



2  
2001

Financial Results for the 2nd quarter  
and half year ended 30 June 2001

SUMIDA CORPORATION  
3-3-6 Nihonbashi Ningyocho  
Chuo-ku, Tokyo  
103-8589  
Japan

## Results for the 2nd quarter and half year ended 30 June 2001

### Financial Highlights for the 2nd quarter and half year ended 30 June 2001

Unit: million yen

Category \ Period	2nd quarter 2001					Half year 2001				
	This 1/4	%	2nd 1/4 2000	%	% change	This 1/2 year	%	Last 1/2 Year	%	% Change
Sales	8,114	100.0	8,231	100.0	(1.4)	16,340	100.0	15,676	100.0	4.2
Operating Income	81	1.0	695	8.4	(88.3)	414	2.5	1,408	9.0	70.6
Income before taxes & abnormal items	(277)	(3.4)	623	7.6	(144.5)	(230)	(1.4)	1,314	8.4	(117.5)
Income before taxes	(219)	(2.7)	611	7.4	(135.8)	(360)	(2.2)	1,290	8.2	(127.9)
Net Income	(131)	(1.6)	459	5.6	(128.5)	(225)	(1.4)	893	5.7	(125.2)

Unit: million yen

Category \ Period	1 <sup>st</sup> 1/4		4th 1/4		3rd 1/4		2nd 1/4	
	2001	2000	2000	1999	2000	1999	2000	1999
Sales	8,226	7,445	8,693	7,290	9,207	6,851	8,231	5,628
Operating Income	333	713	662	619	1,248	1,047	695	556
Income before taxes & abnormal items	47	690	505	268	1,149	947	623	710
Income before taxes	(141)	679	237	(482)	1,105	873	611	698
Net Income	(94)	434	410	(356)	669	710	459	435

Unit: million yen

	2000	1999	1998	1997	1996
Sales	33,575	24,574	21,391	21,248	18,360
Operating Income	3,318	2,687	2,210	2,637	1,537
Income before taxes & abnormal items	2,967	2,439	2,336	2,305	1,334
Income before taxes	2,632	1,580	2,550	1,969	1,086
Net Income	1,973	1,003	1,942	1,385	677
Shrldrs Equity	18,581	15,083	9,232	8,587	7,181
Total Assets	32,000	26,220	20,840	20,381	19,168
Per share (yen)					
eps	163.43	101.56	205.07	146.25	71.48
Equity ratio	1,539.48	1,374.60	974.60	906.54	758.06

\*Foreign exchange adjustments are included in Shareholder's Equity

## Message from the CEO- 2<sup>nd</sup> quarter 2001

The result for the 2<sup>nd</sup> quarter of 2001 for the Sumida group of companies was, regrettably, a particularly disappointing one. The downturn in the United States and its adverse flow on effects globally, put an abrupt end to the strong growth experienced up until the end of last year in the electronics sector. By the end of the second quarter the tenacity of the slowdown was well evident.

Looking at specific product areas, inventory adjustments by end manufacturers in the consumer electronics area and for mobile telephones in the IT and communication areas were notably prolonged. The promise of the latest version of Window's operating system, XP, seems unlikely to ignite substantial sales activity in the computer market. Positive signals, although scarce, could be found in the automotive market where, despite a slight decline in sales of automobiles, there was a marked acceleration in the trend toward the application of electronics in automotives.

A major factor in the decrease of orders flowing from end-manufacturers could be identified as the unwillingness on the part of consumers to commit to high value added new technologies and new applications. Notwithstanding this consumer reluctance presently numbing business activity, there remains much promise for the future for the electronics industry for the mid-term and beyond. The increasing digitalization of consumer products, the ever expanding bandwidth in communications and networks technology, and the increasing application of electronics in automobiles, are some of the areas of promising substantial market growth.

While there can be no denying that the first half of 2001 was a period of poor earnings performance, it can be said that such times act to serve as "wake-up calls", which aid to spur change for the better. In the midst of a sluggish market environment, the Sumida group continued its commitment to the customer by undertaking a number of mid-to-long term investment strategies and initiating a management reorganization emphasizing efficiency, speed and focus. Coupled with these initiatives, an aggressive cost management policy was implemented this quarter that will translate into better profitability without compromising the promise of the future.

Sumida has long been a forward-looking company. We are uncompromising in our commitment in this regard. However, we feel it prudent to take a step back and re-gather the strength that has waned somewhat over the last two quarters. This "regrouping" is a short-term performance objective that we have termed "**Revive Sumida**". In essence it entails reestablishing our profit levels of last year by strengthening group processes, particularly procurement activities, offering more efficient supporting services and reorganizing the management of R&D and manufacturing operations.

The investment strategies of the mid-to-long term will focus much on development with a strong marketing approach. Our broad mid-term strategy is known within the Sumida group as "**Global, Speed & Focus 21**" and forms the foundation of our performance target by the end of fiscal year 2006. This target has been set as US\$1 billion in revenues with US\$100 million in net profit.

### " Global, Speed & Focus 21 "

- Global••• To source globally customers, human resources, production resources & capital
- Speed•••• To be a true change company setting the pace in the business environment
- Focus•••• To nurture employees ready to undertake challenges, to focus on a clear aims, and hit clearly specified targets



President & CEO  
Sumida Corporation

## Overview of Consolidated Business Results for the Second Quarter of 2001

The electronic instruments industry has witnessed in the second quarter of 2001 continuation of production adjustment by audiovisual equipment sets manufacturers, along with prolonged mobile phone inventories adjustment by information processing and telecommunications equipment manufacturers. Demand for personal computers have not shown much increase, as consumers await the launch of basic software Windows XP planned in the fall. On the other hand, orders in the automotive industry have been brisk in line with increased use of electronic automobile components, even though sales of new cars have decreased in the U.S. and Europe.

While sales of coils for audiovisual equipment and information processing and telecommunications equipment decreased during the second quarter of fiscal 2001, those for coils for automotive industry application and others coils showed growth in two-digit percentages. As a result, the total sales for the quarter amounted to 8,114 million yen, which is almost equal to the amount for the same period last year. Operating profit decreased 88.3 percent from the same period last year to 81 million yen, due to decrease in the sales of coils for information processing and telecommunications equipment, along with slowing in upgrading of the electromagnetic businesses, increase of fixed overheads at factories and increase of personnel costs. Ordinary profit turned negative to minus 277 million yen and net profit for the term was minus 131 million yen, which includes non-operating expenses in foreign exchange loss calculations.

## Outline of Consolidated Business Results for the First Half of 2001

The global economic situations in the first half of 2001 worsened significantly compared to last year, as economic stagnation in the U.S. continued.

Demand for audiovisual equipment generally slackened, except for liquid crystal TV sets and some other products. Inventory adjustment has continued for mobile phones since the second half of last year, mainly among European companies. Production adjustment for personal computers progressed rapidly, and manufacturers have repeatedly increased and decreased production while watching carefully over market situations. As for home appliances, there continued favorable demand for air conditioners in the Japanese and Chinese markets.

In regard to automotive components demand has grown further, as car navigation systems, ABS and other products already in the market have become more widely accepted, and practical application of new electronic systems intended for energy conservation gained momentum. For optoelectronic components, CD-ROM optical pick-ups are rapidly being replaced by CD-R-R/W and DVD-R/W pick-ups.

A great deal of electronic components in the market are commodity products such as condensers and resistors, and large volumes of these products have found wider application in the electronics industry. Mobile phones have especially significant influences on the electronic components market, since the production volume is extremely large compared to other products. As inventories adjustment for mobile phones is underway, orders received and sales by electronic components manufacturers

have decreased significantly compared to the same period last year.

As coils developed by Sumida Group are used more for specialized applications in electronic circuits, their specifications vary among different types of electronic equipment. When a customer develops new models, design department personnel need to consult closely concerning coil specifications. As a result the Sumida Group has conducted its business based on actual demands. Currently, sales of components for use in mobile phones, for which numerous commodity components are used, account for only 1.4% of our gross sales. The Sumida Group revenue spread, from automobile businesses, optoelectronics and specialized application in electronic equipment helps to keep revenues insulated somewhat from fluctuating market conditions. Taking advantage of this, the Sumida group has promoted development, production and sales activities to accommodate customers' demands more effectively.

During the first half of 2001, sales of coils for audiovisual equipment have decreased, and optoelectronic and electromagnetic businesses have not shown much growth. However, conditions were favorable in Taiwan and ASEAN countries for coils used in information processing and telecommunications equipment, while high growth rates were maintained for automotive components in Japan and Hong Kong. Demands for 4V coils used in air conditioners increased rapidly in the Chinese market. Overall, our total sales for the first half of 2001 increased 664 million yen (4.2 percent) from the same period last year, to 16.340 million yen.

Although sales growth, was satisfactory under the tough conditions, there was a delay in the start of operation of ABS coil production facilities that were transferred to our new factory in Mexico from our Taiping factory in China (with the aim to launch production and sales of these coils in NAFTA countries). In addition, there is also a delay in improvement works for production departments concerned with electromagnetic businesses, and there was an increase in fixed expenses due to measures provided last year to increase the capacity of our manufacturing facilities in China. As such, net profit from the sales has decreased 636 million yen (14.4 percent) from the same period last year, to 3,783 million yen.

Other factors affecting profitability include increased personnel expenses such as increased employees working for the M Laboratory and R&D Center in San Diego, and at the management level generally to ensure high competence levels of younger generation employees, and increased depreciation expenses that arose from our new Research and Development Center in southern Sendai (M Laboratory) that was established to assure our leading position in an area with high potentials for future growth,. As such, operating profit decreased 994 million yen (70.6 percent) from the same period last year, to 414 million yen. Ordinary profit came out at minus 230 million yen, due to foreign exchange losses that arose in the course of transactions among group corporations, and as non-operating expenses increased 484 million yen compared to the same period last year due to conversion losses caused by rapid depreciation of yen toward the end of the period. Furthermore, the retirement pension for former board members was appropriated as a special loss, resulting in net profit for the term of minus 225 million yen.

## Segment Information

### Sales by Product Category

(Unit : million yen, %)

Category	Period	2nd 1/4 2000					Half year 2000				
		This 1/4	% of total	Same 1/4 2000	% of total	% change	2001	% of total	2000	% of total	% change
Coil Business	AV Coils	446	5.5	592	7.2	(24.7)	840	5.1	1,063	6.8	(21.0)
	IT Communications Coils	3,170	39.1	3,386	41.1	(6.4)	6,482	39.7	6,207	39.6	4.4
	Other Coils	626	7.7	544	6.6	15.1	1,341	8.2	1,140	7.3	17.6
	Automotive	1,283	15.8	1,076	13.1	19.2	2,708	16.6	2,083	13.3	30.0
	TOTAL	5,525	68.1	5,598	68.0	(1.3)	11,371	69.6	10,493	67.0	8.4
	Optoelectronics	1,149	14.2	1,087	13.2	5.7	1,923	11.8	1,927	12.3	(0.2)
Magnetics	1,440	17.7	1,443	17.5	(0.2)	3,046	18.6	3,047	19.4	0.0	
Other Business	-	0.0	103	1.3	(100.0)	-	0.0	209	1.3	(100.0)	
TOTAL	8,114	100.0	8,231	100.0	(1.4)	16,340	100.0	15,676	100.0	4.2	

### Product Segment Information

(Unit : million yen, %)

Segment	Period/ Category	2000			1999		
		Sales	Operating Profit*	Ratio	Sales	Operating Income	Ratio
Coil Business		11,371	1,001	8.8	10,493	1,427	13.6
Optoelectronics		1,923	42	2.2	1,927	82	4.3
Magnetics		3,046	(629)	(20.7)	3,047	(132)	(4.3)
Other Business		-	-	-	209	31	14.8
TOTAL		16,340	414	2.5	15,676	1,408	9.0

Continued over

## Segment Information (cont.)

### Sales by Product Region

(Unit : million yen, %)

Region \ Period	2nd 1/4 2001					Half Year 2001				
	This 1/4	% of Total	2nd 1/4 2000	% of Total	Change %	This year	% of Total	2000	% of Total	Change %
	Japan	2,107	26.0	2,230	27.1	(5.5)	4,180	25.6	4,284	27.3
HK/China	1,664	20.5	1,522	18.5	9.3	2,998	18.4	2,817	17.9	6.4
ASEAN	580	7.1	725	8.8	(20.0)	1,243	7.6	1,185	7.6	4.9
Taiwan/Korea	1,243	15.3	1,048	12.7	18.6	2,180	13.3	1,861	11.9	17.1
NAFTA	1,077	13.3	1,475	17.9	(27.0)	2,680	16.4	3,027	19.3	(11.5)
EU	1,443	17.8	1,231	15.0	17.2	3,059	18.7	2,502	16.0	22.3
TOTAL	8,114	100.0	8,231	100.0	(1.4)	16,340	100.0	15,676	100.0	4.2

## Business Segment Information

The Sumida Group is engaged in coil, optoelectronic and electromagnetic businesses. (For explanations on business conditions of each product segment for the first half of 2001, figures are indicated in local currencies also for comparison with the same period last year, along with yen. If there is only one currency used in a particular region, that currency is indicated as the local currency. If there is more than one, values converted to U.S. dollar are indicated.)

### 1. Coil Business

Although sales of coils for audiovisual equipment decreased, conditions remained favorable for coils used in information processing and telecommunications equipment, as well as for other coils and automotive components. As a result, the total sales from coil businesses increased 8.4 percent (decrease of 3.0 percent in the local currency) compared to the same period last year, to 11,371 million yen.

Although these business results had favorable effects on profitability, there was a delay in the start of ABS coil production facilities that were transferred to Mexico, while fixed overheads for our factories in China increased, depreciation expenses rose for M Laboratory, an R&D facilities established last year, and personnel cost rose due to employment of more personnel for R&D tasks. As a result, operation profit for the term decreased 29.9 percent from the same period last year, to 1,001 million yen.

#### a) Audiovisual equipment coils

Sales of coils for audiovisual equipment in the first half of 2001 decreased 21.0 percent (decrease of 29.2 percent in the local currency) compared to the same period last year, to 840 million yen.

Looking at different regions, sales in Japan decreased 18.2 percent from the same period last year to 382 million yen, while in Hong Kong the sales decreased 15.3 percent (decrease of 24.3 percent in the local currency) compared to the same period last year to

210 million yen, and in ASEAN the sales decreased 29.9 percent (decrease of 37.3 percent in the local currency) compared to the same period last year to 237 million yen.

In Japan, inquiry has been brisk concerning coils used in liquid crystal TV, and situations remained generally favorable. However, the total sales decreased because DVC coils, which had been classified as audiovisual equipment coils, were reclassified as information processing and telecommunications equipment coils during the first half of the year. In Hong Kong, tuner coils were relatively strong, but the sales decreased due to unstable situations for coils used in radio, stereo units and DVD, as well as reclassification of some coil products as information processing and telecommunications equipment coils. Production reduction in ASEAN is attributed to decrease of orders from some of the major customers, and to production adjustments mainly by Japanese manufacturers.

b) Information processing and telecommunications equipment coils

Sales of information processing and telecommunications equipment coils for the first half of 2001 increased 4.4 percent (decrease of 6.5 percent in the local currency) compared to the same period last year, to 6.482 million yen.

Looking at different products, sales of coils used in personal computers, PDA and peripheral equipment for computers decreased 12.1 percent (decrease of 21.3 percent in the local currency) compared to the same period last year, and sales of coils for mobile phones decreased 19.3 percent (decrease of 27.7 percent in the local currency) compared to the same period last year, to 234 million yen. On the other hand, sales of inverter unit for personal computers increased 68.6 percent (increase of 58.9 percent in the local currency) compared to the same period last year, and sales of coil for digital cameras increased 43.4 percent (increase of 28.0 percent in the local currency) compared to the same period last year, to 314 million yen.

Looking at different regions, sales in Japan increased 4.0 percent compared to the same period last year to 2,169 million yen, due to increase of orders by some manufacturers of digital cameras and other products, and reclassification of audiovisual equipment coils as information processing and telecommunications equipment coils. In the NAFTA region, sales decreased 24.2 percent (decrease of 32.4 percent in the local currency) compared to the same period last year to 588 million yen, due to prolonged production adjustment by personal computer manufacturers and electronic manufacturing service (EMS), a company engaged in production for personal computer manufacturers.

In Hong Kong, businesses stagnated for Korean liquid crystal monitor manufacturers and European mobile phone manufacturers, resulting in decrease of sales of 7.6 percent (decrease of 17.0 percent in the local currency) compared to the same period last year, to 1,116 million yen. On the other hand, sales in the ASEAN region increased 24.5 percent (increase of 11.7 percent in the local currency) compared to the same period last year to 793 million yen, thanks to contribution by productions for EMS. In Taiwan, inquiries for inverter units for liquid crystal panels became brisk due to recovery in local production of lap-top personal computers, resulting in an increase of sales by 20.7 percent (increase of 13.9 percent in the local currency) to 1,776 million yen, and the increasing trend seems likely to be continue.

c) Other coils

Sales of other coils for the first half of 2001 increased 17.6 percent (increase of 5.3 percent in the local currency) compared to the same period last year, to 1.341 million yen. In addition to constant favorable results for coils used in water heaters, 4V coils used in air conditioners to switch between heating and cooling functions showed remarkable increase of 121.6 percent (increase of 98.5 percent in the local currency) compared to the same period last year, to 390 million yen.

d) Automotive Components

Sales of vehicle mounted electronic components for the first half of 2001 increased rapidly by 30.0 percent (increase of 16.4 percent in the local currency) compared to the same period last year, to 2.708 million yen. Rapid growth was significant especially for a major product ABS coils, showing an increase of 45.9 percent (increase of 31.0 percent) compared to the same period last year, to 1,570 million yen. Production has increased from 18,399,000 units in 1998 to 39,398,000 units in 1999, and to 47,471,000 units in 2000. The growth continued during the first half of 2001, with an increase of 28.3 percent compared to the same period last year, to 27,007,000 units. Sales of transformers for high intensity discharge (HID) lamps remained favorable, with an increase of 30.3 percent compared to the same period last year, to 241 million yen.

2. Optoelectronic businesses

Sales of optoelectronic components for the first half of 2001 decreased 0.2 percent (decrease of 10.7 percent in the local currency) compared to the same period last year, to 1,923 million yen. Situations remained stable for a major product CD-ROM optical pick-ups, and in addition sales of DVD-ROM pick-ups were also taken into account. However, sales of lens holders, which used to be quite profitable, drop rapidly, resulting in a decrease of 48.8 percent compared to the same period last year for operating profit, to 42 million yen.

3. Electromagnetic businesses

Sales from electromagnetic businesses in the first half of 2001 remained almost the same (decrease of 10.5 percent in the local currency) compared to the same period last year, yielding 3,046 million yen. Sales of magnetic products and surge arresters remained favorable in yen, but those for products other than magnetic ones, such as high performance reed relays, decreased.

Shipment cost increased because delivery to last year's new customers necessitated establishment of new shipment routes, and depreciation and personnel expenses had also increased because facilities and personnel for the Magnetic Department were enlarged last year as advanced investments. As a result, operating profit from the businesses came out to be minus 629 million yen.

## The future management environment and the business development policy

**Caution Concerning Forward-Looking Statements:** This document includes certain forward-looking statements. These statements are based on management's expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in global economic, business, competitive market and regulatory factors.

The following explanations include outlook on future business results for Sumida Group. Such outlook is based on the Group's own judgment, and has been adopted as our business administration policies. Actual situations may differ greatly from the outlook, due to changes in the world economic situations, unforeseen incidents and various other factors. Please be sure not to rely totally on the outlook indicated below.

### 1. Coil businesses

Demands for audiovisual equipment is likely to stagnate except for liquid crystal TV and some other products, as consumers in all major regions seem unenthusiastic for new products. Although sales of some information processing and telecommunications equipment, such as digital cameras, are likely to continue growing, and new personal computer models equipped with Windows XP to be launched this fall probably sell well, we do not anticipate that the market would recover so soon. Among home appliances, air conditioners manufactured in China are one of the major products with strong growth potential. Among automotive components, sales of ABS, HID lamps, coils for torque angle sensors used with electronic power steering (EPS), and injection coils for direct injection engines are expected to grow.

Even though demand for electronic appliances is likely to grow in the second half compared to the first half of 2001, it is unlikely the increase will be substantial. The Sumida group intends to promote sales activities focusing on components with potential for growth, such as liquid crystal TV, digital cameras, air conditioners, ABS and HID lamps. In the computer industry focus will continue on developing thinner lap-top personal computers, with larger display screens and more advanced CPU, along with larger display screens for liquid crystal monitors, and capabilities for faster and digitized Internet services. Our Group pioneered development of coils used in the next-generation mobile phones, and we will conduct our business activities while maintaining close ties with engineering sections of our customers, so as to retain our position as the leader in this area. We regard vehicle automotive components as one of our core products, along with information processing and telecommunications equipment coils. As such, we will promote development of new products to cope with demands for safer and energy conserving automobiles, such as coils compatible with 42V automobile power source, tri-axial antennas for the next-generation remote keyless entry, ABS solenoid of the next-generation advanced functions and coils for tire air pressure monitoring system, while still promoting sales of existing components.

At production plants, we will continue our efforts to promote in-house production of raw materials, while fostering local supplies including our two factories in China, and providing outsourcing measures with emphasis placed on cost performance. Through these efforts, we intend to decrease cost price significantly. Concerning our business

administration departments, our headquarter functions will be concentrated in Hong Kong as much as possible, to make our business processes more efficient.

## 2. Optoelectronic businesses

Concerning our major product CD-ROM optical pick-up, its sales are likely to decrease gradually as the next-generation products are replacing it. For this reason, development efforts will be strengthened and production facilities improved for CD-R-R/W and DVD-R/W, two products with great future potential. We hope to start production of CD-R-R/W in 2001 and DVD-R/W in mid 2002.

DVD optical pick-ups are being developed on our own, and efforts have been given for receiving ODM orders, in addition to the conventional OEM orders. Furthermore, we will make use of coiling technologies and assembly technologies for pick-ups that we have cultivated, to promote sales of DVD actuators with relatively high value-added features.

## 3. Electromagnetic businesses

Our electromagnetic businesses are being restructured, and currently various cost reduction measures are being implemented. As of January last year, 1,148 employees were working at our production sites. More personnel were hired to prepare for increased orders from new customers and launch of new products, mainly for the Magnetic Department, increasing the total number of production personnel to 1,607 at the peak. Businesses were reorganized thereafter, and as of the end of June this year the number of employees has decreased to 1,269. The personnel cost had also decreased, by 22.7 percent compared to the peak level.

As we are based in the U.S. with enormous land area, orders from new customers inevitably lead to increase of transport cost, because new transport routes must be established for new customers. Our distribution center for products and raw materials were in Dallas, Texas, but it has been relocated to Mexico where costs are lower. Although bobbins, from which magnetic products are manufactured, used to be shipped by airfreight from Taiwan whenever there was an order, we have switched to sea transport, thus decreasing the shipment cost. We have also tried to procure raw materials locally as much as possible, and are now conducting market surveys in NAFTA region. We expect to decrease shipping cost to one-third, by implementing all of these cost reduction measures. Furthermore, we have also worked to produce raw materials in-house. Two of the formed products from raw materials are now being manufactured on dedicated lines at our Panyu factory in China. When we are ready, we plan to have four of such products manufactured at the factory.

Production of ABS coils in Mexico has started in the second quarter, after completing in April the time-consuming procedures for obtaining QS9000 certification for quality standards of automobile parts. Production amount for ABS coils is estimated to be 700 thousand in July and 900 thousand in August. We hope to reach monthly production of 2 million as soon as possible.

New products by Sumida America Technologies Corporation (SAT), which has been developing parts for telecommunications equipment, will help increasing sales in the

near future. Demand has been high for analog modem products that are smaller than the conventional ones, and SAT has developed new products at lower cost and supplied them to the market.

Among ADSL-related products, demand has been high for transformers to be installed on the telephone base station side. SAT has designed several types of new products, and has worked to develop them. Inquiries on transformers and filters have increased, among ISDN-related products. SAT plans to start volume production of isolation transformers, which it has designed. Planned annual production is 1 million units for the initial fiscal year and 2 million units for the following year.

As a part of restructuring efforts for the electromagnetic business, departments engaged in reed relay and surge arrestor equipment were separated to establish Sumida REMtech Corporation (SRC) in July 2001. Additionally, the reed switch division of Clare Inc was acquired to strengthen our reed relay equipment production capabilities. In addition to improving reed relay equipment production capabilities, development of gas discharge tubes for surge arrestors will also be promoted. In due course, we plan to start businesses for production of automotive components utilizing these technologies.

**Consolidated Balance Sheet as at 30 June 2001**

( Unit: Thousand yen )

	2 <sup>nd</sup> Quarter				Year End	
	2001	%	2000	%	2000	%
<b>ASSETS</b>						
Current Assets						
1. Cash & Cash Equivalents	4,213,906		6,269,137		4,892,637	
2. Accounts Receivable	6,491,612		7,184,578		7,042,392	
3. Inventories	4,153,113		3,426,170		4,366,458	
4. Other	1,915,617		730,073		1,144,792	
5. Provision for Doubtful Debts	(91,831)		(77,544)		(78,797)	
Total Current Assets	16,682,417	52.8	17,532,414	57.8	17,367,482	54.3
Non Current Assets						
(1) Tangible Non-Current Assets						
1. Buildings	6,568,808		4,898,608		6,240,079	
2. Machinery & equipment	9,246,799		7,943,478		8,304,517	
3. Furniture & Fixtures	2,725,106		2,581,900		2,543,761	
4. Land	1,268,646		1,255,617		1,285,904	
5. Construction in Progress	254,395		1,049,567		148,498	
6. Accumulated Depreciation	(8,130,660)		(7,920,817)		(6,914,276)	
Total Non-current Assets	11,933,094	37.8	9,808,353	32.3	11,608,483	36.3
(2) Intangible Assets						
1. Land Occupancy Rights	618,607		528,167		572,532	
2. Consolidation Adjustments	66,224		132,438		99,329	
3. Other	1,508,206		1,667,343		1,598,847	
Total Intangible Assets	2,193,037	6.9	2,327,948	7.7	2,270,708	7.1
(3) Investments & Other Assets						
1. Investments in Securities	347,080		240,795		241,314	
2. Other	445,318		426,516		511,824	
Total Investments & Other Assets	792,398	2.5	667,311	2.2	753,138	2.3
Total Fixed Assets	14,918,529	47.2	12,803,612	42.2	14,632,329	45.7
<b>TOTAL ASSETS</b>	<b>31,600,946</b>	<b>100.0</b>	<b>30,336,026</b>	<b>100.0</b>	<b>31,999,811</b>	<b>100.0</b>

Continued over

**Consolidated Balance Sheet as at 30 June 2001 (Continued)**

<b>LIABILITIES</b>						
Current Liabilities						
1.Accounts Payable	2,214,244		2,929,966		2,781,023	
2.Short-term loans	4,907,698		7,049,334		5,546,650	
3.Other current liabilities	2,675,606		2,103,628		2,626,013	
Total Current Liabilities	9,797,548	31.0	12,082,928	39.9	10,953,686	34.2
Non-current liabilities						
1.Long-term loans	1,773,500		1,638,300		1,922,900	
2.Provision for Retirement Benefits	-		305,719		314,558	
3.Other Non-current liabilities	416,100		66,904		227,177	
Total Non-current liabilities	2,189,600	6.9	2,010,923	6.6	2,464,635	7.7
<b>TOTAL LIABILITIES</b>	<b>11,987,148</b>	<b>37.9</b>	<b>14,093,851</b>	<b>46.5</b>	<b>13,418,321</b>	<b>41.9</b>
<b>SHAREHOLDER'S EQUITY</b>						
Paid-in capital	5,375,711	17.0	5,375,711	17.7	5,375,711	16.8
Capital reserves	5,169,258	16.4	5,169,258	17.0	5,169,258	16.2
Consolidated Reserves	9,292,471	29.4	8,733,038	28.8	9,691,582	30.3
Unrealized Gains/Losses on Securities at Market Valuation	55,296	0.2	-	0.0	-	0.0
Cumulative Translation Adjustments	(278,284)	(0.9)	(3,035,157)	10.0	(1,654,429)	(5.2)
Treasury Stock	(654)	0.0	(675)	0.0	(632)	0.0
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>19,613,798</b>	<b>62.1</b>	<b>16,242,175</b>	<b>53.5</b>	<b>18,581,490</b>	<b>58.1</b>
<b>TOTAL LIABILITIES &amp; SHRHLR'S EQUITY</b>	<b>31,600,946</b>	<b>100.0</b>	<b>30,336,026</b>	<b>100.0</b>	<b>31,999,811</b>	<b>100.0</b>

## Consolidated Statement of Income

(Unit '000 yen)

	2nd 1/4				Half Year			
	2001		2000		2001		2000	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change
		%		%		%		%
Sales	8,113,898	100.0	8,230,699	100.0	16,340,144	100.0	15,675,641	100.0
Cost of Sales	6,514,494	80.3	5,923,847	72.0	12,556,982	76.8	11,256,002	71.8
Gross Profit	1,599,404	19.7	2,306,852	28.0	3,783,162	23.2	4,419,639	28.2
Selling, General & Admin Expenses	1,518,148	18.7	1,611,652	19.6	3,368,833	20.7	3,011,766	19.2
Operating Profit	81,256	1.0	695,200	8.4	414,329	2.5	1,407,873	9.0
Non-operating Income (Expenses)								
Interest & Dividends Received	29,775		44,824		60,723		78,759	
Interest Paid	29,188		31,246		57,698		53,516	
Exchange Gains(Losses)	(214,578)		14,809		(351,490)		53,931	
Other Non-operating Income (Expenses)	(144,518)		(100,099)		(296,037)		(173,387)	
	(358,509)	(4.4)	(71,712)	(0.8)	(644,502)	(3.9)	(94,213)	(0.6)
Profit before taxes, gains(losses)on special items	(277,253)	(3.4)	623,488	7.6	(230,173)	(1.4)	1,313,660	8.4
Gains(Losses) on Special Items								
Profit on disposal of fixed assets	1,157		1		33,118		223	
Loss on disposal of fixed assets	38,600		12,781		71,264		23,693	
Other Gains (Losses) on Special Items	95,327		-		(91,641)		-	
	57,884	0.7	(12,780)	(0.2)	(129,787)	(0.8)	(23,730)	(0.2)
Profit before Taxes	(219,369)	(2.7)	610,708	7.4	(359,960)	(2.2)	1,289,930	8.2
Income Taxes	(88,654)	(1.1)	151,407	(1.8)	(135,048)	(0.8)	396,523	2.5
Net Income	(130,715)	(1.6)	459,301	5.6	(224,912)	(1.4)	893,407	5.7

**Consolidated Cash Flow Statement**

(Unit: Million yen)

	Half year ended 30 June		Year ended 31
	2001	2000	December 2000
<b>I. Cash Flows from Operating Activities</b>			
1. Net Profit Before Taxes	(359,960)	1,289,930	2,631,692
2. Depreciation & Amortization	1,182,055	889,268	2,047,942
3. Provision for Retirement Benefits	(321,408)	(24,950)	(16,110)
4. Increase in Provision for Doubtful Debts	13,033	4,433	(20,407)
5. Interest & Dividends Received	(60,723)	(78,759)	(174,659)
6. Interest Paid	57,698	53,516	116,745
7. Exchange Losses	351,490	(53,931)	61,811
8. Losses on Equity Method Investments	-	1,152	-
9. Loss on Abolition of Subsidiary	-	-	1,757
10. Loss on Revaluation of Investments in Securities	-	-	2,421
11. Loss on Revaluation of Golf Club Membership	-	-	4,175
12. Loss on Disposal of Fixed Assets	71,264	23,963	327,730
13. Gain on Disposal of Fixed Assets	(33,118)	(233)	(502)
14. Change in Accounts Receivable	801,673	(1,267,835)	(833,177)
15. Change in Inventory	498,186	(358,473)	(1,032,600)
16. Change in Accounts Payable	(914,026)	976,189	660,340
17. Change in Other Assets & Liabilities	(240,840)	(189,026)	(205,341)
18. Director's Bonuses	(53,500)	(30,000)	(30,000)
Sub Total	991,824	1,235,244	3,541,817
19. Interest and Dividends Received	60,723	78,759	174,659
20. Interest Paid	(62,473)	(52,770)	(120,579)
21. Income and Other Taxes Paid	(389,201)	(309,510)	(657,217)
Cash Flows from Operating Activities	600,873	951,723	2,938,680
<b>II. Cash Flows from Investing Activities</b>			
1. Acquisition of Tangible Fixed Assets	(724,761)	(1,858,651)	(4,197,263)
2. Disposal of Tangible Fixed Assets	53,535	10,037	10,106
Cash Flows from Investing Activities	(671,226)	(1,848,614)	(4,187,157)
<b>III. Cash Flows from Financing Activities</b>			
1. Increase in Short-term Borrowings	(405,724)	988,673	251,074
2. Additional Long-term Borrowings	-	1,200,000	1,200,000
3. Repayment of Long-term loans	(379,400)	(347,400)	(840,800)
4. Cash Dividends Paid	(120,699)	(109,727)	(230,426)
Cash Flows from Financing Activities	(905,823)	1,731,546	379,848
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	297,445	48,447	375,231
<b>V. Net Increase (Decrease) in cash and cash equivalents</b>	(678,731)	883,102	(493,398)
<b>VI. Cash and Cash equivalents at the beginning of the year</b>	4,892,637	5,386,035	5,386,035
<b>VII. Cash and Cash Equivalents at the end of the year</b>	4,213,906	6,269,137	4,892,637

### Supplementary explanation

In order to facilitate interpretation of the operating results and financial position in an international context the consolidated financial statements of the Sumida group are also prepared under U.S. Generally Accepted Accounting Principles (US-GAAP).

The figures in the major account items on the consolidated profit and loss statement (non-audited) under both US & Japan generally accepted accounting principles are presented below.

#### 1) 2nd quarter 2000 (Consolidated)

(Unit: million yen, %)

	2nd Quarter			
	US-GAAP	%	Japan-GAAP	%
Sales	8,114	100.0	8,114	100.0
Operating Profit	(59)	(0.7)	81	1.0
Trading Profit	(310)	(3.8)	(277)	(3.4)
Profit before Taxes	(252)	(3.1)	(219)	(2.7)
Net Profit after Taxes	(155)	(1.9)	(131)	(1.6)

#### 2) Half Year 2001 (Consolidated)

(Unit: million yen, %)

	Half Year ended 30 June 2001			
	US-GAAP	%	Japan-GAAP	%
Sales	16,340	100.0	16,340	100.0
Operating Profit	139	0.9	414	2.5
Trading Profit	(295)	(1.8)	(230)	(1.4)
Profit before Taxes	(425)	(2.6)	(360)	(2.2)
Net Profit after Taxes	(274)	(1.7)	(225)	(1.4)

Note: Under US accounting rules the amortization of goodwill is included in selling administrative & general expenses. Under Japan GAAP, the amortization of goodwill is not included as a selling, general & admin expenses. The amount of amortization of goodwill for the half-year amounted to 210 million yen.