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2002

Financial Results for the 2nd quarter
ended 30 June 2002

SUMIDA CORPORATION
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Japan

Financial Highlights for the 2nd Quarter ended 30 June 2002

(Unit: million yen, %)

Period Category	2 nd Quarter					6 month period (Jan. - Jun.)				
	2002	% of Total	2001	% of Total	% Change	2002	% of Total	2001	% of Total	% Change
Sales	9,349	100.0	8,114	100.0	15.2	18,304	100.0	16,340	100.0	12.0
Operating Profit	592	6.3	81	1.0	630.9	1,096	6.0	414	2.5	164.5
Income before taxes & abnormal items (Recurring Profit)	589	6.3	(277)	(3.4)	---	1,103	6.0	(230)	(1.4)	---
Income before taxes	566	6.1	(219)	(2.7)	---	1,075	5.9	(360)	(2.2)	---
Net Income	502	5.4	(131)	(1.6)	---	884	4.8	(225)	(1.4)	---

(Unit: million yen)

Period Category	2002	2001				2000			
	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	
Sales	8,955	7,582	7,636	8,114	8,226	8,693	9,207	8,231	
Operating Profit	504	541	156	81	333	662	1,248	695	
Income before taxes & abnormal items	514	356	(44)	(277)	47	505	1,149	623	
Income before taxes	509	(14)	(1,405)	(219)	(141)	237	1,105	611	
Net Income	382	839	(1,651)	(131)	(94)	410	669	459	

(Unit: million yen)

	2001	2000	1999	1998	1997
Sales	31,558	33,575	24,574	21,391	21,248
Operating Profit	1,112	3,318	2,687	2,210	2,637
Income before taxes & abnormal items	82	2,967	2,439	2,336	2,305
Income before taxes	(1,779)	2,632	1,580	2,550	1,969
Net Income	(1,037)	1,973	1,003	1,942	1,385
Shareholders Equity	19,534	18,581	15,083	9,232	8,587
Total Assets	32,340	32,000	26,220	20,840	20,381
Per share (yen)					
EPS	(78.11)	163.43	101.56	205.07	146.25
Equity ratio	1,471.29	1,539.48	1,374.60	974.60	906.54

*Foreign exchange adjustments are included in Shareholder's Equity

Message from the CEO – 2nd Quarter 2002

In addition to the downward revision of many businesses' financial figures, the enhanced distrust of corporate accounting and corporate leaders, and the rapid increase of most companies' deficits, the US, which is the locomotive of the global economy, has also been shaken by low stock prices and a weak dollar. Furthermore, due to the first quarter financial results of major high-tech companies in the US, the general outlook in the industry is that recovery of corporate earnings will take much longer than initially expected. There were many signs in the first quarter to support this outlook, for example, Intel announced that it would cut its work forces, and net profits at Apple Computer decreased by 50%. Companies have been faced with difficult environments. Additionally, owing in part to the bankruptcy of WorldCom, it is expected that a recovery in communications-related business will be further delayed.

Thanks to the continuous reduction of inventory in the electronics parts industry, orders have increased. Concerning Sumida, figures in the first quarter were higher than expected. Then, in the second quarter, although performance was favorable in April and May, orders started to slightly decline in June. Judging from July, the third quarter will be a period of adjustment, before a growth occurs in the fourth quarter. Thus, Sumida acknowledges that the seasonal pattern conventionally seen in the electronic parts industry, where sales peak from July to September, has all but disappeared.

In the optoelectronics business, Sumida suspended development of optical pick-up ODM products, which it had been conducting over the past seven years. Although Sumida will continue to manufacture coils and actuators related to optics, a project team has been formed to quickly define a new direction for Sumida in terms of the optoelectronics business.

Regarding the situation in North America, Sumida's core business has been growing according to plan in research and development, sales and manufacturing. However, SRC Devices Inc. has not shown acceptable progress. It is management's top priority to work with SRC Devices Inc. and develop a better direction.

In the Manufacturing Group, the geographical locations of Sumida's manufacturing facilities were reviewed. It was found that the benefits of the Malaysia facility have decreased, while the Vietnam location is increasingly profitable. In the coming third quarter, decisions will be made and acted on regarding this situation.

In the product development area, in order to deal with shorter lifecycles of products, and increase the speed with which new products are placed in the market, Sumida plans to create self-contained businesses in the areas of Japan, Asia, Europe and the US. This

means that in each market, Sumida would have a research and development centre, a sales force and a manufacturing facility, so as to be able to fully conduct business and compete in the local market.

The Sumida Group aims at being a Group that maintains the highest level of technical standards, and that continues to manufacture original unrivaled products.

A handwritten signature in black ink, reading "S Yawata". The signature is fluid and cursive, with the first letter 'S' being large and prominent.

Shigeyuki Yawata
Chief Executive Officer
Sumida Group

Overview of Consolidated Business Results for the Second Quarter of 2002

During the second quarter of 2002, due to a full-scale launch of production by manufacturers around the world, the electronic parts industry in general, showed favorable results. While demand for mobile phones has experienced a sluggish growth, the trend of increased demand for LCD TVs and audiovisual equipment, such as DVD players, continued and major manufacturers started to make full-scale investments in PCs. With respect to electronic automotive parts, thanks to accelerated digitization, the market has continued to grow.

Sales in the second quarter of 2002 amounted to ¥9,349 million, an increase of 15.2% YOY. Although sales in the magnetics business leveled off due to a decline in sales of other coils, coils for audiovisual equipment, communication and data processing equipment, electronic automotive parts and the optoelectronic business showed favorable results.

Turning to profits, despite an increase in personnel expenses, including labor costs, operating profit was ¥592 million yen, an increase of 7.3 times YOY. This was thanks to increases in production, the reduction of raw material costs (primarily in standard coils) and the effects of increased sales. Since the translation gain was accrued, non-operating income and expenditure showed significant improvement; ordinary profit was ¥589 million yen and current net income was ¥502 million yen.

Consolidated Business Results for the First Half of 2002

In early 2002, consumer spending in the US recovered, causing a reduction in electronic equipment product inventories. This was followed by increased product manufacturing, resulting in the recovery of demand for electronic parts.

In reaction to prolonged inventory adjustment as well as the effects of the World Cup Soccer Tournament, audiovisual equipment started to make strides in early spring, and the growth trend continued in the following months. In terms of PCs, despite the fact that recovery of end demand has not been brought about in full scale, manufacturers expanded production, and order placement to OEM suppliers in Taiwan began. This was due to progress in the reduction of inventories over the past year and a half. With respect to mobile phones, although there were signs of a modest recovery in the first quarter, after hitting bottom in the summer of last year, demand turned and decline again occurred in the second quarter. Looking at the automobile equipment field, while sales of new cars in the US and Japan have been facing a sluggish growth, proliferation of ABS, airbag, keyless entry, EPS (electronic power steering) and navigation systems has proceeded with the objective of putting higher added value on automobiles. Therefore, demand for electronic automotive parts has been growing rapidly. In optoelectronic parts, owing to growth of DVD players, demand for optic pick-ups for DVDs displayed a rapid growth.

In working towards recovery of the electronic parts market, the Sumida Group has dealt with a wide range of customer groups and has strongly bolstered business activities in each of the growing fields. In electronic automotive parts, Sumida expanded its share of delivery of ABS coils to existing customers, and, at the same time, focused on

cultivating new customers for ABS coils. Also, Sumida launched the latest model of inverter units and power inductors in the notebook PC market in Taiwan, which has shown rapid growth in terms of coils for communication and data processing equipment.

Sales for the first half of 2002 amounted to ¥18,304 million yen, an increase of 12.0% YOY. Although sales in the magnetics business decreased due to the sluggish conditions of the communications equipment market in the US and sales of other coils declined owing to production adjustment of air conditioners in China, sales of electronic automotive parts in Japan increased. The optoelectronics business showed a sharp growth in sales with full-scale orders for optic pick-ups for DVDs, and increased demand for inverter units and power inductors in Taiwan.

Turning to profits, operating profit was 1,096 million yen, an increase of 164.5% YOY. Although earnings in the magnetics business did not reach the break-even despite the effect of increased sales in the coil and the optoelectronic businesses, operating profit was boosted by the reduction of raw materials costs (primarily in standard coils), efforts devoted to making production more efficient, and efforts to cut expenses including those in business travel and advertising. Since translation gain was accrued through usage of exchange contracts, ordinary profit was ¥1,103 million YOY. Current net income was ¥884 million.

Sales by Product Category

(Unit : million yen, %)

Period Category		2 nd Quarter					Half year				
		2002	% of total	2001	% of total	% change	2002	% of total	2001	% of total	% change
Coil Business	AV Coils	525	5.6	446	5.5	17.7	942	5.1	840	5.1	12.1
	IT Communications Coils	3,826	40.9	3,170	39.1	20.7	7,421	40.5	6,842	39.7	14.5
	Other Coils	480	5.1	626	7.7	(23.3)	971	5.3	1,341	8.2	(27.6)
	Automotive	1,650	17.6	1,283	15.8	28.6	3,438	18.8	2,708	16.6	27.0
	TOTAL	6,481	69.3	5,525	68.1	17.3	12,772	69.8	11,371	69.6	12.3
Optoelectronics		1,452	15.5	1,149	14.2	26.4	2,767	15.1	1,923	11.8	43.9
Magnetics		1,416	15.1	1,440	17.7	(1.7)	2,765	15.1	3,046	18.6	(9.2)
TOTAL		9,349	100.0	8,114	100.0	15.2	18,304	100.0	16,340	100.0	12.0

Product Segment Information

(Unit : million yen,%)

Period/ Segment		Jan. - Jun. 2002			Jan. - Jun 2001		
		Sales	Operating Profit	Ratio	Sales	Operating Profit	Ratio
Coil Business		12,772	1,545	12.1	11,371	1,001	8.8
Optoelectronics		2,767	171	6.2	1,923	42	2.2
Magnetics		2,765	(620)	(22.4)	3,046	(629)	(20.7)
TOTAL		18,304	1,096	6.0	16,340	414	2.5

Sales by Product Region

(Unit : thousand yen, %)

Period Region		2Q					6 months(Jan. - Jun.)				
		2002	% of Total	2001	% of Total	Change %	2002	% of Total	2001	% of Total	Change %
Japan		2,321	24.8	2,107	26.0	10.2	4,386	24.0	4,180	25.6	4.9
HK/China		1,801	19.3	1,664	20.5	8.2	3,451	18.9	2,998	18.4	15.1
ASEAN		668	7.1	580	7.1	15.2	1,182	6.5	1,243	7.6	(4.9)
Taiwan/Korea		1,815	19.4	1,243	15.3	46.0	3,663	20.0	2,180	13.3	68.0
NAFTA		1,320	14.1	1,077	13.3	22.6	2,518	13.8	2,680	16.4	(6.0)
EU		1,424	15.2	1,443	17.8	(1.3)	3,104	17.0	3,059	18.7	1.5
TOTAL		9,349	100.0	8,114	100.0	15.2	18,304	100.0	16,340	100.0	12.0

Business Segment Information

The Sumida Group's businesses consist of the coil business, the optoelectronics business, and the magnetics business. (In explaining the condition of each business during the first half of 2002, in addition to amounts in yen, the percentage of change compared to the previous period will also be indicated using local currencies. In cases where a single currency is involved, the corresponding local currency will be used; in cases where multiple currencies are involved, the amounts will be converted into US\$.)

1. Coil Business

Sales in the coil business declined for "other coils," but electronic automotive parts continued to greatly increase. Coils for audiovisual equipment and coils for communications and data processing equipment began to gradually show favorable results, and a movement away from the adjustment period became evident. For these reasons, sales were ¥12,772 million, an increase of 12.3% YOY (a decrease of 2.4% YOY in local currency).

In profits, operating profit was ¥1,545 million, an increase of 54.3% YOY. In addition to the effect of increased sales, this increase was also due to the reduction of raw materials costs primarily in standard coils, the effort devoted to making production more efficient, and efforts to cut expenses, including those in business travel and advertising.

a) Coils for Audiovisual Equipment

Sales of coils for audiovisual equipment were ¥942 million, an increase of 12.1% YOY (an increase of 2.1% YOY in local currency).

By region, in Japan, coils for LCD televisions and DVDs performed resiliently, reaching ¥445 million, an increase of 16.5% YOY. Overseas, sales in Hong Kong and China were ¥302 million, an increase of 36.7% YOY, thanks to rapid growth of coils needed for radios and by trading companies. In ASEAN countries, since product manufacturers continued their production adjustments, sales were ¥195 million, a 17.7% decrease YOY.

b) Coils for Information and Communication Equipment

Sales of coils for communication and data processing equipment were ¥7,421 million, an increase of 14.5% YOY (an increase of 4.3% YOY in local currency).

Looking at the breakdown according to usage, sales of coils for mobile phones were ¥104 million, a decrease of 55.6% YOY. Sales of coils for digital cameras were ¥248 million, a decrease of 21.0% YOY. Although sales of other coils for communications and data processing equipment were ¥1,741 million, a decrease of 1.6% YOY, sales of inverter units for notebook PCs continued to grow and reached 2,320 million yen, an increase of 59.8% YOY. Sales of coils and transformers for PCs, PDAs, and computer peripherals marked a double-digit growth in the second quarter, and sales throughout the period from January to June were ¥3,008 million, an increase of 10.9% YOY.

By region, in Japan sales were ¥1,951 million, a decrease of 10.1% YOY. In the US, sales were ¥392 million, a decrease of 33.3% YOY. In ASEAN countries, sales declined to ¥647 million, a drop of 18.4% YOY. Meanwhile, in Taiwan, in addition to the fact that inverter units for LCD monitors and notebook PCs continued to perform well, sales

of the previously depressed power inductors grew rapidly, reaching ¥3,223 billion, an increase of 81.5% YOY. Sales in Hong Kong and China also increased to ¥1,208 million, an increase of 4.5% YOY.

c) **Other Coils**

Sales of other coils were ¥971 million, a drop of 27.6% YOY (a drop of 34.0% YOY in local currency). Although sales of coils for FA equipment have been showing gradual recovery, 4V coils for switching air-conditioners from cooling to heating, shrunk due to production adjustments in the Chinese market. In addition to this, sales of coils for water heaters declined.

d) **Automotive Components**

Sales of electronic automotive parts were ¥3,438 million, an increase of 27.0% YOY (an increase of 15.7% YOY in local currency). Sales of ABS coils showed further growth, reaching ¥2,085 million, an increase of 32.8% YOY. The quantities produced amounted to 18,399 units in 1998; 39,398 units in 1999; 47,471 units in 2000, and 57,200 units in 2001. In the first half of 2002, we achieved 35,622 units, an increase of 31.9% YOY. While sales of EPS (electronic power steering) increased to 78 million yen, up by 95.0% YOY, sales of other electronic automotive parts including car audio equipment, navigation systems and keyless entry also increased to 1,116 million yen, up by 30.2% YOY. Sales of transformers for HID (high intensity discharge) lamps shrank to ¥159 million, a decrease of 34.0% YOY.

2. **Optoelectronics Business**

Sales of optoelectronics parts were ¥2,767 million, an increase of 43.9% YOY (an increase of 31.1% YOY in local currency). Optic pick-ups for DVDs displayed genuine growth with increased inquiries to reach ¥423 million, an increase of 204.3% YOY. Optic pick-ups for CD-ROMs also expanded to ¥1,648 million, an increase of 9.7% YOY. In addition, sales of other optoelectronic parts, such as lens holders which are parts for optic pick-ups, also increased to 696 million yen, up by 146.8% YOY. Although personnel expenses, including labor costs, increased due to the rise of the quantity of orders received, operating profit was ¥171 million, 4.1 times that of the same period in the previous year, owing to the effects of increased sales and improvement of production efficiency through the effort devoted to the improvement of manufacturing technology primarily in lens holders for DVDs.

3. **Magnetics Business (former REMtech)**

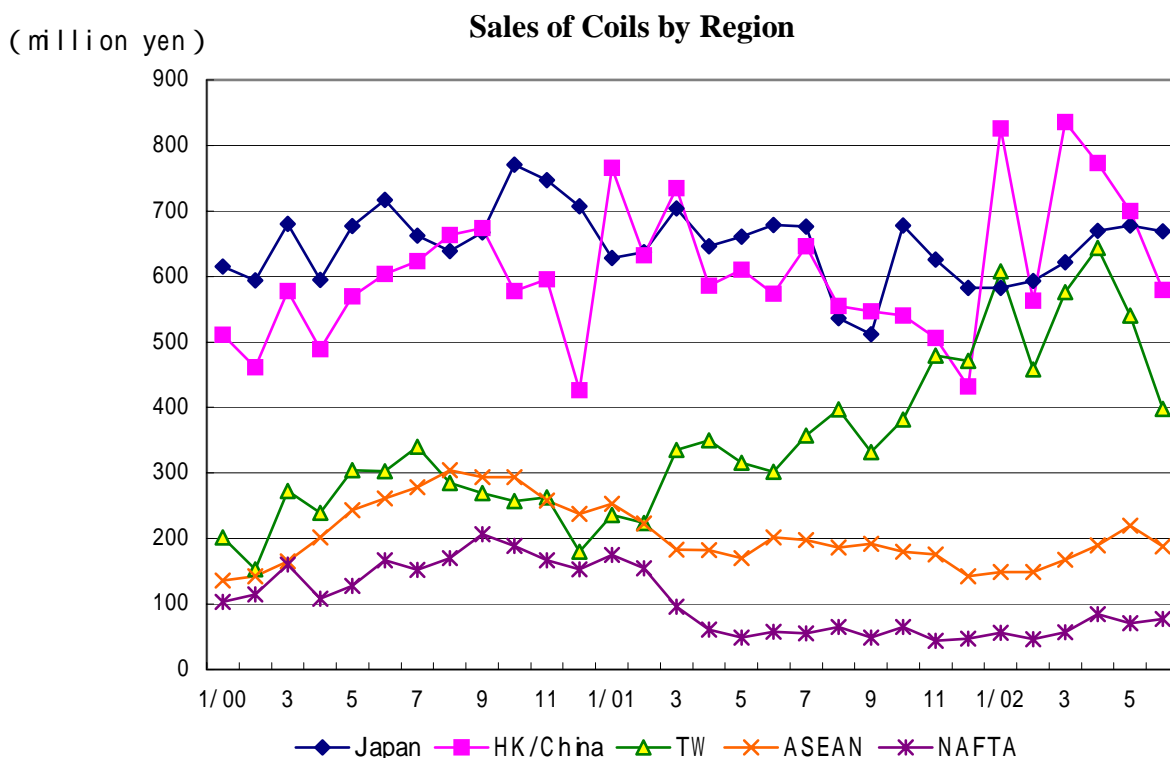
The magnetics business posted sales of ¥2,765 million, a decrease of 9.2% YOY (a decrease of 17.3% YOY in local currency). Magnetics have shown relatively good performance under the sluggish US economy, but sales of components slumped significantly due to the sluggishness of the communications equipment industry. With respect to profits, although efforts were made to reduce raw material costs, to streamline transportation of raw materials and to compress expenses including personnel expenses, the effects of reduced sales were also felt, and an operating loss of ¥620 million was recorded.

The Future Management Environment and 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.

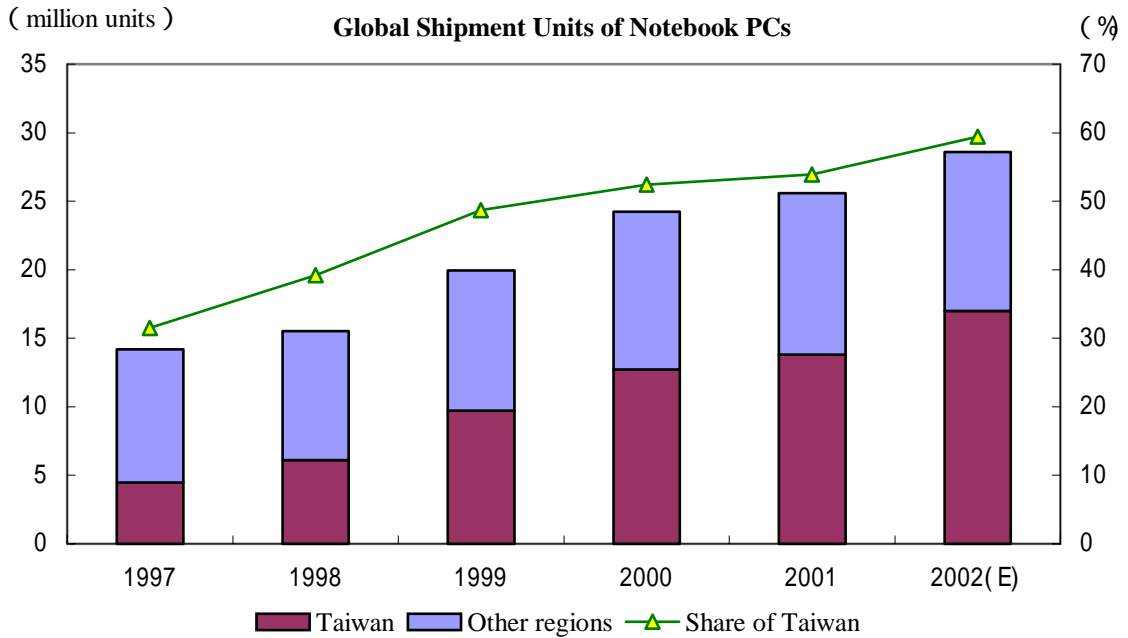
1. Coil Business

Regarding the coil business, in the coming years it is clear that Taiwan will become a more significant player. Sales in Taiwan have been increasing; after bottoming at 18 million yen in December 2000, sales reached 644 million yen in April 2002. In contrast to Taiwan, sales in NAFTA and ASEAN countries declined during the same period, and show continuously sluggish performance. Sales in Japan and Hong Kong/China declined between the second half of 2000 and the first half of 2001, but have been increasing since the fourth quarter of 2001, displaying a lag of approximately 10 months behind Taiwan. Taiwan’s share of sales increased from 12% in the fourth quarter of 2000 to 26.1% in the first quarter of 2002.

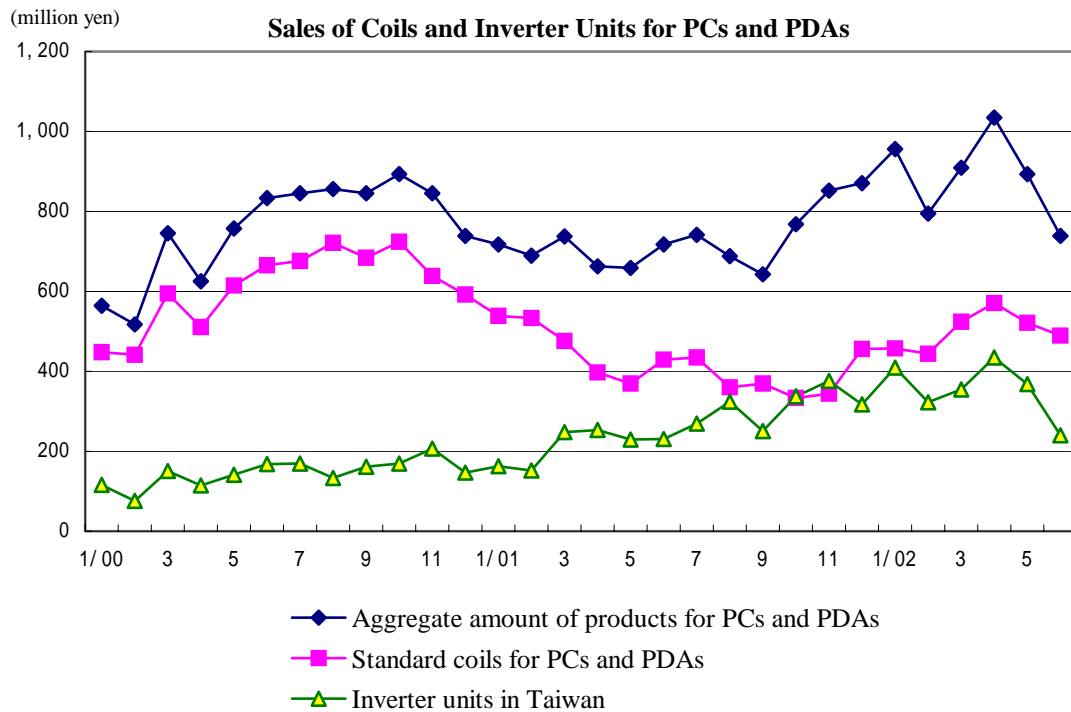


The reason for Taiwan’s favorable performance was due to its position as the main manufacturing base for notebook PCs. Some 60% of the coils manufactured by the Sumida Group are for communication and data processing equipment, and of them, coils for PCs, computer peripherals and PDAs account for over 70%. The remaining 30% are linked to demand for PCs, and include coils for printers and digital cameras. The Sumida Group demonstrates its strength in areas that utilize precision processing technology for increasingly compact products. Coils manufactured by Sumida are frequently used for notebook PCs. Inverter units, which are particularly necessary for

the LCD backlight of notebook PCs, are also directly linked to the production trend of notebook PCs.



(Source: The graph above was based on MIC materials and a survey of Sumida)



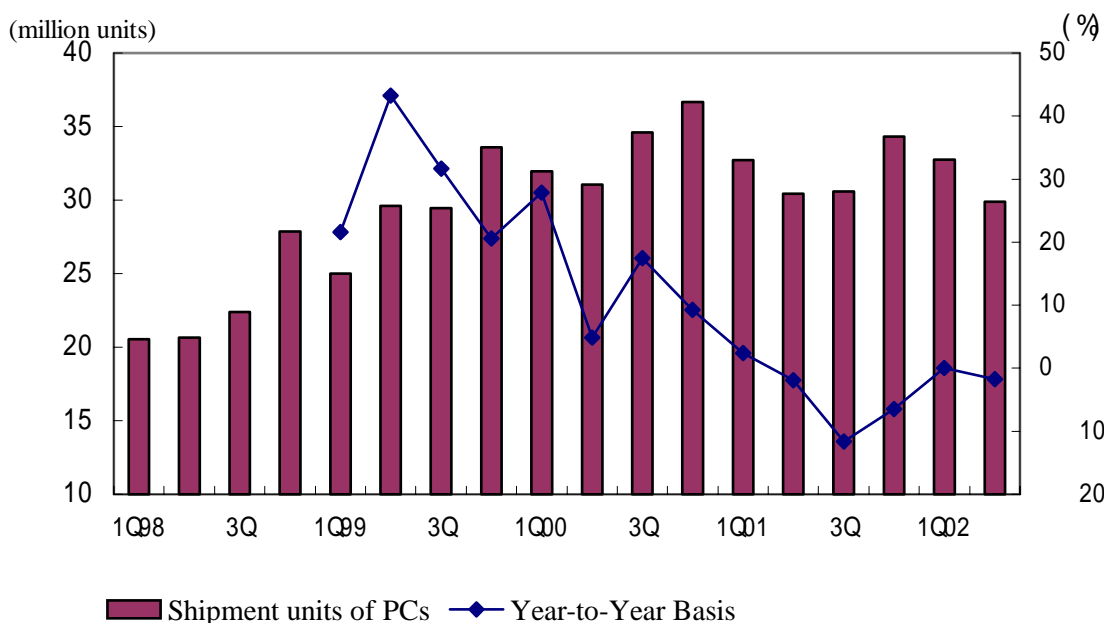
The shipment quantities of notebook PCs in the global market showed a brisk growth from 19.9 million in 1999 to 24.2 million in 2000, up by 21.5% from the previous year. Also, shipment quantities by Taiwanese manufacturers increased from 9.71 million in

1999 to 12.71 million in 2000, up by 30.9% from the previous year. The ratio of Taiwan's shipments of notebook PCs in the global market grew by 3.8% from 48.7% in the previous year, reaching to 52.5% in 2000. On the other hand, sales of inverter units in Taiwan continued to be sluggish.

Two reasons for Taiwan's sluggish market condition include its Y2K inventory adjustment and its deteriorating relationship with China. Taiwan's poor relationship caused PC manufacturers to order from EMS (electronic manufacturing service).

As permission was given to China to join WTO, the relationship between China and Taiwan gradually improved, resulting in Taiwanese notebook PC manufacturer development in China. OEM orders by major PC manufacturers also began to increase again. While the shipment quantities of notebook PCs in the global market in 2001 reached 25.6 million, an increase of 5.7% from the preceding year, the shipment quantities of Taiwan expanded to 13.8 million, an increase by 8.6% from the preceding year. As a result of this, Taiwan's market share became 53.9%, and increase of 1.4% over the previous year. After the sales of coils for PCs for the Sumida Group peaked at ¥724 million in October 2000, the amount decreased to ¥333 million yen in October 2001, in relation to the global market trend. On the other hand, sales of inverter units in Taiwan have continued to grow since March 2001.

Global Shipments of PCs



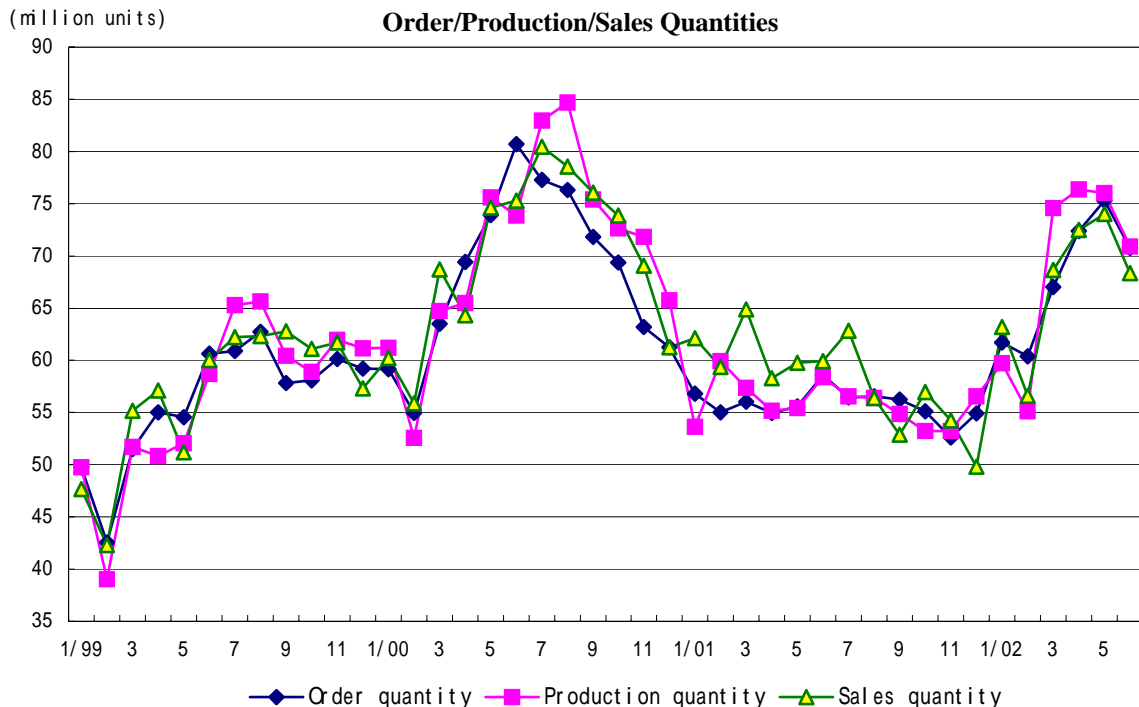
(Source : Sumida produced the above graph based on the materials released by Data Quest.)

OEM orders given by major PC manufacturers have further accelerated in 2002. Shipments of notebook PCs in Taiwan recorded a growth of 40% in the first quarter of 2002 YOY, and shipments for the first half of 2002, combined with those in the first quarter, have reached 8.5 million. It is forecasted that Taiwan's share in the shipments of

notebook PCs throughout 2002 will increase to approximately 60%. Sales of inverter units in Taiwan recorded 435 million yen in April 2002, and demand for coils for PCs of the Sumida Group, also saw an increase, but this came some nine months after Taiwan. However, June 2002, saw a change in the trend. While sales of coils for PCs were 489 million yen, maintaining a relatively high level, sales of inverter units in Taiwan decreased from 368 million yen in May to 240 million yen in June.

Under such circumstances, in the first quarter, global shipments of PCs had shown a leveling off at 32.7 million YOY. However, quantities again declined to 29.9 million YOY in the second quarter, down by 0.6%. While shipments by the new HP (Hewlett Packard) declined significantly to 4.63 million, a decrease of 16.1% YOY, the total number of units of other companies, including DELL, increased to 25.27 million, up by 2.9% YOY. Decline in the new HP could have been caused by confusion in operations created by the merger with Compaq.

In the notebook PC market in Taiwan, as price negotiations with OEM suppliers have come into the open, and the new HP continues its transition, other major manufacturers are preparing for coming order placement. It appears that computer manufacturers are carefully watching the course of events. However, it is expected that price negotiations will face the final phase at the end of August, and order status will return to normal at the end of the third quarter. There still remains a strong view among OEM suppliers in Taiwan that the shipment quantities throughout 2002 will be 17 million, an increase of 23.2% over the previous year.



Monthly orders (amount delivered in a given month) for Sumida Group coils from January to March of 2002 were between 60 million and 70 million units. In April, the order totaled 72.4 million units, exceeding 70 million for the first time in nineteen months. Since then, orders in May totaled 75.3 million units (an increase of 35.5% YOY,

and 4.0% from the previous month), and orders in June totaled 70.8 million units (an increase of 20.7% YOY, and 6.0% from the previous month). Orders in July as of the 26th totaled 71.8 million units (an increase of 27.1% YOY, and 1.4% from the previous month). These figures show a trend of a small, but steady increase for Sumida Group. Although inverter units in Taiwan are displaying a declining trend, standard coils have maintained a high-level of demand.

In terms of the demand for coils in the coming months, it is expected that demand will level off in the third quarter and will begin to increase again from the fourth quarter. The Sumida Group will continue to focus on building a corporation that would not be influenced by the market environment. Deeming that electronic automotive parts will be the key area for future earnings (aside from coils for communication and data processing equipments), we aim to expand our share of customers ordering ABS coils, which are the mainstay products. In efforts to attract new customers for ABS coils, we have steadily shipped out samples, and acquired certification for a plant in Mexico. Sumida plans to start mass production, which is scheduled to make a significant contribution to sales, from the second half of this year.

At coil manufacturing plants, cost reduction policies enforced last year continue to be implemented. At the Panyu Plant in China, the ratio of effect of cost reduction in the cost of monthly raw material purchases (percentages are calculated as follows: material unit price at the end of 2001, minus material unit price in given month of 2002, multiplied by the given month's material purchase quantity, divided by the given month's material purchase cost) averaged 3.3% in the first quarter of 2002, then, it increased to 4.6% in April, 5.1% in May and 6.1% in June, showing steady results. Cost cutting at the Taiping factory is following a similar path. In particular, when considering the reduced material prices of synthesis resins, ferrite cores and wires, the ratio of materials to sales in terms of standard coils dropped significantly. Henceforth, together with negotiating more actively with suppliers, we endeavor to improve manufacturing technology, and will work on reducing the ratio of raw materials costs in the coil business. We also intend to continue to pour efforts into reducing plant expenses, sales expenses, and general and administrative expenses.

2. Optoelectronics Business

With the majority of increased production of notebook PCs primarily in Taiwan, inquiries from users concerning optic pick-ups for DVDs, one of Sumida's products, increased starting the second half of 2001. Since then, the Panyu factory in China has continued to operate in full-scale. This is due to the rapid turn of the market away from optic pick-ups for DVD-ROMs and toward optic pick-ups for DVD players, as optic pick-ups for DVDs are suddenly permeating in the market. Sales of optic pick-ups for CDs are also at a high level.

In the third quarter, 2002, as production of notebook PCs in Taiwan enters an adjustment period, it is expected that production of optic pick-ups for CDs (which includes a high share of those for CD-ROMS) will decrease. The share of DVD optic pickups, has a ratio of 1:2, DVD-ROMS to DVD players. It is expected that demand for DVD players will increase, therefore, demand for optic pick-ups for DVDs will also increase. Along with the expansion of the optic pick-ups for DVDs, it is expected that orders for lens holders, which are parts for optic pick-ups for DVDs, would also increase.

Because the Sumida Group has been devoted to improving the manufacturing of optic pick-ups for DVDs and lens holders for optic pick-ups for DVDs, we have achieved a significant improvement in the yield rate. Henceforth, in addition to the yield rate, we will concentrate on improvement of production efficiency.

3. Magnetics Business

The magnetics business is divided according to product type into components (high performance, reed relays, surge arrestors), magnetics, and switches. Among these, raw materials cost as a percentage of sales is high in the magnetics segment, making it a large factor in the slump of the magnetics business. However, we have thoroughly implemented a restructuring policy for cost reduction by dispatching engineers from existing manufacturing departments of the Sumida Group to the magnetic manufacturing department in the first half of 2001. The issues that the engineers addressed were: reduction of shipping costs of raw materials that were incurred along with increased orders given by new customers and improvement of the production line for new products. Then, we focused on arranging efficient transportation routes and improving manufacturing technology. In the second half of 2001, due to the sluggish economic condition in the US, sales decreased, therefore, the improvement measures could not fully demonstrate their effect. Thus, gross margin could not reach the break-even point. However, in the first quarter of 2002, Sumida decreased material costs and manufacturing expenses, and net sales increased YOY. Because of these two points, profit loss greatly decreased. In the second quarter, net sales increased YOY and QOQ and gross profit was realized. In the future, while reviewing the manufacturing and sales structures, including reduction of non-profitable products, we aim to realize surplus in terms of operating profit.

In the component segment, raw material costs as a percentage of sales are relatively low and profitability is relatively easy to obtain in comparison to the magnetics segment. It is the component segment that has born earnings in the magnetics business in the past. However, the procurement of switches, which are a necessary part of reed relays, has always been a major issue. With aims of securing quantities of switches, as well as cutting raw materials costs, we purchased the switch division from CP Clare in July of 2001, in order to make switches in-house. In doing so, the initial goal to secure switches quantitatively was attained, and the ratio of raw materials costs to sales for components rapidly dropped. However, due to decreases in sales of switches caused by the sluggish condition of the communication equipment market in the US and Europe, profits also decreased. In the future, while devoting ourselves to reductions of manufacturing costs and sales and administrative expenses, aiming to reorganize the sales network, we will earnestly tackle the restructuring of the switches segment.

(Unit: thousand yen)

	2Q 2002	%	2Q 2001	%	Year End 2001	%
ASSETS						
Current Assets						
1.Cash & Cash Equivalents	4,295,410		4,213,906		5,349,268	
2.Accounts Receivable	7,308,652		6,491,612		6,325,910	
3.Inventories	4,074,388		4,153,113		3,821,519	
4.Other	1,086,398		1,915,617		1,235,438	
5.Provision for Doubtful Debts	(65,739)		(91,831)		(63,412)	
Total Current Assets	16,699,109	52.9	16,681,417	52.8	166,668,723	51.5
Non Current Assets						
(1)Tangible Non-Current Assets						
1.Buildings	6,318,311		6,568,808		6,643,163	
2.Machinery & equipment	10,199,701		9,246,799		10,549,409	
3.Furniture & Fixtures	3,113,372		2,725,106		3,328,409	
4.Land	1,256,903		1,268,646		1,259,545	
5.Construction in Progress	250,708		254,395		147,145	
6.Accumulated Depreciation	(9,540,876)		(8,130,660)		(9,349,035)	
Total Non-current Assets	11,598,119	36.7	11,933,094	37.8	12,578,636	38.9
(2)Intangible Assets						
1.Land Occupancy Rights	587,587		618,607		649,483	
2.Consolidation Adjustments	---		66,224		41,153	
3.Other	99,942		1,508,206		102,037	
Total Intangible Assets	687,529	2.2	2,193,037	6.9	792,673	2.5
(3)Investments & Other Assets						
1.Investments in Securities	172,955		347,080		333,450	
2.Other	2,412,879		445,318		1,966,527	
Total Investments & Other Assets	2,585,834	8.2	792,398	2.5	2,299,977	7.1
Total Fixed Assets	14,871,482	47.1	14,918,529	47.2	15,671,286	48.5
TOTAL ASSETS	31,570,591	100.0	31,600,946	100.0	32,340,009	100.0

Continued over

Consolidated Balance Sheet as at 31 March 2002 (Continued)

LIABILITIES						
Current Liabilities						
1.Accounts Payable	2,824,631		2,214,244		2,325,131	
2.Short-term loans	5,136,840		4,907,698		5,153,758	
3.Other current liabilities	2,691,817		2,675,606		2,675,606	
Total Current Liabilities	10,653,288	33.8	9,797,548	31.0	10,105,106	31.3
Non-current liabilities						
1.Long-term loans	1,848,020		1,773,500		2,377,424	
2.Deferred tax liability	215,271		376,458		-	
3.Other Non-current liabilities	29,485		39,642		311,586	
Total Non-current liabilities	2,092,776	6.6	2,189,600	6.9	2,689,010	8.3
TOTAL LIABILITIES	12,746,064	40.4	11,987,148	37.9	12,794,116	39.6
(Minority Interests)						
Minority Shareholders Interests	11,907	0.0	---	0.0	11,517	0.0
SHAREHOLDER'S EQUITY						
Paid-in capital	5,497,091	17.4	5,375,711	17.0	5,375,711	6.66
Capital reserves	5,294,280	16.8	5,169,258	16.4	5,169,258	16.0
Consolidated Reserves	9,098,453	28.8	9,292,471	29.4	8,347,551	25.8
Unrealized Gains/Losses on Securities at Market Valuation	42,404	0.1	55,296	0.2	100,523	0.3
Cumulative Translation Adjustments	(1,116,712)	(3.5)	(278,284)	(0.9)	541,874	1.7
Treasury Stock	(2,896)	(0.0)	(654)	(0.0)	(541)	(0.0)
TOTAL SHAREHOLDER'S EQUITY	18,812,620	59.6	19,613,798	62.1	19,534,376	60.4
TOTAL LIABILITIES & SHRHLR'S EQUITY	31,570,591	100.0	31,600,946	100.0	32,340,009	100.0

Consolidated Statement of Income

(Unit : thousand yen)

	2Q				6-Months Period (Jan. - Jun.)			
	2002		2001		2002		2001	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
		%		%		%		%
Sales	9,349,442	100.0	8,113,898	100.0	18,304,105	100.0	16,340,144	100.0
Cost of Sales	7,024,260	75.2	5,514,494	80.3	13,961,278	76.3	12,556,982	76.8
Gross Profit	2,325,182	24.8	1,599,404	19.7	4,342,827	23.7	3,783,162	23.2
Selling, General & Admin Expenses	1,733,003	18.5	1,518,148	18.7	3,246,812	17.7	3,368,833	20.7
Operating Profit	592,179	6.3	81,256	1.0	1,096,015	6.0	414,329	2.5
Non-operating Income (Expenses)								
Interest & Dividends Received	13,572		29,775		31,916		60,723	
Interest Paid	18,708		29,188		43,964		57,698	
Exchange Gains (Losses)	35,218		(214,578)		31,905		(351,490)	
Other Non-operating Income (Expenses)	(33,478)	(0.0)	(144,518)	(4.4)	(12,869)	0.0	(296,037)	(3.9)
Total non-operating profit	(3,396)		(358,509)		6,988		(644,502)	
Profit before taxes, gains (losses) on special item	588,783	6.3	(277,253)	(3.4)	1,103,003	6.0	(230,173)	(1.4)
Gains (Losses) on Special Item								
Profit on disposal of fixed assets	233		1,157		233		33,118	
Loss on disposal of fixed assets	23,249		38,600		28,714		71,264	
Other Gains (Losses) on Special Items	---		95,327		---		(91,641)	
Special Gains (Losses)	(23,016)	(0.2)	57,884	0.7	(28,481)	(0.1)	(129,787)	(0.8)
Profit before Taxes	565,767	6.1	(219,369)	(2.7)	1,074,522	5.9	(359,960)	(2.2)
Income Taxes	63,664	0.7	(88,654)	(1.1)	190,853	1.1	(135,048)	(0.6)
Net Income	502,103	5.4	(130,715)	(1.6)	883,669	4.8	(224,912)	(1.4)

Consolidated Cash Flow Statement

(Unit: thousand yen)

Account	Period	6-Month Period (Jan. - Jun)		12-Month
		2002	2001	Period 2001
		Amount	Amount	Amount
I. Cash Flows from Operating Activities				
1. Net Profit before tax		1,074,522	(359,960)	(1,779,381)
2. Depreciation & Amortization		1,008,084	1,182,005	2,434,581
3. Lump sum depreciation of good will		---	---	1,237,292
4. Change in provision for director's retirement bonuses		---	(321,408)	(314,558)
5. Change in provision for doubtful debts		7,983	13,033	15,385
6. Interest and dividends received		(31,916)	(60,723)	(105,707)
7. Interest paid		43,964	57,698	115,390
8. Exchange profit/loss		(141,246)	351,490	42,957
9. Appraisal loss on investments in securities		---	---	93,104
10. Disposal loss on golf course membership		---	---	1,000
11. Loss on sales of fixed assets		28,714	71,264	102,648
12. Gain on sales of fixed assets		(233)	(33,118)	(361,601)
13. Change in Accounts Receivable		(1,415,470)	801,673	1,089,124
14. Increase/Decrease in inventories		(614,306)	498,186	990,585
15. Change in Inventories		763,819	(914,026)	(742,497)
16. Change in Accounts Payable		258,108	(240,840)	(284,553)
17. Bonuses for directors		---	(53,500)	(53,500)
Subtotal		982,023	991,824	2,480,269
18. Interest and dividends received		31,916	60,723	105,707
19. Interest paid		(55,077)	(62,473)	(118,513)
20. Corporate tax paid, etc.		(397,855)	(389,201)	(721,667)
Cash Flows from Operating Activities		561,007	600,873	1,745,796
II. Cash Flows from Investing Activities				
1. Acquisition of tangible fixed assets		(791,861)	(724,761)	(1,043,613)
2. Sales of tangible fixed assets		6	53,535	403,170
3. Expenditures along with acquisition of new consolidated subsidiaries		---	---	(1,003,790)
4. Acquisition of investments in securities		(1,301)	---	---
5. Sales of investments in securities		60,379	---	---
Cash Flows from Investing Activities		(732,777)	(671,226)	(1,644,233)

III. Cash Flows from Financing Activities			
1. Change in short-term loans payable	(3,916)	(405,724)	(448,643)
2. Procurement by long-term loans payable	---	---	1,300,000
3. Repayment of long-term loans payable	(529,404)	(379,400)	(815,468)
4. Revenue from issuance of stocks	246,401	---	---
5. Payment of dividend	(132,767)	(120,699)	(253,467)
6. Revenue from payment made by minority shareholders	---	---	11,862
Cash Flows from Financing Activities	(419,686)	(905,823)	(205,716)
IV. Translation difference of cash and cash equivalents	(462,402)	297,445	560,784
V. Net increase in cash and cash equivalents	(1,053,858)	(678,731)	456,631
VI. Balance of cash and cash equivalents at beginning of term	5,349,268	4,892,637	4,892,637
VII. Balance of cash and cash equivalents at end of interim term (term)	4,295,410	4,213,906	5,349,268