

SUMIDA REPORT

DIGITAL CONVERGENCE

2010

1Q



2010 1Q Performance

Due to a steady recovery in the demand for automobiles, and firm demand for consumer electrical appliances despite the time of year, sales increased 50.3% year on year to 12,894 million yen and operating income was 1,025 million yen (up from an operating loss of 1,345 million yen in the same period last year).

■ Fiscal 2010 1st Quarter Highlights (Millions of yen)

	2010 / 1Q	2009 / 1Q
Net Sales	12,894	8,579
Operating Income (Loss)	1,025	-1,345
Ordinary Income (Loss)	787	-1,057
Net Income (Loss)	652	-1,071

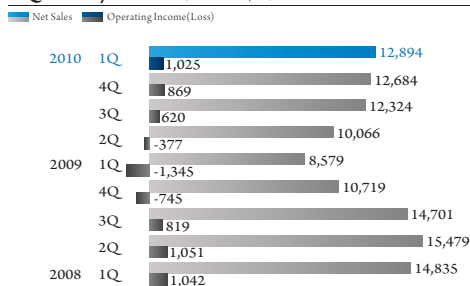
	Mar. 31, 2010	Dec. 31, 2010
Total Assets	53,413	54,505
Net Assets	11,107	11,068

■ Annual Net Sales (Millions of yen)

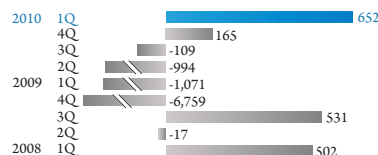


■ Net Sales and Operating Income (Loss)

Quarterly Results (Millions of yen)

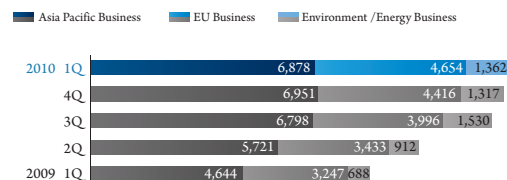


■ Net Income (Loss) Quarterly Results (Millions of yen)



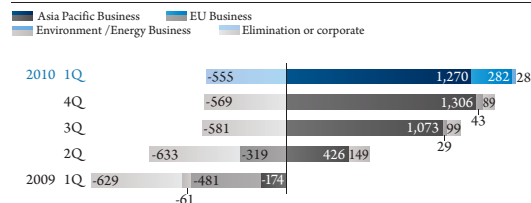
■ Business segments

Net Sales Quarterly Results (Millions of yen)



■ Business segments

Operating Income (Loss) Quarterly Results (Millions of yen)



SUMIDA isolation transformers for medical use

Medical equipment must conform to extremely strict safety standards, and there are also special standards relating to the electrical components used in such equipment. Isolation transformers for medical use are one example. Coils and transformers used in diagnostic imaging units, such as X-ray, ultrasonic, and nuclear magnetic resonance (NMR) equipment, as well as equipment used for medical treatment, care, and tests are all specially designed to prevent noise leakage, etc.



2010 1Q

CEO Message

A GOOD START

Market Recovery and Successful Policy Approach

We have just released the 2010 1Q results. They are positive. Net sales for 1Q were 12.9 billion JPY up 1.7% from 2009 4Q, but profitability in terms of net income jumped to 652 million JPY from 165 million JPY in 2009 4Q. This is a good start to achieving Business Plan 2010 and the Mid-Term Business Plan 2010-2012.

There are two main reasons for our improved performance. One, the general recovery in the global economy and the brightening business sentiment and confidence have created a much more conducive environment for our business.

Two, our preparations during the crisis of 2008-2009 have placed us in a good position to exploit any recovery.

Improving our cost structure by reviewing and streamlining our resources and processes was one key area. Another was to develop and deepen our relationship with customers we believe would be strategic customers in the coming years. A third area was to focus on reshaping and streamlining our manufacturing management/processes and infrastructure.

Promotion of Restructuring in Germany

I would like to illustrate the results of our preparations using two examples, one in Germany, and one in China. In Germany, we made acquisitions to achieve a strategic objective. These were major steps to achieving a global footprint, as well as to gaining access to key global customers based in Europe. What we have achieved in Germany over the course of the last year was

- **a more effective, streamlined organization structure.**

To do this, we managed to conclude a domination agreement with our German subsidiary (at that time still listed on the Frankfurt and Munich stock exchanges) after comprehensive preparations. As a result, SUMIDA has more control and flexibility, and was able to effect closer integration between our Asian and European subsidiaries. We further renamed our German subsidiaries to carry the SUMIDA name and in this manner created a more consistent image internally as well as externally – this move was welcomed by our staff as well as our customers and other business partners.

- **Better access to customers and technology.**

Through our German subsidiaries we are close to and have good access to key customers in the automotive and consumer electronic markets, as well as promising new markets like electric vehicles and alternative energy. The strengths that we have in Asia complement those in Europe e.g. in the area of sensors, where a joint German-Japanese team over two years commercialized technology developed in Germany, and gained entry into the promising HV/EV (hybrid vehicles/electric vehicles) markets in Europe, with promising prospects in China and other Asian markets.



CEO Message

The restructured and now profitable German operations are a critical component of our Global One SUMIDA strategy.

Realization of a Low-cost Production Base in China

In China, SUMIDA was among the first foreign companies to start production. Despite growing competition and challenges in China, China will remain a mainstay of Sumida's global strategy. And we have prepared ourselves over the last two years with our Silk Road strategy. In this way we have managed to keep our overall costs down by moving part of our production to more cost-effective inland sites like Nanning and Hunan. Our flexible and cost-effective manufacturing infrastructure in China provides SUMIDA with a tremendous competitive advantage.

Prospects for the Second Quarter Onwards

Looking forward, I believe that there is a good chance that our performance in 2010 2Q could be as good as 1Q. Beyond that, the risks and uncertainty in the external environment are greater. However I am cautiously optimistic, that with the preparations we have made, we will still do relatively well.

I thank you and look forward to your continued good support. Best regards,

Shigeyuki Yawata
CEO of SUMIDA Group



2010
1Q

Corporate Profile

Aiming to be the “One and Only” SUMIDA-A Leading Coil Company

To continue to be the “One and Only”, by continuing to meet the needs of the times. That is the SUMIDA vision. To make dreams come true with the latest electronic technology. That is our important role. SUMIDA continues to provide electronics components which inspire and bring happiness to people by combining digital and analog technologies.

Growth to become the world's No. 1 pure coil manufacturer

Since its founding in 1956, SUMIDA has specialized in the development, manufacture, and sale of coils, a basic component in electronics products. In particular, Sumida has developed its business based on the business vision “Digital Convergence” (digital to/from analog convergence), which recognizes the important role played by coils.

In 1971, Sumida established its first overseas manufacturing site in Taiwan, ahead of other companies in the industry, as part of a strategy to consistently develop coils that met current needs, achieve high quality at a reasonable price, and ensure a continuous and stable supply to customers, when and where they needed SUMIDA products. Since then, Sumida has pursued globalization, in procurement, manufacturing, distribution and sales.

In February 2006, SUMIDA added VOGT, a European electronic

Corporate Profile



components manufacturer with a 70-year history, to the SUMIDA Group. Today, Sumida products are manufactured in China (Panyu, Taiping, Nanning, and Hunan), Thailand, Vietnam, Mexico, Germany, Rumania, and Slovenia. SUMIDA has thirty-nine development, manufacturing, and sales centers in fifteen countries around the world, employing 20,000 people (including the employees of manufacturing subcontractors).

With a global customer base that includes Europe, Hong Kong, China, ASEAN, and North America, as well as Japan, about 85% of Sumida sales are in overseas markets.

Years of working to become a global company have paid off for Sumida, which has grown to become the world's No. 1 pure coil manufacturer.

From surface mount devices to large cut-core products, a comprehensive product line-up

SUMIDA coils are used in a variety of fields. In addition to the digital household appliances sector, which includes mobile phones, LCD TVs, audio equipment, and digital cameras, coils are also used in the automotive sector, where use of electronics technology is increasing with the development of hybrid and electric vehicles. Coils have also become indispensable in the industrial sector as well, where there has been a remarkable shift from mechanical control to electronic control, due to the increased use of robots and automation. In the consumer electronics sector as well, SUMIDA has made the most of its ability to respond quickly to the increasing sophistication and functionality of end products, as well as its development strength, to meet the needs of the market.

Today, demand for coil products is growing significantly in the medical and environmental sectors. Many SUMIDA coils are already in use in these

fields, in various types of equipment related to alternative energy, such as solar cells, and in medical equipment.

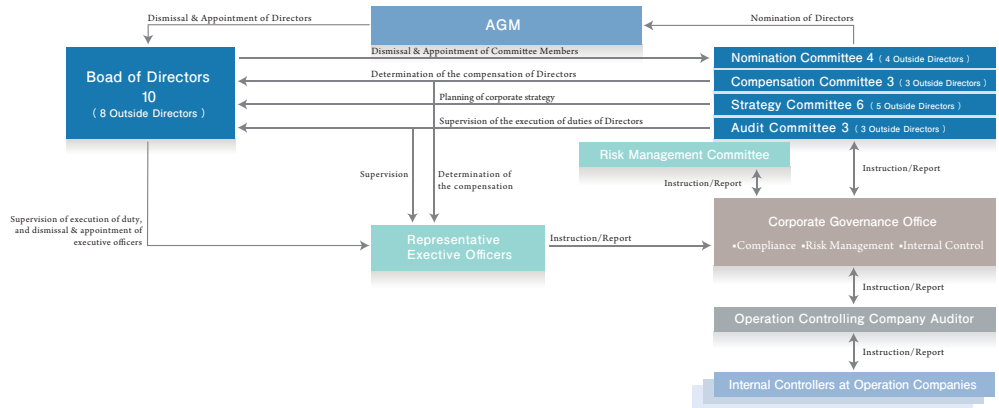
Our ability to serve this wide range of sectors, from consumer goods to industrial equipment, is one of our greatest strengths. With the acquisition of a number of companies in recent years, we have been able to expand our product line to include everything from ultra-fine coils of only a few millimeters to large cut-core transformers that are larger than a few dozens of square centimeters. In addition to the former VOGT (Germany), these acquisitions include the former Eiwa Co., Ltd (products for sectors such as solar power), the former Concord Electronics Industries (products for which there is growing demand in the medical and industrial equipment sectors), and the former Mostec, Inc. (special edgewise coils). As of January 2010, the products of all of these acquired companies are sold under the SUMIDA brand. Making the most of the group synergy generated by these acquisitions, we aim to push ahead with the creation of new business and offer enhanced value to our customers.

Global optimization of management and operations

While SUMIDA has always taken a global approach to finding the customers, materials, funding, shareholders, staff, and other resources we need to succeed as a company, the thoroughly localized nature of our operations has allowed us to benefit greatly from the interaction of different ways of thinking and different cultures. By promoting the optimal allocation of our human resources all over the world, we have been working to revitalize our organization and optimize our operations on a global level. Our policy is to entrust the leadership of each SUMIDA Group company around the world to the most appropriate local person, who is well versed in the country's culture and business practices. This

Enhancement of corporate governance for speedy decision-making and improvement of management transparency

Corporate Profile



practice allows us to achieve the smooth functioning of our global business.

We have also worked consistently to adopt the latest management practices, respond quickly to any business environment, and construct a management system that is appropriate anywhere in the world. In order to accelerate decision-making in our global business activities, we have changed our corporate structure to that of a holding company, and in April 2003, Sumida was the first listed company in Japan to adopt a company with committees system. By clearly separating the functions of management execution and monitoring, we have created a system that allows us the maneuverability to take prompt and appropriate decisions in response to rapidly changing global markets. At the same time, we have instituted a world-class system of corporate governance, based on our understanding that our most important task is to continuously improve our corporate value by ensuring efficiency and transparency in management.

Overcoming a difficult environment to become the “One and Only” SUMIDA

In this way, by combining appropriate strategies and corporate governance to achieve profitability and growth, by providing a wide range of products suited

to the needs of the global market, and by optimizing our global operations, we are successfully expanding our global business.

In addition, we have established a new mid-term business plan (3-year plan beginning in 2010) and we are implementing the following important business strategies:

(1) Further strengthen the “Global One SUMIDA” organizational structure

We are working to achieve profitable growth by further unifying global operations, in terms of both form and content, and by specializing in the product groups best suited for the growth markets of the future.

(2) Further promotion of the “SUMIDA Silk Road Strategy”

We are strengthening and expanding our low-cost production system and constructing a distribution system capable of responding promptly to the needs of customers anywhere in the world. By making the most of our strength in the Asian region and appropriately managing our supply chain, we are increasing our presence in more countries and regions to expand the scope of our activities.

(3) Enhance human resource training

In addition to cultivating the human resources that are the basis for our future growth, we are working to ensure that our management ethos permeates the Group as a whole and to train the human resources to make Sumida a truly excellent company. Toward this end, we have created “Value Sharing & Sumida Academy”.

In addition to cultivating a strong and dedicated staff capable of overcoming even the most difficult environmental conditions, we are committed to providing all stakeholders with the management they expect in order to continue our development as the “One and Only” SUMIDA.

Products Information



SUMIDA products contributing to the medical electronics field

The equipment that supports the work of medical practices is constantly advancing. Highly sophisticated and revolutionary equipments are being introduced into even the smallest health clinics and medical checkup facilities in addition to the major hospitals and specialist facilities providing the most advanced care, and such equipments are contributing to improvements in healthcare. Behind the scenes, SUMIDA products are playing an important role in this field of medical electronics.

Medical equipment must adhere to the highest standards of safety. For example, a normal PC cannot be used in a medical environment unless a medical isolation transformer that meets strict safety requirements is introduced between the power supply and the device (PC). In addition to the selection of an isolation structure and insulation materials that comply with the relevant standard, such products require optimization of the winding structure of the primary and secondary coils as well as stable winding technology.

Similar requirements apply to the CT scanners used in the testing and diagnosis of cancer, as well as the various diagnostic imaging units such as ultrasonic, X-ray, and nuclear magnetic resonance (NMR) equipment. Treatment, nursing, and test devices are also subject to similar requirements. The coils and transformers used in such devices require special noise leakage protection and insulation performance to prevent them from affecting other devices. For example, the maximum earth leakage current allowed under standard UL1950 (Safety of Information Technology Equipment, Including Electrical Business Equipment) is 3 mA, but the requirement for medical equipment is one-sixth of that value, namely 500 μ A or less. There are also strict requirements for the suppression of noise transmission.

Building on the product line-up of the former Concord Electronics Industries, we are working to develop Sumida's presence in the medical electronics field, making the most of our technological and developmental strengths that enables us to meet the strict requirements of this field.

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