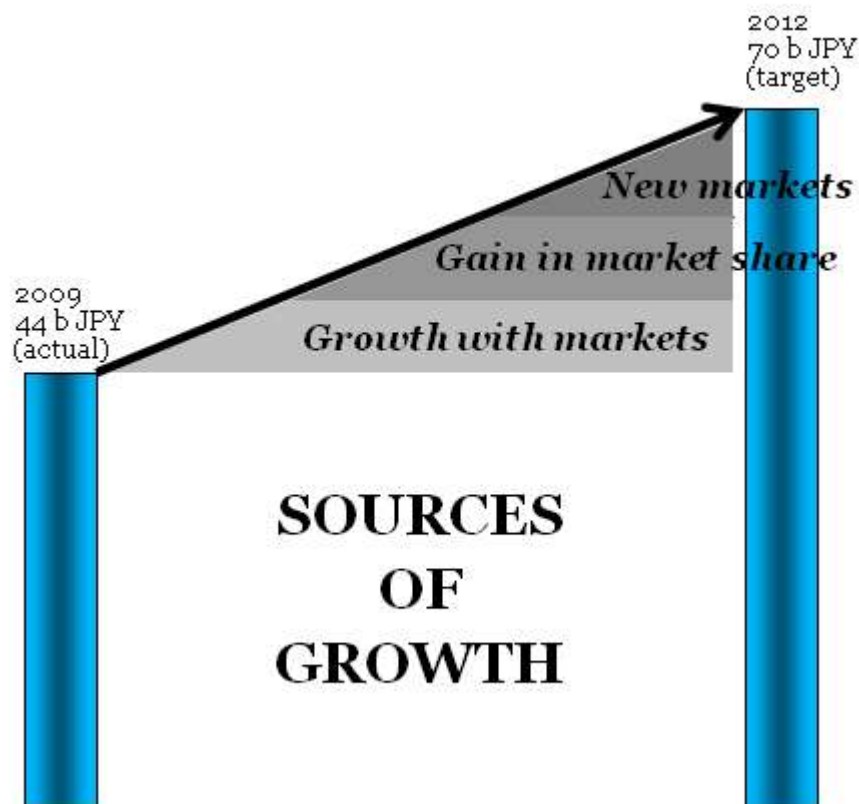
Profitable Growth

We see growth, to move from our low performance in 2009 to our target performance in 2012 (please see diagram), coming from a number of sources:

- (a) **growth with the market** – as the markets recover, we expect and will work to ensure that our revenues recover in tandem.
- (b) **gain in market share** – growth at the market level alone is not sufficient, and therefore we are aiming for gains in market share through
 - more focused cross-selling (as a consequence of the Global One Sumida organization). We still have products in Asia which have yet to be marketed effectively in Europe and vice-versa.
 - the introduction of new products – here we expect to deploy a part of our earnings in the coming years towards increasing our investments in R&D,
 - establishing closer relationships with customers – with an integrated manufacturing and supply chain, we are pushing for strategic relationships with key global

companies managed by global key account managers. Such global customers would not only mean greater revenues, but also a greater certainty of orders over a longer period of time.

- The coil-related market is estimated to be around US\$20-30b in size. Of this, half is supplied by in-house production of the customers. Although customers often do so for strategic and benchmarking reasons, there is great potential for us to gain substantial new business in this segment of the market, by offering flexible and cost-effective production.
- (c) **new markets** – growth from new markets like alternative energy, medical, etc will give Sumida a more diversified foundation. Acquisition of new businesses with complementary technologies or those allowing entry into promising markets will also provide growth.



We also see the balance of our efforts shifting towards emerging markets. However, to ensure that we have a firm foundation, we will continue to reinforce our positions in the developed markets in Japan, Europe, and NAFTA. It is in the last year with the introduction of the Global One Sumida organization, that the advantages of a global footprint are becoming clear and there is clear potential in achieving more in these established markets by presenting Sumida as an integrated global company.

At the same time we cannot ignore the greater growth potential of the emerging markets, particularly China, where we already have a significant presence. We will in the coming years, put more efforts and attention to China, as well as to India.

Business unit strategies

The foundation for our efforts to achieve profitable growth is our business unit-based organization structure. Having in the past year formed nine business units so that we can better meet the needs of our target markets and customers all over the world, all business units also came up with their individual strategies and road maps which were then coordinated by the COOs and aligned with the overall corporate objective.

Each Business Unit has presented its financial targets for the next three years, its market and product analysis, its development goals as well as the overall business unit strategy.

Sumida Silk Road – Manufacturing and SCM (Supply Chain Management)

Sumida's core competency has for years been its manufacturing expertise and know-how. To ensure that it retains its lead in this area, the Sumida Silk Road concept was initiated during the last MTBP. Using our main manufacturing plant in Panyu as the hub, we started developing satellite plants which are able to employ more cost-effective workers for their production.

We will continue to pursue this concept, as we rationalize and optimize our manufacturing network , and integrate and streamline our supply chain management systems.

In manufacturing we will over the next three years, extend the Silk Road concept by including dedicated plants (production for specific customers and products) and implementing lowest costs plants (plant located in lowest direct labor cost area to achieve cost leadership even for price-sensitive commoditized products). We will also convert our legal operating mode of COP (Commission on Processing) in Panyu to WFOE (Wholly Owned Foreign Enterprises) in response to the changing regulatory environment in China. This will also allow us to reduce risks related to the appreciation of the RMB.

In supply chain management, we will over the next three years integrate the different logistics systems in Asia and Europe, by identifying and defining common policies and procedures, by connecting ERP-SCM software systems to all manufacturing and sales sites.

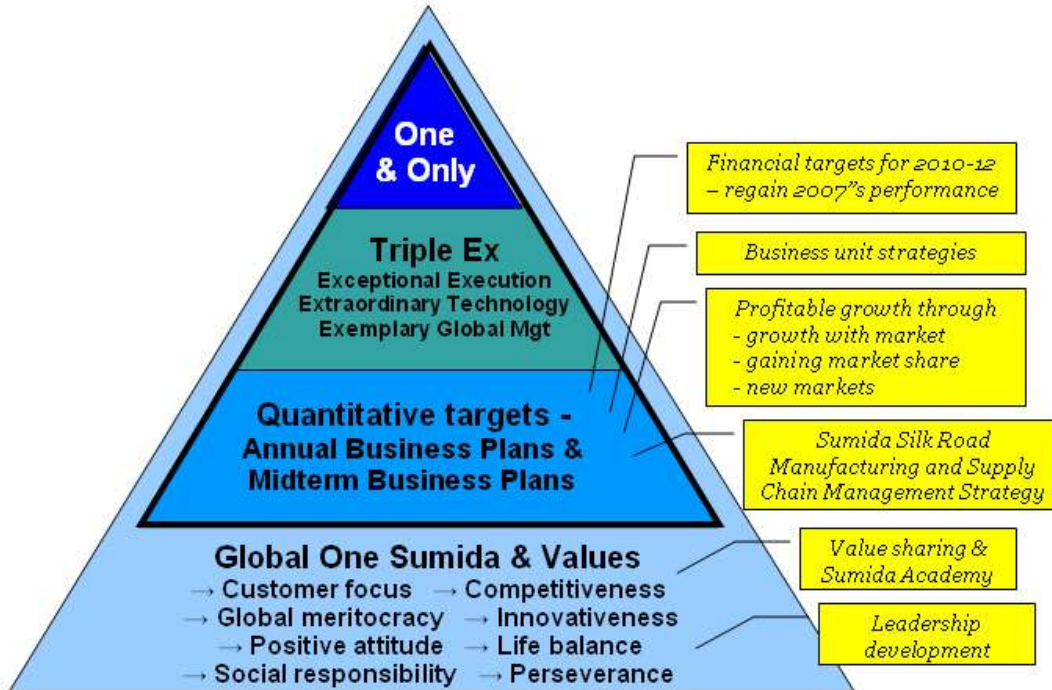
Creating the foundation for sustained growth and excellence

Focusing purely on business goals will not create a solid foundation for continuous performance. What will therefore be done over the next three years are

- (a) **Sumida Values.** a consistent and regular programme driven by Sumida Academy to promote and inculcate a group spirit – the Sumida Spirit based on the values that Sumida staff had shown in previous years. The first round of regional and global sessions have been concluded and it will now be an ongoing programme for the coming years.
- (b) **Leadership development.** The development of leaders and managers in Sumida who can create sustainable profitable growth by making Sumida an excellent company and lead Sumida to the targets of 2010-2012 and beyond to our “One & Only”. Personnel in key positions in the organization will be assessed using common criteria and monitored more closely. A talent pool will also be identified so that a succession framework for the key positions can be created.

Summing up

The following diagram summarize the initiatives and their relationship to the pyramid - our growth triangle.



This Mid-Term Business Plan for 2010-2012 will lead Sumida out of the crisis and let Sumida reestablish itself as the market leader. It will be a significant step forward for Sumida to become an Excellent Company and eventually the “One & Only”.

A determined pursuit of this course of action will result in significant benefits for all stakeholders – employees will have pride and commitment in an excellent and forward-looking company, customers and business partners will have the reassurance that they are dealing with a reputable and trustworthy company, shareholders will see an increase in corporate value as the markets increasingly recognize the achievements and merits of Sumida proceeding along such a path.

* * * * *