



Financial Results for the 1st quarter  
31 March 2001

SUMIDA CORPORATION  
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Japan

### Financial Highlights- 1<sup>st</sup> quarter ended 31 March 2001

(Unit: thousand yen, %)

	1 <sup>st</sup> quarter				
	2001	% Of total	2000	% Of total	% Change
Sales	8,226,246	100.0	7,444,942	100.0	10.5
Operating Profit	333,073	4.0	712,673	9.6	(53.3)
Net Profit before taxes and extraordinary Items	47,080	0.6	690,172	9.3	(93.2)
Net Profit before Taxes	(140,591)	(1.7)	679,222	9.1	(120.7)
Net Profit	(94,197)	(1.1)	434,106	5.8	(121.7)

(Unit: Million yen, %)

	4 <sup>th</sup> Quarter		3 <sup>rd</sup> Quarter		2 <sup>nd</sup> Quarter		1 <sup>st</sup> Quarter	
	2000	1999	2000	1999	2000	1999	2000	1999
Sales	8,693	7,290	9,207	6,851	8,231	5,628	7,445	4,804
Operating Profit	662	619	1,248	1,047	695	556	713	464
Net Profit before Taxes and extraordinary Items	505	268	1,149	947	623	710	690	514
Net Profit before taxes	237	(482)	1,105	873	611	698	679	491
Net Profit	410	(356)	669	710	459	435	434	213

(Unit: Million yen,%)

	2000	1999	1998	1997
Sales	33,575	24,574	21,391	21,248
Operating Profit	3,318	2,687	2,210	2,637
Operating Profit before Taxes and Extraordinary Items	2,967	2,439	2,336	2,305
Net Profit before Taxes	2,632	1,580	2,550	1,969
Net Profit	1,973	1,003	1,942	1,385
Shareholder's Equity	18,581	15,083	9,232	8,587
Total Assets	32,000	26,220	20,840	20,381
Per Share	163.43	101.56	205.07	146.25
Earnings Shareholder's Equity	1,539.48	1,374.6	974.60	906.54

Nb: Foreign Currency translations adjustments are included in Shareholder's Equity.

## **Message from the CEO for the first quarter 2001**

The first quarter of the new millennium was an extremely important one for the Sumida group and is likely to impact heavily on our strategic plans for the remainder of the year. The operating environment was substantially more competitive than it was only a year or so ago. Adjustments downward to production of mobile telephones carried over from the last quarter of 2000. Manufacturers reduced orders as inventories accumulated due to a slowdown in shipments of computers hit the US market. News from leading companies in the communications and related industries was generally not positive. Reports of lower earnings, staff reductions, closures of factories or disposal of non-performing assets came from companies such as AT&T, Cable & Wireless, Lucent Technologies, and Motorola where previously any news release seemed to be greeted by the market with a positive effect on the stock price.

For manufacturers of electronic components there was a gradual stockpiling of ICs, condensers and resistors- a very different picture to the one 12 months ago when supply could not keep pace with demand. Lower turnover, lower volumes of production and lower unit prices combined to prevent the majority of electronic components manufacturers to produce results comparable to the same period in 2000.

As Sumida is a producer of predominantly custom made components our inventory levels average 17 days on sales. In this first quarter ended 31 March our growth in sales volume continued with sales increasing 10.5% on the same quarter of the prior year. Despite cost pressures arising from the increasingly competitive market, our average unit cost position, aside from components for use in the audiovisual segment, was not compromised. The maintenance of average unit cost was largely due to the investments in new products.

While the environment for sales is considerably more challenging, there are certain areas of the market that still hold considerable growth potential. These include liquid crystal displays, next generation mobile phones, Anti-Lock Braking systems (ABS), High Intensity Discharge Lamps (HID) and Electronic Power Steering (EPS). These are all areas in which Sumida components have an established presence and developing a stronger position in these expanding areas will be a major focus for us.

Sales for the first quarter 2001 were closely in line with our budgeted expectations. Profitability, however, was below the levels we had targeted. A major reason for the under-performance was additional costs stemming from organizational changes to US operations that were initiated in January this year. The merger of the sales operations of the former US Sumida and REMtech to form a new company, Sumida America Sales, together with the clear separation of the manufacturing division (Sumida America Manufacturing) from development operations (Sumida America Technologies) will start to reap benefits in the near future.

With an expanded sales network encompassing not only North America but also Europe, a manufacturing unit producing at lower cost through rationalized processes and better production techniques, and a technologies arm set to release a range of new ADSL, xDSL isolation transformers, the US operations should soon be able to provide more than a glimpse of their full potential.

In the coil segment, despite the harsher business environment, a sustained turnaround is expected as computer makers release new products and new generation mobile phones, with Japanese makers playing a leading role, breathe a new lease of life into the market.

With lower raw material costs, lower indirect manufacturing costs and a motivated sales force dedicated to customer satisfaction, I sincerely expect our performance to continue to outshine those of our competitors.

A handwritten signature in black ink, reading "S Yawata". The "S" is large and stylized, followed by "Yawata" in a cursive script.

Shigeyuki Yawata  
President & CEO  
Sumida Corporation

## Overview of Consolidated Performance for the First Quarter 2001

The electronics industry continued its sluggish performance in the first quarter of 2001, predominantly due to the curtailment of the production of mobile phones and adjustments to inventories of personal computers, which commenced from the fourth quarter of 2000.

With respect to audio-video equipment, the production of both analog equipment such as televisions and radios, and digital equipment such as CDs and MDs declined, reflecting a worldwide slump in consumption. However, with the commencement of full-scale manufacturing of digital television (DTV), digital broadcasting receiving tuners, and liquid crystal televisions, several of the products in this segment showed an upward trend.

With respect to communication and information processing equipment, the increase in the number of shipments of personal computers was limited to a single digit at 8.1%, reflecting stagnant demand in the United States. Cutbacks in the production of mobile phones continued, centering on foreign affiliated companies. Meanwhile, there are signs that the production of some of the electronic parts in Taiwan has bottomed out with the start of production of new models by the personal computer companies in the United States. In addition, due to the start of order placement for next generation mobile phones, and the expanded production of thin film transistor (TFT)-liquid crystal display screens, the products with future growth potential for coil makers have expanded their market presence steadily.

In the area of automobiles, despite a decrease in the number of new car sales in the United States and Europe, the demand for electronic parts for steering, and for energy saving has further increased.

With respect to opto-electronic parts, while the demand for optical pickups used for CD-ROMs and DVD-ROMs has fallen due to inventory adjustments of personal computers, the demand for optical pickups for CD-ROMs has started to pick up, reflecting the increase in production of low price computers in Taiwan.

In view of the current market situation, the Sumida Group has focussed its development, manufacturing, and sales activities on products with highest growth potential. In the audiovisual area the focus is on coils for liquid crystal display televisions. In the area of communication and information processing equipment, Sumida is focusing on components related to asymmetric digital subscriber lines (ADSL), next-generation mobile phones, and coils, transformers and inverter units for notebook computers. In the other coil segment, the focus is on 4V coils for the switch of cooling and heating of air conditioners. In the automotive area- ABS coils, transformers for high intensity discharge (HID) lamps, and torque angle sensor coils for electric power steering (EPS).

With respect to the sales for the first quarter of 2001, excluding the electro-magnetic business (the former REMtech) sales increased to ¥6,620 million, up 13.3% from a year earlier, reflecting the steady growth of coils for communication and information processing equipment in Taiwan and Singapore, and the high growth of electronic parts for automobile use in Japan and Hong Kong. The total sales of the group, combining the ¥1,606 million sales of the electro-magnetic business, increased to ¥8,226 million, up 10.5% from a year earlier.

With respect to profit, the operating income decreased to ¥333 million, down 53.3% from a year earlier, due to the sales of relatively profitable coils being lower than expected in Japan and the United States. Other contributing factors include increased depreciation expenses of equipment and facilities, increased labor costs in factories caused by the expansion of production facilities in 2000, the occurrence of depreciation expenses for R&D facilities and M.Lab (a research laboratory in the Tohoku region of

Japan opened in September last year), the increase in human resources required for R&D, and the relatively lower profit of the electro-magnetic business ,despite improvement from the fourth quarter of 2000. Net income before taxes and extraordinary items declined to ¥47 million, down 93.2% from a year earlier, due to non-operating losses such as foreign exchange losses. The net loss for the current term was ¥94 million due to an extraordinary loss of ¥173 million resulting from an addition to the retirement allowance reserves for directors.

### Product Segment Information

(Unit: Thousand yen, %)

	Three months ended March 31, 2001				
	This Quarter	To Sales %	First Quarter 1999	To Sales %	Change (%)
Coils:					
Audio visual	394,441	4.8	470,688	6.3	(16.2)
IT and Communication	3,312,413	40.3	2,820,069	37.9	17.5
Automobile	714,874	8.7	596,091	8.0	19.9
Other	1,425,026	17.3	1,007,023	13.5	41.5
Coil total	<u>5,846,754</u>	<u>71.1</u>	<u>4,893,871</u>	<u>65.7</u>	<u>19.5</u>
Opt-electronic s	773,368	9.4	840,256	11.3	(8.0)
Magnetics	1,606,124	19.5	1,604,188	21.5	0.1
Other	-	-	106,627	1.5	-
Total	<u>8,226,246</u>	<u>100.0</u>	<u>7,444,942</u>	<u>100.0</u>	<u>10.5</u>

### Business Segment Information

(Unit: Thousand yen, %)

	Three months ended March 31, 2001					
	Sales		Operating Income		(%)	
	This Quarter	First Quarter 1999	This Quarter	First Quarter 1999	This Quarter	First Quarter 1999
Coils:	5,846,754	4,893,871	509,017	710,289	8.7	14.5
Opt-electronic	773,368	840,256	3,980	6,024	0.5	0.7
Magnetics	1,606,124	1,604,188	(179,924)	(14,559)	(11.2)	(0.9)
Other	-	106,627	-	10,919	-	10.2
Total	<u>8,226,246</u>	<u>7,444,942</u>	<u>333,073</u>	<u>712,673</u>	<u>4.0</u>	<u>9.6</u>

### Geographic Segment Information

(Unit: Thousand yen, %)

	Three months ended March 31, 2001				
	This Quarter	To Sales	First Quarter 1999	To Sales	Change (%)
Japan	2,073,103	25.2	2,053,854	27.6	0.9
Hong Kong and China	1,333,495	16.2	1,296,033	17.4	2.9
ASEAN	663,715	8.1	459,183	6.2	44.5
Taiwan and Korea	936,674	11.4	813,264	10.9	15.2
NAFTA	1,602,907	19.5	1,550,867	20.8	3.4
EU	1,616,352	19.6	1,271,741	17.1	27.1
Overseas total	<u>8,226,246</u>	<u>100.0</u>	<u>7,444,942</u>	<u>100.0</u>	<u>10.5</u>

**Information by Currency Block** (Three months ended March 31, 2001)

**Results based on Japanese yen**

	Hong Kong Block		Taiwan Block		Japan Block		Malaysia Block	
	Thousand Yen		Thousand Yen		Thousand Yen		Thousand Yen	
	2001	2000	2001	2000	2001	2000	2001	2000
Customer	2,723,023	2,336,943	798,944	624,224	2,059,310	2,046,021	29,536	18,180
Internal	5,135,126	2,039,723	112,843	40,859	624,792	34,948	56,812	82,332
Total	7,858,149	4,376,666	911,787	665,083	2,684,102	2,080,969	86,348	100,512
Cost of Sales	6,810,321	3,563,626	761,388	543,244	1,549,545	1,364,990	87,967	85,635
General, Selling Admin Expenses	690,752	243,769	151,007	91,433	1,380,187	655,063	1,633	14,719
Operating Income	357,076	569,271	(608)	30,406	(245,630)	60,916	(3,252)	158
	Singapore Block		America Block		Elimination		Consolidated	
	Thousand Yen		Thousand Yen		Thousand Yen		Thousand Yen	
	2001	2000	2001	2000	2001	2000	2001	2000
Customer	634,180	441,002	1,981,253	1,978,572	-	-	8,226,246	7,444,942
Internal	23	-	110,877	-	(6,040,473)	(2,197,862)	-	-
Total	634,203	441,002	2,092,130	1,978,572	(6,040,473)	(2,197,862)	8,226,246	7,444,942
Cost of Sales	466,494	341,607	1,896,247	1,577,144	(5,529,474)	(2,144,091)	6,042,488	5,332,155
General, Selling Admin Expenses	100,250	44,249	349,208	335,543	(822,352)	15,338	1,850,685	1,400,114
Operating Income	67,459	55,146	(153,325)	65,885	311,353	(69,109)	333,073	712,673

**Results based on local currency**

	Hong Kong Block			Taiwan Block			Japan Block		
	Thousand HK\$			Thousand NT\$			Thousand Yen		
	2001	2000	Change	2001	2000	Change	2001	2000	Change
Customer	184,893	172,233	12,660	227,300	185,769	41,531	2,059,310	2,046,021	13,289
Internal	348,675	150,327	198,348	32,104	12,160	19,944	624,792	34,948	589,844
Total	533,568	322,560	211,008	259,404	197,929	61,475	2,684,102	2,080,969	603,133
Cost of Sales	462,421	262,639	199,782	216,615	161,669	54,946	1,549,545	1,364,990	184,555
General, Selling Admin Expenses	46,902	17,966	28,936	42,962	27,211	15,751	1,380,187	655,063	725,124
Operating Income	24,245	41,955	(17,710)	(173)	9,049	(9,222)	(245,630)	60,916	(306,546)
	Malaysia Block			Singapore Block			America Block		
	Thousand M\$			Thousand S\$			Thousand US\$		
	2001	2000	Change	2001	2000	Change	2001	2000	Change
Customer	978	654	324	9,576	7,012	2,564	17,237	18,757	(1,520)
Internal	1,880	2,964	(1,084)	-	-	-	965	-	965
Total	2,858	3,618	(760)	9,576	7,012	2,564	18,202	18,757	(555)
Cost of Sales	2,912	3,083	(171)	7,044	5,432	1,612	16,498	14,951	1,547
General, Selling Admin Expenses	54	529	(475)	1,513	703	810	3,038	3,181	(143)
Operating Income	(108)	6	(114)	1,019	877	142	(1,334)	625	(1,959)

## **Business Segment Information**

The business of Sumida Group consists of the coil business, the opto-electronic business, and the electro-magnetic business (the former REMtech). For the purpose of the results of each business for the first quarter of 2001, we will use a year-on-year comparison denominated in the foreign currency of the countries concerned, as well as in yen

### **1. Coil Business**

The sales of coil business for the first quarter of 2000 increased to ¥5,847 million, up 19.5% year on year, (up 9.6% year on year in foreign currency) underpinned by the coils for communication and information processing equipment, and the electronic parts for automobiles that grew favorably despite decreases in the sales of coils for audio-video equipment and other coils. However, operating profit decreased to ¥509 million, down 28.3% from a year earlier, due to the lack of change in the relatively profitable sales in Japan and the United States, the increase in depreciation expenses for production facilities and R&D facilities, and expanded human resources.

#### **a. Coils for Audiovisual products**

The sales of coils for audio-video equipment declined to ¥395 million, down 16.2% from a year earlier, for the first quarter of 2001.

Looking at the sales by region, Japan sales decreased to ¥182 million, down 9.6% from a year earlier, and overseas, sales in Hong Kong decreased to ¥98 million, down 12.1% year on year (down 19.0% year on year in Hong Kong currency), and Singapore sales dropped to ¥106 million, down 30.4% from a year earlier (down 33.9% from a year earlier in Singapore currency).

Sales in Japan grew steadily, reflecting brisk order for coils for liquid crystal televisions on the whole. Nevertheless, a decrease was posted in sales, due to the reclassification of the coils for DVDs that was included in the coils for audio-video equipment in the first quarter of 2000, to the coils for communication and information processing equipment for the first quarter of 2001. Sales in Hong Kong decreased due to stagnant sales of coils for radios and the reclassification of a part of the product range to coils for communication and information processing equipment, despite relatively steady growth of those for tuners, stereos, televisions, and DVDs. The decrease in Singapore sales is due to a drop in orders from a section of the major customer base, and the curtailment of production centering on Japanese-affiliated makers.

#### **b. Coils for Information and Communications Equipment**

Sales of coils for communication and information processing equipment increased to ¥3,312 million, up 17.5% from a year earlier (up 7.8% in foreign currency) for the first quarter of 2001.

Sales in Japan increased to ¥1,071 million, up 4.7% from a year earlier, due to increased orders from the makers of notebook computers, digital cameras, and copy machines, and the reclassification from the coils for audio-video equipment, despite production trend varying for each set maker.

Sales in the United States grew to ¥408 million, up 9.1% (up 0.1% in foreign currency), despite the progressed restructuring such as the control of inventory and production and personnel reduction, by the major personal computer makers.

Hong Kong sales reached ¥582 million, up 1.1% year on year (down 6.9% in foreign currency) due to the slowdown in the sale of coils for liquid crystal monitoring televisions exported to Korean companies, and coils sold for European mobile phone makers. Sales in Singapore expanded to ¥425 million, up 94.9% from a year earlier (up 85.1% in foreign currency), on the contribution from sales to EMS (electric manufacturing service) companies, which manufacture notebook computers and PDAs. Sales in Taiwan recovered to ¥780 million, up 25.9% from a year earlier (up 20.3% in foreign currency), due to brisk deals of inverter units for liquid crystal panels with the recovery of the manufacture of personal computers by OEM (original equipment manufacturing) makers.

c. Other Coils

The coils that do not belong to the coils for audio-video equipment and the coils for communication and information processing equipment are classified as “other coils.” Sales of other coils increased to ¥715 million, up 19.9% year on year (up 10.1% in foreign currency), for the first quarter of 2001.

Sales of 4V coils for the switchover of cooling and heating of air conditioners and the coils for water heaters grew steadily, while sales of coils for fully automatic (FA) machines started to decline. In particular, sales of 4V coils increased rapidly because of the full-scale production by Japanese and foreign air conditioner makers in China.

d. Automotive Components

Sales of electronic parts for automobiles increased to ¥1,425 million, up 41.5% from a year earlier (up 29.9% in foreign currency), for the first quarter of 2001. Sales of ABS coils grew to ¥867 million, up 70.1% year on year (up 56.7% in foreign currency), and the sales of coils other than ABS coils grew to ¥558 million, up 12.2% year on year (up 3.0% in foreign currency). The major market for electronic parts for automobiles use other than ABS coils is Japan, where sales increased to ¥376 million, up 12.6% from a year earlier. Out of this, sales of transformers for high intensity discharge (HID) lamps increased to ¥120 million, up 29.0% from a year earlier, continuing a favorable growth. Overseas sales increased in Singapore and Hong Kong, on both the Japanese yen and foreign currency bases.

## 2. Optoelectronics

Sales of opto-electronic related parts decreased to ¥773 million, down 8.0% year on year (down 15.5% in foreign currency), for the first quarter of 2001. While sales of the first quarter of 2001 included sales of optical pickups for DVD-ROMs, the production of which did not start in the first quarter of 2000, sales of the main product of optical pickups for CD-ROM were reduced, together with the sales of lens holders that are parts for pickups. Despite efforts to expand customer base for products other than optical pickups and lens holders, and the improvement of productivity through the reduction of the prices of raw materials and the streamlining of the manufacturing process, operating profit decreased to ¥4 million, down 33.9% from a year earlier.

## 3. Magnetics Business (former REMtech)

Sales in the electro-magnetic business showed ¥1,606 million, up 0.1% from a year earlier (down 8.1% in foreign currency), for the first quarter of 2001. Sales of the main product, magnetics, grew steadily, reflecting the full-scale growth of sales to new major customers, and the recovery of sales to the existing major customers who had held off orders but have started to order again due to the completion of their restructuring. Nevertheless, the sales of reed relays and surge arrestors other than magnetics declined. While sales on a Japanese yen basis leveled off, operating profit turned to a loss of ¥180 million, reflecting an increase in manufacturing costs due to increased sales of magnetics with different specifications from past magnetics to new major customers, and increases in sales expenses and general administrative expenses arising from the reinforcement of the sales system in Europe.

## Other Business

The sales of other businesses were included as negative sales expenses and general administrative expenses and non-operating income, considering “other business” as an expenses recovery business of the coil business, starting from the current term.

## Future Business Outlook and Strategic Direction

In this section we will give an explanation of future direction of the business environment and the business development policy of each business segment. The following statement includes the future outlook of the Sumida Group's business performance. There is a possibility that the actual results may greatly deviate from the projections, as a result of various factors such as changes in the economic environment of each geographic segment and the occurrence of unexpected events.

### 1. Coil Business

#### a) Coils for Audio visual Products

With respect to the demand for audio-video equipment, the harsh environment is expected to continue for the time being. However, the strong demand for digital broadcasting receiving equipment, liquid crystal televisions, and DVD players has continued.

Worldwide demand for color televisions, out of the audio-video equipment sector, increased favorably to 125.3 million sets, up 7.5% from a year earlier, for 2000. However, 2001 worldwide demand for color televisions is expected to increase to 128.6 million sets, up only 2.6% from a year earlier, reflecting the slowdown in advanced countries. With respect to the market for digital broadcasting receiving equipment, the demand for digital televisions, and digital broadcasting receiving tuners is expected to sharply increase to 1.5 million sets, up 275.0% year on year in Japan, and to 1.1 million sets in the United States. In addition, demand for liquid crystal televisions is expected to increase rapidly, reflecting the progressive enlargement and clarity of screens.

Worldwide demand for DVD players increased to 16.8 million sets, up 111.6% from a year earlier, in 2000, and is expected to increase to 28 million sets, up 66.7% year on year, for 2001, reflecting 1.5 to 2 times the increase expected in the United States, Europe, Japan, and China.

The Sumida Group aims to conduct its business activities focusing on the products with growth potential in the future, such as the coils for liquid crystal televisions, digital cameras, digital broadcasting receiving tuners, and DVD players. In particular, we expect that liquid crystal television coils will become a promising product, since we will receive bulk orders about 18 units are required for each television set. We will also develop modem transformers for the interface of telephone lines, and aim at their use for digital televisions and digital broadcasting receiving tuners.

#### b) Coils for Information and Communications Equipment

The communication and information processing equipment market is expected to start to recover from the third quarter of 2001.

The number of worldwide shipments of personal computers increased to 129.95 million, up 18.0% from a year earlier, in 2000, and appears to have increased by 8.1% year on year in the first quarter of 2001. The number of shipments of personal computers leveled off in the U.S. market, but increased by 9.2% in the European market, and by a remarkable 14.1% in the Japanese market. The number of worldwide shipments of personal computers is expected to increase to 144 million, up 10.8% year on year, for the entire 2001. With respect to computer peripheral equipment, the market for digital cameras has continued to expand in Japan and Europe, and the number of shipments of digital cameras is expected to arrive at 170 million at least, up 57.4% year on year, for 2001.

While there is an outlook that, with respect to the mobile phone market, the growth rate will significantly lower for 2001 from the number of 380 million in 2000 because of the curtailment of production by foreign affiliated makers, we expect that said number will become 400 million to 450 million due to the brisk production in China. The production of 80 million units showing a 48% increase over the previous year is planned in China, and sales in China alone are estimated to increase to 40 million units at least, up 37% year on year.

From May 2001 NTT will introduce IMT-2000 in Japan, the communication system for mobile phones for the coming generation, ahead of the rest of the world. It appears that NTT is studying the upward

revision of the targeted number of sales of mobile phones for the coming generation from the initial 150,000, to at least 200,000 for 2001.

While the STN (simple matrix) method has been adopted for the liquid crystal screen of mobile phones, TFT (thin transistor) with a higher quality picture than STN is becoming widely used with the appearance of color liquid crystal screens for mobile phones. The liquid crystal screen of TFT uses a power inductor for the power to drive white color LED (light emitting diodes). The proportion of TFT mobile phones in the Japanese market is expected to rapidly increase to 30% to 50% at the end of 2001. Since the trend of manufacturing of communication and information processing equipment varies widely between each set maker, it is difficult to forecast the future precisely. However, the communication and information processing equipment market is expected to move to recover in the latter half of 2001 in view of the sign of recovery seen in the production of notebook computers and liquid crystal panels in Taiwan, the gradual start of the manufacturing of the new model of personal computers by Japanese affiliated makers in Taiwan, and the Japanese affiliated makers that labor for the positive worldwide development including mobile phones of the past model taking the opportunity of the start of mobile phones for coming generation.

We will aim to place an emphasis on the development, manufacturing and sale of power inductors, inverter transformers and units, DC/DC converters, isolation transformers and the parts for mobile phones that correspond to smaller and thinner electronic equipment, large liquid crystal screen, and the progress of ADSL hereafter as well. With respect to mobile phones for coming generation, while we have strengthened the contact with the technological departments of set makers from an early stage, and submitted proposals on coil design, about 70% of the mobile phones for the coming generation to be produced in 2001 are scheduled to use the coils of the Sumida Group.

#### c) Other Coils

The major product of other coils is a 4V coil. Sales of 4V coils rapidly increased to ¥158 million, up 100% from a year earlier, for the first quarter of 2001. We have carried out sales activities for 4V coils mainly in China. Foreign affiliated makers including Japanese companies have started full-scale production in China to enhance their competitive edge in terms of cost. In addition, domestic makers of China also started full-scale production. The number of production of air conditioners in China is expected to become 15 million at least for 2001, and record a double-digit increase for 2002. We have coped with demand increases by stepping up manufacturing lines of 4V coils at our factory in China.

#### d) Automotive Components

While the number of new car sales is expected to decrease to 16 million, down 8.0% year on year, in the United States and to 14 million, down 1.8% year on year, in Europe for 2001, the number of new car sales is expected to increase to 4.4 million, up 4.4%, in Japan, up 2% year on year in the Asian market including Japan, and up 5% year on year in the Latin America market for 2001. Worldwide new car sales are expected to decrease on a year-on-year basis. However, the demand for electronic parts for automobiles use is expected to continue to expand, in view of the requirement for energy saving and the attachment of importance to safety.

The number of production of the main product of ABS coils increased from 18,399 in 1998, to 39,398 in 1999, to 47,471 in 2000, and increased to 12,431, up 33.8% from a year earlier, for the first quarter of 2001.

With respect to electronic parts other than ABS coils, the demand for torque angle sensor coils for BPS (electronic power steering) in addition to transformers for HID lamps has been picking up. Sales of torque angle sensor coils increased smoothly to ¥18 million for the first quarter of 2001. EPS leads to the improvement of gasoline mileage because the weight of car body can be made light relative to the hydraulic drive, by driving the wheels using electricity. We currently deliver products to the major maker of EPS. Said maker has tied up with another company for EPS business, and labors for the reinforcement of its EPS business by studying a joint venture in Europe following the start of

manufacturing and sales activities in the United States.

The business of injection coils for direct-injection engines, though small in size, has steadily improved its actual performance. The direct-injection engine is the system to supply diluted fuels directly cylinders through the attachment of injectors to cylinders (fuel room), and can help realize the improvement of gasoline mileage. For technological reasons, the practical use for diesel engines preceded; however, it has become widely used for gasoline engines through technological innovation. We expect to see promising growth in this business in the future.

## **2. Optoelectronics**

The sales of opto-electronic related parts declined in the first quarter of 2001, due to decreased demand for CD-ROMs and DVD-ROMs and the control of inventory of personal computers in the American market. We expect that OEM makers in Taiwan will hereafter actively place orders for opto-electronic related parts reflecting the start of the production of new models by American personal computer makers. In particular, demand for optical pickups for CD-ROMs has increased due to increasing production of low price personal computers. We also expect that orders for lens holders for CD-ROM that is a part of CD optical pickup will thereby increase. In such an environment, we are carrying forward the development of the efficient shape and combination of parts, and cheaper substitute materials than the existing materials with the aim of streamlining manufacturing processes. With respect to optical pickups, we have placed a stronger emphasis on raising the proportion of our own procurement by reducing the weight of raw materials provided for a consideration through the study of used materials. We will tackle the research and development of new products to correspond to high record density media such as blue laser products.

## **3. Magnetism Business (former REMtech)**

With respect to the electro-magnetic business, we indicated REMtech Co. of the United States that we acquired in August 1999 as an independent business in our IR materials. In the first quarter of 2001, the manufacturing division of REMtech was incorporated as an overseas affiliate called Sumida America Manufacturing Corp. (SAM), and the Research Institute in San Diego was also incorporated as an overseas affiliate called Sumida America Technologies Corp. (STM). In addition, the marketing division of REMtech and Sumida Electric (USA) Co., Ltd. (USA Sumida) engaging in the sale of coils, was integrated to establish Sumida America Sales Corp. (SAS). With this reorganization of business, we will hereafter make information disclosure by defining the manufacturing and marketing divisions of the former REMtech as our electro-magnetic business. Based on this integration of USA Sumida and the marketing division of REMtech, we will make the best use of the marketing networks of the both companies in the American market. In the Europe market, the marketing network of Sumida Group will bring about a synergy effect using the marketing base of REMtech that was reorganized last year.

With respect to SAM, we have been reviewing the management base of the entire factory by dispatching human resources to it from other manufacturing divisions of Sumida Group. We aim to establish an optimum system of procurement from multiple suppliers to reduce raw materials cost. We aim further to reduce procurement costs by using the materials procurement networks of the three factories in China, Taiwan and Malaysia. Our manufacturing sites are pushing ahead with the improvement of production efficiency, such as the streamlining of manufacturing process, the redeployment of workers, and the curtailment of indirect manufacturing expenses by re-assessing existing production lines.

SAT is conducting the research and development of various transformers and coils concentrating on the areas relating to telecommunication. We have completed the development of our smaller products, making the most of our micro-fabrication technology, and have started sampling activities with respect to isolation transformers used for ADSL and xDSL. Since users have highly rated the samples, we plan to shift to mass production in the next quarter.

**Consolidated Balance Sheet as at 31 March 2001**

**Consolidated Balance Sheet as at 31 March 2001**

(Unit: Thousand yen)

	as at 31 March				Prior 1/4	
	2001		2000		31-Dec-00	Change
	Amount	% of total	Amount	% of total	Amount	
<b>Assets</b>						
<b>I Current Assets</b>						
1. Cash & Cash Equivalents	4,882,800		7,163,803		4,892,637	
2. Accounts Receivable	7,221,191		6,630,829		7,042,392	
3. Inventories	4,389,027		2,973,827		4,366,458	
4. Other	1,180,610		683,060		1,144,792	
5. Provision for Doubtful Debts	(87,041)		(79,249)		(78,797)	
Total Current Assets	17,586,587	53.5	17,372,270	58.5	17,367,482	54.3
<b>II Non- Current Assets</b>						
<b>(1) Tangible Non-Current Ass</b>						
1. Buildings	6,546,958		4,785,752		6,240,079	
2. Machinery & Equipment	9,120,632		7,645,507		8,304,517	
3. Furniture & Fixtures	2,715,044		2,583,742		2,543,761	
4. Land	1,270,321		1,224,480		1,285,904	
5. Construction in Progress	264,154		487,895		148,498	
6. Accumulated Depreciation	(7,762,007)		(7,647,144)		(6,914,276)	
Total Tangible Non-Current Assets	12,155,102	37.0	9,080,232	30.6	11,608,483	36.3
<b>(2) Intangible Non-Current Assets</b>						
1. Land Occupancy Rights	624,700		528,383		572,532	
2. Consolidation Adjustments	82,776		148,993		99,329	
3. Trade Rights	1,517,884		1,640,088		1,496,172	
4. Other	106,881		3,849		102,675	
Total Intangible Non-Current Assets	2,332,241	7.1	2,321,313	7.8	2,270,708	7.1
<b>(3) Investments &amp; Other Assets</b>						
1. Investments in Securities	253,103		137,697		241,314	
2. Other	538,158		804,813		511,824	
3. Provision for Doubtful Debts	-		-		-	
Total Investments & Other Assets	791,261	2.4	942,510	3.2	753,138	2.3
Total Non-Current Assets	15,278,604	46.5	12,344,055	41.5	14,632,329	45.7
Total Assets	32,865,191	100.0	29,716,325	100.0	31,999,811	100.0

**Liabilities**

<b>I</b>	<b>Current Liabilities</b>						
	1. Accounts Payable	2,648,532		2,125,091		2,781,023	
	2. Short-term Borrowings	4,886,009		7,132,212		4,517,850	
	3. Other Current Liabilities	3,188,074		2,438,802		3,654,813	
	Total Current Liabilities	10,722,615	32.6	11,696,105	39.4	10,953,686	34.2
<b>II</b>	<b>Non-Current Liabilities</b>						
	1. Long-term Borrowings	1,973,200		1,745,000		1,922,900	
	2. Provision for Retirement Benefits	93,633		300,383		314,558	
	3. Other Non-Current Liabilities	247,162		224,001		227,177	
	Total Non-Current Liabilities	2,313,995	7.1	2,269,384	7.6	2,464,635	7.7
	Total Liabilities	13,036,610	39.7	13,965,489	47.0	13,418,321	41.9
	<b>Shareholder's Equity</b>						
<b>I</b>	<b>Paid In Capital</b>	5,375,711	16.4	5,375,711	18.1	5,375,711	16.8
<b>II</b>	<b>Reserves</b>	5,169,258	15.7	5,169,258	17.4	5,169,258	16.2
<b>III</b>	<b>Retained Earnings</b>	9,423,186	28.7	8,278,770	27.9	9,691,582	30.3
<b>IV</b>	<b>Cumulative Translation Adjustments</b>	(138,699)	(0.5)	(3,071,193)	(10.3)	(1,654,429)	(5.2)
<b>V</b>	<b>Treasury Stock</b>	(875)	0.0	(1,710)	0.0	(632)	0.0
	Total Shareholder's Equity	19,828,581	60.3	15,750,836	53.0	18,581,490	58.1
	Total Liabilities & Shareholder's Equity	32,865,191	100.0	29,716,325	100.0	31,999,811	100.0

## Consolidated Income Statement

### Consolidated Statement of Income

	<i>1st Quarter 2001</i>		<i>1st Quarter 2000</i>		<i>Change</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<b>I</b> Sales	8,226,246	100	7,444,942	100	781,304	10.5
<b>II</b> Cost Of Sales	6,042,488	73.5	5,332,155	71.6	710,333	13.3
Gross Profit	2,183,758	26.5	2,112,787	28.4	70,971	3.4
<b>III</b> Selling, General & Administrative Expenses	1,850,685	22.5	1,400,114	18.8	450,571	32.2
<b>Operating Profit</b>	333,073	4	712,673	9.6	(379,600)	(53.3)
<b>IV</b> Non-operating Income(Expenses)						
Interest & Dividends Received	30,948		33,935		(2,987)	(8.8)
Interest & Discounts Paid	28,510		22,270		6,240	28
Exchange Gains (Losses)	(136,912)		39,122		(176,034)	(450)
Other Non-operating Income (Expenses)	(151,519)		(73,288)		(78,231)	106.7
Total Non-operating Income(Expenses)	(285,993)	(3.4)	(22,501)	(0.3)	(263,492)	1171
<b>Profit before taxes, gains(losses) on special items</b>	47,080	0.6	690,172	9.3	(643,092)	(93.2)
<b>V</b> Gains (Losses) on Special Items						
Gains on Disposal of Fixed Assets	31,961		232		31,729	13676.3
Losses on Disposal of Fixed Assest	32,664		11,182		21,482	192.1
Other Gains (Losses)	(186,968)		-		(186,968)	N/A
Total Gains(Losses) on Special Items	(187,671)	(2.3)	(10,950)	(0.1)	(176,721)	1613.9
Profit before Taxes	(140,591)	(1.7)	679,222	9.1	(819,813)	(120.7)
Corporate Tax	(46,394)	(0.6)	245,116	3.3	(291,510)	(118.9)
<b>Net Profit after tax</b>	(94,197)	(1.1)	434,106	5.8	(528,303)	(121.7)

### Additional Information

In order to facilitate understanding of the financial results, the consolidated results of Sumida Corporation are also prepared under US-GAAP. The following table compares the major items contained in the Income Statement under both accounting approaches.

(Unit : Million Yen, %)

	<b>1<sup>st</sup> quarter 2001</b>			
	US-GAAP	%	JP-GAAP	%
Sales	8,226	100.0	8,226	100.0
Operating Income	198	2.4	333	4.0
EBITDA	15	0.2	47	0.6
EBIT	(173)	(2.1)	(141)	(1.7)
Net Income	(119)	(1.4)	(94)	(1.1)