



4
2003

**Consolidated Financial Results for the
4th Quarter ended 31 December 2003**

SUMIDA CORPORATION

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CEO's Message for the Fourth Quarter of Fiscal 2003

The first year of our Mid-Term Vision (to achieve sales of \$1 Billion with operating profit ratio to sales of 10% by 2007) announced at the beginning of 2003 has now ended. Since the beginning of 2003, we have carried out the separation of unprofitable operations, including our North American operation, from Sumida Group while we have conducted a thorough analysis of the markets to achieve our Vision. In this fourth quarter to close the preparatory period in 2003 for this Vision, we have implemented an extensive reform of our organization by placing emphasis on focused product markets.

Within our new organization, the COO of Sumida Group who had the highest level of responsibilities for Sumida's operations is now in the position as Group President, under which five Product Group Companies have been set up to take charge of the automotive, inverter, power inductor, power solution and signal businesses respectively. Executive Officers of Sumida Corporation took office concurrently as Company Presidents of each of these Product Group Companies to achieve clarity of responsibilities in and outside of Sumida Group. Apart from these five Product Group Companies, a Product Management Center has been set up, which will be upgraded to a sixth Product Group Company when the right prospect for business expansion develops.

For our automotive operations which are the first area of our business expertise, we had already organized a Group to take charge of Technology, Manufacturing and Sales operations collectively as a trial in July 2003 prior to introduction of the Product Group Company management style. This Group commenced its business activity smoothly and succeeded in acquiring a major new customer for ABS coils to which Sumida could not have accessed previously. With regard to our business of coils for flat-panel TV displays which is the second pillar of our operations, the move among electronics manufacturers to upsize their TV display products is tending to accelerate more than originally forecasted, so the number of transformers and coils used per unit is expected to increase rapidly. Based on such expectations, efforts will be focused specifically from our Inverter Company, one of our Product Group Companies, to secure our position as the market leader of coils for flat-panel TV displays. In the field of legacy coils in which Sumida Group has a long history of over 50 years, our operations are divided into three Product Group Companies respectively, in charge of our power inductor, power solution and signal businesses thereby establishing the system capable of providing our customers with more elaborated services by product groupings including for digital cameras and DVD recorders. We intend to achieve our Mid-Term Vision in 2007 by focusing on automotive related coils and coils applied to products of the so-called three new status symbols.

In closing, Sumida Group continues to conduct its management activities keeping its focus on corporate governance and the many challenges including responsibility for the environment. In 2004, we will further challenge ourselves so as to make Sumida-style corporate social responsibility (SCSR) a key part of our corporate management style in the 21st century.



Shigeyuki Yawata
Sumida Group CEO

Consolidated Financial Highlights for the 4th Quarter ended 31 December 2003

1. Consolidated Results of Operations

(Million yen, %)

| Period Category | 4th Quarter | | | | | 12-month period (January - December) | | | | |
|-----------------------------------|-------------|------------|---------|------------|----------|---|------------|--------|------------|----------|
| | 2003 | % Of Total | 2002 | % Of Total | % Change | 2003 | % Of Total | 2002 | % Of Total | % Change |
| Net sales | 8,140 | 100.0 | 8,018 | 100.0 | 1.5 | 30,537 | 100.0 | 34,796 | 100.0 | (12.2) |
| Operating profit | 813 | 10.0 | 433 | 5.4 | 87.8 | 2,394 | 7.8 | 2,171 | 6.2 | 10.3 |
| Ordinary income | 559 | 6.9 | 398 | 5.0 | 40.5 | 1,960 | 6.4 | 2,116 | 6.1 | (7.4) |
| Income before income taxes | 95 | 1.2 | 7 | 0.1 | 1,257.1 | 73 | 0.2 | 1,653 | 4.8 | (95.6) |
| Net income | 374 | 4.6 | (194) | (2.4) | --- | 315 | 1.0 | 1,118 | 3.2 | (71.8) |
| Amounts per common share (yen) | | | | | | | | | | |
| Net income: (Basic) | 24.77 | --- | (14.49) | --- | --- | 21.21 | --- | 83.64 | --- | --- |
| Net income: (Fully diluted) | 23.84 | --- | (14.36) | --- | --- | 20.56 | --- | 82.73 | --- | --- |

2. Consolidated Financial Position

(Million yen)

| Period Category | 4th Quarter | | |
|--|-------------|----------|----------|
| | 2003 | 2002 | Change |
| Total assets | 29,941 | 30,666 | (725) |
| Capital stock | 6,165 | 5,527 | 638 |
| Total shareholders' equity | 18,809 | 18,910 | (101) |
| Total number of stocks issued (thousand shares) | 15,416 | 13,426 | 1,990 |
| Shareholders' equity per share (yen) | 1,220.14 | 1,408.72 | (188.58) |
| Shareholders' equity ratio (%) | 62.8 | 61.7 | --- |

3. Conditions of Consolidated Cash Flow

(Million yen)

| Category | Period | 4th Quarter | | | 12-month period (January - December) | | |
|--|--------|-------------|-------|--------|--------------------------------------|---------|---------|
| | | 2003 | 2002 | Change | 2003 | 2002 | Change |
| Cash flows from operating activities | | 536 | 718 | (182) | 1,140 | 2,707 | (1,567) |
| Cash flows from investing activities | | (587) | (437) | (150) | (1,906) | (1,624) | (282) |
| Cash flows from financing activities | | 476 | (380) | 856 | 877 | (1,038) | 1,915 |
| Cash and cash equivalents, end of period | | 4,471 | 4,789 | (318) | 4,471 | 4,789 | (318) |

Consolidated Earnings Forecasts (1st Quarter 2004: Three months ending March 31, 2004)

| Category | Period | 1st Quarter | | |
|--------------------------------|--------|----------------|---------|---------|
| | | 2004(Estimate) | 2003 | %Change |
| Net sales (million yen) | | 7,750 | 7,202 | 7.6 |
| Operating profit (million yen) | | 500 | 301 | 66.1 |
| Ordinary income (million yen) | | 400 | 306 | 30.7 |
| Net income (million yen) | | 300 | (942) | --- |
| Net income per share (yen) | | 20.21 | (63.82) | --- |

Consolidated Quarterly Business Results

(Million yen)

| Category | Period | 2003 | | | | 2002 | | | | 2001 | | |
|----------------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|-------|
| | | 4Q | 3Q | 2Q | 1Q | 4Q | 3Q | 2Q | 1Q | 4Q | 3Q | 2Q |
| Net sales | | 8,140 | 8,033 | 7,162 | 7,202 | 8,018 | 8,474 | 9,349 | 8,955 | 7,582 | 7,636 | 8,114 |
| Operating profit | | 813 | 709 | 571 | 301 | 434 | 641 | 592 | 504 | 541 | 156 | 81 |
| Ordinary income | | 559 | 607 | 488 | 306 | 398 | 614 | 589 | 514 | 356 | (44) | (277) |
| Income before income taxes | | 95 | 472 | 440 | (934) | 7 | 571 | 566 | 509 | (14) | (1,405) | (219) |
| Net income | | 374 | 402 | 481 | (942) | (194) | 428 | 502 | 382 | 839 | (1,651) | (131) |

Consolidated Yearly Business Results

(Million yen)

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|----------------------------|----------|----------|----------|----------|----------|
| Net sales | 30,537 | 34,796 | 31,558 | 33,575 | 24,574 |
| Operating profit | 2,394 | 2,171 | 1,112 | 3,318 | 2,687 |
| Ordinary income | 1,960 | 2,116 | 82 | 2,967 | 2,439 |
| Income before income taxes | 73 | 1,653 | (1,779) | 2,632 | 1,580 |
| Net income | 315 | 1,118 | (1,037) | 1,973 | 1,003 |
| Shareholders' equity | 18,809 | 18,910 | 19,534 | 18,581 | 15,083 |
| Total assets | 29,941 | 30,666 | 32,340 | 32,000 | 26,220 |
| Per share (yen) | | | | | |
| EPS | 21.21 | 83.64 | (78.11) | 163.43 | 101.56 |
| Shareholders' equity | 1,220.14 | 1,408.72 | 1,471.29 | 1,539.48 | 1,374.60 |

*Foreign exchange adjustments are included in shareholders' equity

Overview of Consolidated Business Results for the 4th Quarter of 2003

In the 4th quarter of 2003, demand for electronic parts has grown suddenly backed by activated production at major equipment manufacturers after prolonged inventory adjustment as a result of recovery of the end demand since the world political and economic situation has returned normal following the end of war against Iraq and spread of SARS.

Audiovisual equipment business is increasingly trending toward expansion as production in ASEAN countries is fully recovered and demand for LCD TVs is growing principally in Japan, Taiwan and Korea. For personal computers, shipment volume showed signs of recovery in the 2nd quarter of 2003 and is going on increasing sharply, up 14.1% in the 3rd quarter and up 12.0% in the 4th quarter from a year earlier. For cellular phones, shipment volume seems to continue expanding satisfactorily after recording a 22.2% year-on-year increase in the 3rd quarter. In the automotive equipment field, the decreased number of new cars sales in Europe has been adversely affecting peripheral industries, yet demand for automotive electronic parts has been relatively steady. For optical electronic equipment-related parts, demand for optical pickups used in DVD is expanding but competition is increasingly intensified to secure orders from set makers as more rivals are entering this field. For electromagnetic parts such as magnetics, shifting of production to local enterprises in China is progressing while demand in the U.S. market is suddenly falling.

Under such circumstances, Sumida Group has been developing its business activities by focusing on prospective growing fields in which funds and human resources have been concentrated. For automotive electronic parts, we have started delivery of ABS coils to the second and third customers on a full scale and also have directed our efforts to development, production and marketing of new products such as intelligent-key entry and immobilizer. In the field of coils for information technology and communications equipment, we have vigorously promoted manufacture and sale of inverter units in the sharply expanding Chinese market in addition to the drive to strengthen our operations in the Taiwan market where production of notebook-sized personal computers and LCD monitors is being centered. Meanwhile, for our unprofitable operations of electromagnetic business and optical electronic business, we have sold off in the 1st quarter SRC, our U.S. subsidiary having taken charge of the components division of our electromagnetic business, and are now proceeding to scale down the remaining magnetics division of our electromagnetic business and to reduce OEM production of optical pickups in our optical electronic business.

Overall sales in the 4th quarter of 2003 increased 1.5% from a year earlier to ¥8,140 million. Sales in our electromagnetic business substantially decreased to ¥398 million, down 65.8% from the year-before figure, as a result of disposal of SRC and scale-down of our electromagnetic division, and sales in our optical electronic business also decreased to ¥830 million, down 8.2% from the same term last year, as a result of reduction of OEM production of optical pickups. However, sales in our coil business were satisfactory and reached ¥6,912 million, up 16.2% over the year-before figure, as sales of coils for audiovisual equipment and for information technology and communication equipment sharply increased.

In regard to earnings, operating profit increased to ¥813 million, up 87.8% over the year-before figure, in spite of heavier burdens of prior investments such as research and development expenses, which were partly compensated by increased sales. Factors contributing to this increased operating profit were substantial expansion of gross profit on sales in our coil business resulting from cutting of raw material costs and manufacturing expenses principally for general coils, reduced operating loss in our electromagnetic business through disposal of SRC, and increased operating profit in our optical electronic business attributable to improved manufacturing efficiency. Meanwhile, ordinary income stayed at ¥559 million, up 40.5% over the year-before figure, owing to increase in unrealized exchange

loss arising from valuation of foreign currency deposits and trade accounts receivable at overseas subsidiaries caused by the suddenly firming Japanese yen as well as the loss on our investment account occurred under the equity method. Current term net income in the 4th quarter came to ¥374 million although restructuring expenses of our North American operation for ¥251 million were posted as extraordinary loss.

Sales by Product Category

(Million yen, %)

| Period Category | | 4th Quarter | | | | | 12-month period (January - December) | | | | |
|--------------------|---|-------------|------------|-------|------------|----------|--------------------------------------|------------|--------|------------|----------|
| | | 2003 | % Of total | 2002 | % Of total | % Change | 2003 | % Of total | 2002 | % Of total | % Change |
| Coil Business | Audiovisual | 668 | 8.2 | 489 | 6.1 | 36.6 | 2,309 | 7.5 | 2,010 | 5.8 | 14.9 |
| | Information technology and communications | 4,174 | 51.3 | 3,202 | 39.9 | 30.4 | 14,919 | 48.9 | 14,132 | 40.6 | 5.6 |
| | Other coils | 445 | 5.5 | 458 | 5.7 | (2.8) | 2,041 | 6.7 | 1,795 | 5.1 | 13.7 |
| | Automobiles | 1,625 | 19.9 | 1,800 | 22.5 | (9.7) | 6,897 | 22.6 | 6,777 | 19.5 | 1.8 |
| | TOTAL | 6,912 | 84.9 | 5,949 | 74.2 | 16.2 | 26,166 | 85.7 | 24,714 | 71.0 | 5.9 |
| Optical electronic | | 830 | 10.2 | 904 | 11.3 | (8.2) | 2,837 | 9.3 | 4,765 | 13.7 | (40.5) |
| Electromagnetic | | 398 | 4.9 | 1,165 | 14.5 | (65.8) | 1,534 | 5.0 | 5,317 | 15.3 | (71.1) |
| TOTAL | | 8,140 | 100.0 | 8,018 | 100.0 | 1.5 | 30,537 | 100.0 | 34,796 | 100.0 | (12.2) |

Sales by Region

(Million yen, %)

| Period Region | | 4th Quarter | | | | | 12-month period (January - December) | | | | |
|------------------|--|-------------|------------|-------|------------|----------|--------------------------------------|------------|--------|------------|----------|
| | | 2003 | % Of Total | 2002 | % Of Total | % Change | 2003 | % Of Total | 2002 | % Of Total | % Change |
| Japan | | 2,286 | 28.1 | 2,137 | 26.7 | 7.0 | 8,712 | 28.5 | 8,816 | 25.3 | (1.2) |
| HK/China | | 1,671 | 20.5 | 1,319 | 16.5 | 26.7 | 5,903 | 19.3 | 6,124 | 17.6 | (3.6) |
| ASEAN | | 609 | 7.5 | 482 | 6.0 | 26.3 | 2,298 | 7.5 | 2,290 | 6.6 | 0.3 |
| Taiwan/Korea | | 1,825 | 22.4 | 1,584 | 19.7 | 15.2 | 6,304 | 20.7 | 6,836 | 19.6 | (7.8) |
| NAFTA | | 892 | 11.0 | 1,193 | 14.9 | (25.2) | 3,373 | 11.1 | 5,064 | 14.6 | (33.4) |
| EU | | 857 | 10.5 | 1,303 | 16.2 | (34.2) | 3,947 | 12.9 | 5,666 | 16.3 | (30.3) |
| TOTAL | | 8,140 | 100.0 | 8,018 | 100.0 | 1.5 | 30,537 | 100.0 | 34,796 | 100.0 | (12.2) |

Product Segment Information

(Million yen, %)

| | 2002 | | | | | 2003 | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | YTD | 1Q | 2Q | 3Q | 4Q | YTD |
| Net sales | | | | | | | | | | |
| Coils | 6,291 | 6,481 | 5,993 | 5,949 | 24,714 | 5,966 | 6,286 | 7,002 | 6,912 | 26,166 |
| Optical electronic | 1,315 | 1,452 | 1,094 | 904 | 4,765 | 820 | 531 | 656 | 830 | 2,837 |
| Electromagnetic | 1,349 | 1,416 | 1,387 | 1,165 | 5,317 | 416 | 345 | 375 | 398 | 1,534 |
| Elimination | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Total | 8,955 | 9,349 | 8,474 | 8,018 | 34,796 | 7,202 | 7,162 | 8,033 | 8,140 | 30,537 |
| Operating expense | | | | | | | | | | |
| Coils | 5,006 | 5,115 | 4,732 | 4,870 | 19,723 | 5,032 | 5,130 | 5,652 | 5,431 | 21,245 |
| Optical electronic | 1,232 | 1,364 | 988 | 893 | 4,477 | 805 | 547 | 668 | 794 | 2,814 |
| Electromagnetic | 1,682 | 1,703 | 1,539 | 1,303 | 6,227 | 543 | 417 | 474 | 513 | 1,947 |
| Elimination | 531 | 575 | 574 | 518 | 2,198 | 521 | 497 | 530 | 589 | 2,137 |
| Total | 8,451 | 8,757 | 7,833 | 7,584 | 32,625 | 6,901 | 6,591 | 7,324 | 7,327 | 28,143 |
| Operating profit | | | | | | | | | | |
| Coils | 1,285 | 1,366 | 1,261 | 1,079 | 4,991 | 934 | 1,156 | 1,350 | 1,481 | 4,921 |
| Optical electronic | 83 | 88 | 106 | 11 | 288 | 15 | (16) | (12) | 36 | 23 |
| Electromagnetic | (333) | (287) | (152) | (138) | (910) | (127) | (72) | (99) | (115) | (413) |
| Elimination | (531) | (575) | (574) | (518) | (2,198) | (521) | (497) | (530) | (589) | (2,137) |
| Total | 504 | 592 | 641 | 434 | 2,171 | 301 | 571 | 709 | 813 | 2,394 |
| Operating profit ratio | | | | | | | | | | |
| Coils | 20.4 | 21.1 | 21.0 | 18.1 | 20.2 | 15.7 | 18.4 | 19.3 | 21.4 | 18.8 |
| Optical electronic | 6.3 | 6.1 | 9.7 | 1.2 | 6.0 | 1.8 | (3.0) | (1.8) | 4.3 | 0.8 |
| Electromagnetic | (24.7) | (20.3) | (11.0) | (11.8) | (17.1) | (30.5) | (20.9) | (26.4) | (28.9) | (26.9) |
| Elimination | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Total | 5.6 | 6.3 | 7.6 | 5.4 | 6.2 | 4.2 | 8.0 | 8.8 | 10.0 | 7.8 |

Business Segment Information

* Notes:

- 1) In explanation of business results in the 4th quarter of 2003, the year-on-year increase/decrease is expressed in the Japanese yen and also in the local currency. When any single local currency is applicable, figures in such single local currency are adopted, and when multiple local currencies are applicable, figures converted into the U.S. dollar are adopted.
- 2) In the segment information by type of business, basic research and development expenses and head office expenses so far included in operating expenses of our coil business have been separated as "eliminated and included company-wide" from the 2nd quarter of 2003. Thus figures calculated by adopting such method are indicated in "Table: Segment Information by Type of Business" on a quarterly basis from the 1st quarter of 2002. The year-on-year increase/decrease of operating profit in the following Business Segment Information is also based on the figures after such modification.

Sumida group's business is composed of the coil business, the optical electronic business and the electromagnetic business.

1. Coil business

Sales in our coil business totaled ¥6,912 million, up 16.2% from the same term last year (or up 27.4% from the same term last year in the local currency) as sales of coils for audiovisual equipment and for information technology and communication equipment increased sharply although sales of other coils and automotive electronic parts declined. In regard to earnings, operating profit recorded a 37.3% year-on-year gain to ¥1,481 million as a result of the drive to cut raw material costs and manufacturing expenses principally for general coils in addition to the effect of expanded sales in spite of increased research and development expenses.

a) Coils for audiovisual

Sales of coils for audiovisual equipment amounted to ¥668 million, up 36.6% from the same term last year (or up 49.9% from the same term last year in the local currency).

In terms of area, sales in Japan were satisfactory and increased 31.3% on the year to ¥378 million principally for use in liquid-crystal display TVs. Overseas, sales in Hong Kong and China increased 42.0% on the year to ¥159 million and sales in ASEAN countries increased 47.2% on the year to ¥131 million.

b) Coils for information technology and communication

Sales of coils for information technology and communication equipment reached ¥4,174 million, up 30.4% from the same term last year (or up 42.9% from the same term last year in the local currency).

For sales by product used, sales of coils for cellular phones decreased 52.0% on the year to ¥24 million, but sales of coils for PCs and other information technology and communication equipment increased 17.5% on the year to ¥2,388 million, those for digital cameras increased 4.3% on the year to ¥240 million and those for inverter units increased 71.0% on the year to ¥1,522 million.

In terms of area, sales increased 9.9% to ¥946 million in Japan, 19.8% to ¥1,540 million in Taiwan, 43.0% to ¥319 million in ASEAN countries and 20.7% to ¥233 million in Americas respectively from a year earlier. Sales in Hong Kong and China recorded a 79.0% year-on-year increase to ¥1,106 million, to which inverter units from Suzhou, China contributed.

c) Other coils

Sales of other coils came to ¥445 million, down 2.8% information technology and

communication (but up 6.4% from the same term last year in the local currency). Sales of coils for FA equipment and hot-water supply equipment were steady but sales of 4V coils for switching between cooling and heating were slackened.

d) Coils for automobiles

Sales of automotive electronic parts declined to ¥1,625 million, down 9.7% from the year-before figure (or down 1.0% from the same term last year in the local currency).

For ABS coils, sales dropped 16.3% from a year earlier to ¥882 million as the decreased number of new cars sold in Europe compelled our customers to make inventory adjustment, so our production volume decreased 27.3% from a year earlier to 19,072 thousand pieces. Sales of transformers for HID (high-intensity discharger) lamps were also stagnant and declined 11.5% from a year earlier to ¥69 million. On the other hand, sales of coils for EPS (electronic power steering) expanded 20.0% from a year earlier to ¥30 million, and sales of other automotive electronic parts such as for car audio equipment, car navigation system, keyless entry, etc. were steady and increased 0.2% from a year earlier to ¥644 million.

2. Optical electronic business

Sales of optical electronic equipment-related parts came to ¥830 million, down 8.2% from the year-before figure (but up 0.7% over) the same term last year in the local currency).

Sales of optical pickups for CD decreased 11.2% on the year to ¥521 million, and sales of lens holders, actuators, etc. used as parts of such optical pickups and other optical electronic parts also decreased 17.5% on the year to ¥160 million. However, sales of optical pickups for DVD expanded 21.1% on the year to ¥149 million. In regard to earnings, operating profit increased to ¥36 million, or 3.3 times as much as the same term last year, as a result of our efforts to cut labor expenses and to improve production efficiency in spite of decreased sales.

3. Electromagnetic business (former REMtech)

Sales in our electromagnetic business slided to ¥398 million, down 65.8% from the same term last year (or down 62.5% from the same term last year in the local currency). SRC, our subsidiary having constituted part of electromagnetic operations, was sold off in the 1st quarter thereby excluded from sales in our electromagnetic business. For our magnetics division of which we are proceeding with business scale-down, sales decreased 30.3% from a year earlier to ¥398 million. In regard to earnings, operating loss improved from ¥138 million in the same period of the previous year to ¥115 million because labor costs and manufacturing expenses were reduced as a result of disposal of SRC.

General Conditions of Consolidated Business Results for Full Term of 2003 from January through December

Overall sales for the full term of 2003 from January through December decreased to ¥30,537 million, down 12.2% from the figure in the previous term. Sales in our coil business reached ¥26,166 million, up 5.9% over the figure in the previous term, backed by steadily increased sales of coils for information technology and communication equipment and automotive electronic parts in addition to satisfactorily expanded sales of coils for audio-visual equipment and other coils. However, sales in our electromagnetic business dropped 71.1% from the figure in the previous term to ¥1,534 million owing to disposal of SRC and scale-down of our magnetics division, and sales in our optical electronic business also decreased 40.5% from the figure in the previous term to ¥2,837 million owing to reduced OEM production of optical pickups.

As for earnings, operating profit increased 10.3% over the figure in the previous term to ¥2,394 million. This increase was attributable to expansion of gross profit on sales in our coil business benefited from increased sales and substantial reduction of operating loss in our electromagnetic business through disposal of SRC, in spite of decreased operating profit in our optical electronic business resulting from declined sales and increased burdens for prior investments such as research and development expenses. Recurring profit decreased 7.4% from the figure in the previous term to ¥1,960 million. This decrease was due to increase in unrealized exchange loss arising from valuation of foreign currency deposits and trade accounts receivable at overseas subsidiaries caused by suddenly progressing appreciation of the Japanese yen as well as the loss on our investment account occurred under the equity method. Current term net income dropped 71.8% from the figure in the previous term to ¥315 million after posting the loss on sale of subsidiary for ¥1,423 million incurred as a result of disposal of SRC, our unprofitable subsidiary.

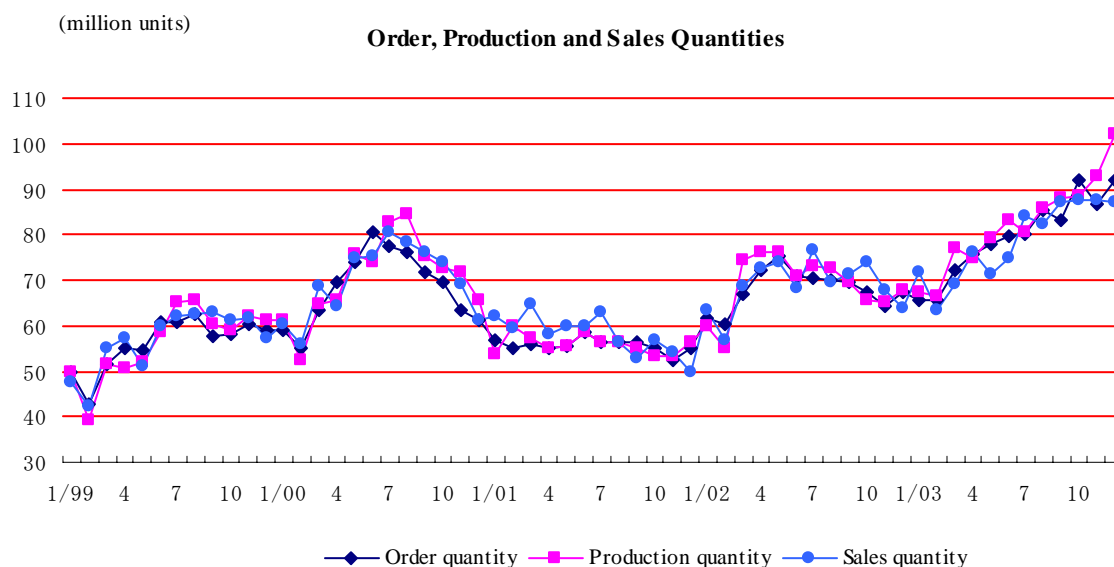
The Future Management Environment and Business Development Policy

Now explained below are future management environment and our business development policy for each of business segments. The following descriptions include Sumida group's forecasts of future prospects, which Sumida group judged from an independent standpoint and adopted as management guidelines. In reality, however, actual results may sometimes deviate largely from such forecasts owing to various factors such as change of economic environment in each country of the world, outbreak of any unforeseen event, etc. Thus readers are requested to refrain from relying fully on these forecasts.

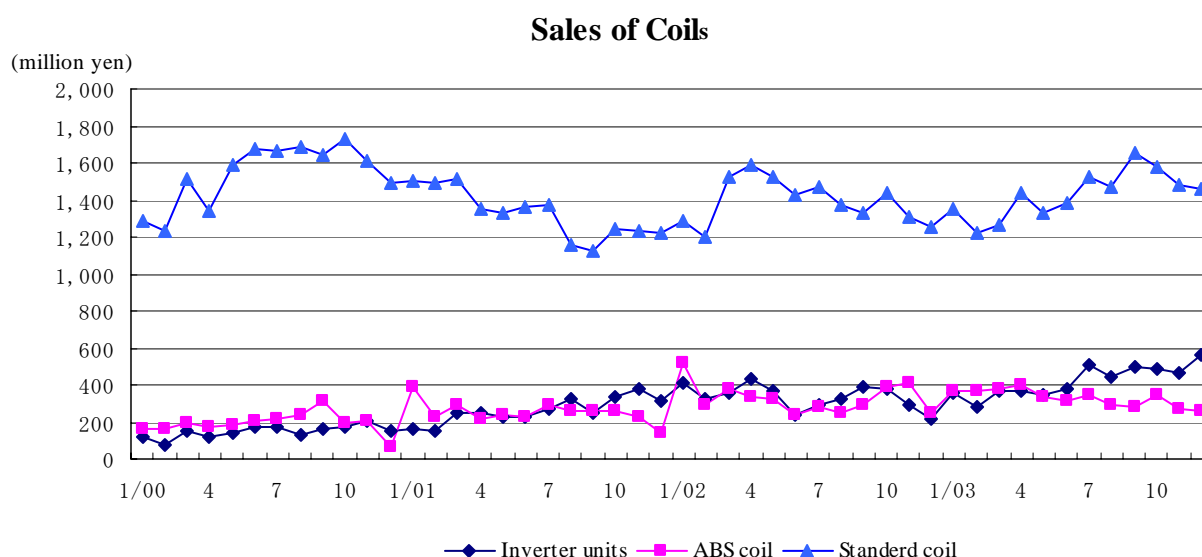
1. Coil business

Orders for coils received by Sumida group are increasing month after month since the beginning of the second half of 2003.

The monthly volume of orders received for coils (orders received during the current month and scheduled to sell during the current month) increased from 68 million pieces on average in the 1st quarter to 78 million pieces on average in the 2nd quarter, and then to 83 million pieces on average in the 3rd quarter and to 90 million pieces on average in the 4th quarter, thus renewing an all-time high month after month.



For sales by product, sales of inverter units have been expanding satisfactorily because of brisk orders received from Taiwan and full-fledged outside sale from Suzhou in China, although sales of ABS coils have been running out of steam. Meanwhile, sales of general coils were stagnant in the 1st and 2nd quarters but have started to increase suddenly from the middle of 2003 principally for audiovisual equipment and for information technology and communication equipment.



Shipment volume of personal computers in the world is recovering at an accelerated pace, up 10.0% in the 2nd quarter of 2003, up 14.1% in the 3rd quarter and up 12.0% in the 4th quarter respectively from a year earlier. In the coming months, shipment volume of personal computers is expected to follow an upward trend supported by brisk demand for replacement principally in the United States.

Shipment volume of digital cameras is expected to increase from 45 million pieces in 2003 to 60 million pieces in 2004 under strong demand in the European market. Shipment volume of cellular phones is estimated to have increased 12.5% from the previous year to about 450 million pieces in 2003, and is expected to increase to 500 million pieces or more in 2004 as a result of proliferation of those with colored liquid-crystal display and those with camera as well as full-fledged appearance of third-generation terminals. Production of low-profile TVs including both of liquid-crystal display TVs and prismatic display TVs is expected to expand sharply from 4.3 million sets in 2003 to 11.1 million sets in 2004 in view of active entry of newcomers in this field in addition to increased production at existing makers.

Meanwhile, the number of new cars sales in the European market decreased in the first half of 2003, and in the second half of the year, it was also stagnant in August affected by unusually hot summer and decreased 4.7% from a year earlier but has turned to increase in September at 4.4% over the year-before figure and is continuing flat at the year-before level thereafter. In the U.S. market where the economy was slackened by the war against Iraq but the sense of economic recovery is growing in the second half of the year benefiting from tax cut, etc., the number of new cars sales throughout the year was maintained at the level of 16,688 thousand cars, down 1.0% from the previous year.

Amid such business environment, Sumida group is promoting its business activities by focusing on prospective growing fields. We are endeavoring to expand sales by launching

the newest types of inverter units and leakage transformers in view of the growing demand in Japan, Taiwan and Korea for electronic parts used in flat panel TVs. For ABS coils, delivery to new customers started from the second half of 2002 and has fully contributed to our sales in 2003. For automotive electronic parts other than ABS coils, we are stepping up our vigorous sales drive of coils for intelligent-key entry, immobilizer, navigation system, direct-injection engine, EPS (electronic power steering) and air bag.

2. Optical electronic business

In our optical electronic business, we had withdrawn from OEM production of optical pickups in the 3rd quarter of 2002. For OEM supply of optical pickups, our policy is to scale down this operation.

For lens holders and actuators used in optical pickups, our products are receiving a certain appraisal in the optical electronic equipment industry by using the winding machine developed by ourselves. Thus it is our policy to continue sales promotion of lens holders and actuators to new customers in the future.

3. Electromagnetic business

In our electromagnetic business, we have sold off SRC which had been continuing to show poor business results. For the remaining magnetics division, we are going to proceed with business scale-down.

Forecast of Business Results in the 1st Quarter of 2004

Sumida group is publishing the forecast of business results by compiling commitments submitted from each of our divisions covering the next quarter. Under the unstable and suddenly changing economic environment, it is difficult for us to forecast business results for the full term correctly as there might arise a substantial deviation of the actual figures from the figures forecast at the beginning of the term according to circumstances. Thus it is our policy to disclose the contents of our forecast covering the coming next quarter only as it is our first consideration to provide appropriate and correct information to our investors.

The following is our forecast at this moment of business results in the 1st quarter of 2004.

| Forecast of consolidated business results in the 1st quarter of 2004 (from January 1 to March 31, 2004) | | Actual figures of consolidated business results in the 1st quarter of 2003 (from January 1 to March 31, 2003) | |
|--|----------------|--|----------------|
| Sales | ¥7,750 million | Sales | ¥7,202 million |
| Recurring profit | ¥400 million | Recurring profit | ¥306 million |
| Current term net income | ¥300 million | Current term net income | (942 million) |

(Exchange rate is premised at ¥110 per U.S.\$1.)

In the 1st quarter of 2004, sales are projected to increase 7.6% from a year earlier. While sales in our optical electronic business and electromagnetic business are diminishing, sales of coils for audio-visual equipment, coils for communication and information-processing equipment and other coils are expected to show satisfactory growth.

Consolidated Balance Sheet

(Unit: thousand yen)

| | 4Q 2003 | % | 4Q 2002 | % | Mid-term 2003 | % |
|---|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| ASSETS | | | | | | |
| I Current assets | | | | | | |
| 1.Cash & cash equivalents | 4,471,169 | | 4,789,274 | | 4,043,563 | |
| 2.Trade receivables | 6,879,959 | | 6,440,099 | | 6,441,558 | |
| 3.Inventories | 3,138,318 | | 3,645,101 | | 3,134,711 | |
| 4.Others | 2,311,849 | | 1,239,564 | | 1,520,356 | |
| 5.Allowance for doubtful accounts | (232,727) | | (41,238) | | (21,210) | |
| Total current assets | 16,568,568 | 55.3 | 16,072,800 | 52.4 | 15,118,978 | 51.2 |
| II Non-current assets | | | | | | |
| (1) Tangible fixed assets | | | | | | |
| 1.Buildings | 6,211,182 | | 6,302,920 | | 6,303,294 | |
| 2.Machinery & equipment | 8,842,647 | | 10,413,262 | | 9,583,111 | |
| 3.Furniture & fixture | 2,660,313 | | 3,144,559 | | 2,853,557 | |
| 4.Land | 1,252,063 | | 1,255,183 | | 1,255,754 | |
| 5.Construction in progress | 145,089 | | 335,307 | | 212,957 | |
| 6.Accumulated depreciation | (9,524,680) | | (10,307,893) | | (9,954,128) | |
| Total tangible fixed assets | 9,586,614 | 32.0 | 11,143,338 | 36.3 | 10,254,545 | 34.8 |
| (2) Intangible fixed assets | | | | | | |
| 1.Leasehold rights | 522,732 | | 582,306 | | 585,342 | |
| 2.Software | 129,577 | | 173,188 | | 151,137 | |
| 3.Others | 3,965 | | 8,152 | | 4,016 | |
| Total intangible fixed assets | 656,274 | 2.2 | 763,646 | 2.5 | 740,495 | 2.5 |
| (3) Investments & other assets | | | | | | |
| 1.Investments in securities | 385,512 | | 143,770 | | 321,201 | |
| 2.Others | 2,744,017 | | 2,542,925 | | 3,065,812 | |
| Total investments & other assets | 3,129,529 | 10.5 | 2,686,695 | 8.8 | 3,387,013 | 11.5 |
| Total fixed assets | 13,372,417 | 44.7 | 14,593,679 | 47.6 | 14,382,053 | 48.8 |
| TOTAL ASSETS | 29,940,985 | 100.0 | 30,666,479 | 100.0 | 29,501,031 | 100.0 |

Next page continues

Consolidated Balance Sheet (Continued)

| LIABILITIES | | | | | | | |
|---|---|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| I | Current liabilities | | | | | | |
| | 1.Trade payables | 2,522,924 | | 2,365,892 | | 2,195,770 | |
| | 2.Short-term loans | 4,116,808 | | 5,129,741 | | 5,596,572 | |
| | 3.Other current liabilities | 1,836,654 | | 2,466,875 | | 1,914,198 | |
| | Total current liabilities | 8,476,386 | 28.3 | 9,962,508 | 32.5 | 9,706,540 | 32.9 |
| II | Non-current liabilities | | | | | | |
| | 1.Straight bond | 1,200,000 | | --- | | --- | |
| | 2.Long-term loans | 1,045,308 | | 1,324,616 | | 971,212 | |
| | 3.Deferred tax liabilities | 231,705 | | 204,001 | | 224,426 | |
| | 4.Other non-current liabilities | 178,416 | | 261,477 | | 217,133 | |
| | Total non-current liabilities | 2,655,429 | 8.9 | 1,790,094 | 5.8 | 1,412,771 | 4.8 |
| | TOTAL LIABILITIES | 11,131,815 | 37.2 | 11,752,602 | 38.3 | 11,119,311 | 37.7 |
| | (Minority interest) | | | | | | |
| | Minority interest | --- | --- | 3,726 | 0.0 | --- | --- |
| SHAREHOLDERS' EQUITY | | | | | | | |
| I | Capital Stock | 6,164,619 | 20.6 | 5,527,181 | 18.0 | 5,532,285 | 18.8 |
| II | Legal reserves | 5,971,416 | 19.9 | 5,325,272 | 17.4 | 5,330,521 | 18.1 |
| III | Consolidated retained earnings | 9,231,414 | 30.8 | 9,198,400 | 30.0 | 8,603,440 | 29.1 |
| IV | Unrealized gains/losses on securities at market valuation | 90,708 | 0.3 | 28,360 | 0.1 | 57,888 | 0.2 |
| V | Cumulative translation adjustments | (2,626,162) | (8.7) | (1,164,091) | (3.8) | (1,124,698) | (3.8) |
| VI | Treasury stock | (22,825) | (0.1) | (4,971) | (0.0) | (17,716) | (0.1) |
| | TOTAL SHAREHOLDERS' EQUITY | 18,809,170 | 62.8 | 18,910,151 | 61.7 | 18,381,720 | 62.3 |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | | | | | | | |
| | | 29,940,985 | 100.0 | 30,666,479 | 100.0 | 29,501,031 | 100.0 |

Consolidated Income Statement


(unit : thousand yen)

| | 4Q | | | | 12-month Period (January - December) | | | |
|--|-----------|------------|-----------|------------|--------------------------------------|------------|------------|------------|
| | 2003 | | 2002 | | 2003 | | 2002 | |
| | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales | Amount | % of Sales |
| I Net sales | 8,140,168 | 100.0 | 8,017,898 | 100.0 | 30,537,285 | 100.0 | 34,795,667 | 100.0 |
| II Cost of sales | 5,871,724 | 72.1 | 6,063,582 | 75.6 | 22,237,105 | 72.8 | 26,299,587 | 75.6 |
| Gross profit on sales | 2,268,444 | 27.9 | 1,954,316 | 24.4 | 8,300,180 | 27.2 | 8,496,080 | 24.4 |
| III Selling, general & administrative | 1,455,058 | 17.9 | 1,520,846 | 19.0 | 5,906,000 | 19.4 | 6,325,143 | 18.2 |
| Operating profit | 813,386 | 10.0 | 433,470 | 5.4 | 2,394,180 | 7.8 | 2,170,937 | 6.2 |
| IV Non-operating income (expenses) | | | | | | | | |
| Interest & dividends received | 4,274 | | 10,614 | | 30,241 | | 53,899 | |
| Interest & discount paid | 14,147 | | 20,530 | | 68,874 | | 86,058 | |
| Exchange gain (loss) | (155,265) | | 17,428 | | (260,698) | | 10,852 | |
| Investment loss on equity method | 62,939 | | --- | | 137,432 | | --- | |
| Other non-operating income (expenses) | (26,788) | | (42,710) | | 2,261 | | (33,951) | |
| Non-operating income (expenses) | (254,865) | (3.1) | (35,198) | (0.4) | (434,502) | (1.4) | (55,258) | (0.1) |
| Ordinary income | 558,521 | 6.9 | 398,272 | 5.0 | 1,959,678 | 6.4 | 2,115,679 | 6.1 |
| V Extraordinary income (losses) | | | | | | | | |
| Gain on sales of fixed assets | 748 | | (3) | | 142,980 | | 153 | |
| Loss on disposal of fixed assets | 20,420 | | 63,646 | | 47,936 | | 104,985 | |
| Settlement on change of directors' retirement plan | 120,000 | | --- | | 120,000 | | --- | |
| Directors' retirement bonus | --- | | --- | | 50,000 | | --- | |
| Unrealized loss on golf club membership | 15,463 | | 22,120 | | 15,463 | | 22,120 | |
| Unrealized loss on investment securities | 57,831 | | 4,184 | | 224,082 | | 4,184 | |
| Loss on sales of subsidiary | --- | | --- | | 1,203,941 | | --- | |
| Structural reorganization expenses | 251,250 | | 301,502 | | 368,603 | | 332,037 | |
| Total extraordinary income (losses) | (464,216) | (5.7) | (391,455) | (4.9) | (1,887,045) | (6.2) | (463,173) | (1.3) |
| Income before income taxes | 94,305 | 1.2 | 6,817 | 0.1 | 72,633 | 0.2 | 1,652,506 | 4.8 |
| Income taxes | (279,487) | (3.4) | 209,477 | 2.6 | (238,947) | (0.8) | 543,122 | 1.6 |
| Income on minority shareholders | --- | --- | 8,181 | 0.1 | 3,336 | 0.0 | 8,181 | 0.0 |
| Net income | 373,792 | 4.6 | (194,479) | (2.4) | 314,916 | 1.0 | 1,117,565 | 3.2 |

Consolidated Cash Flow Statement

(Unit: thousand yen)

| Account | Period | 4Q | | 12-month Period (Jan. - Dec.) | |
|--|--------|-----------|-----------|-------------------------------|-------------|
| | | 2003 | 2002 | 2003 | 2002 |
| I. Cash Flows from Operating Activities | | | | | |
| Net income | | 373,792 | (194,479) | 314,916 | 1,117,565 |
| Depreciation & Amortization | | 385,408 | 556,743 | 1,508,798 | 2,120,455 |
| Loss on disposal of fixed assets | | 20,420 | 63,646 | 47,936 | 104,985 |
| Decrease (Increase) in Accounts Receivable | | (239,821) | 256,636 | (1,218,609) | (481,056) |
| Decrease (Increase) in inventories | | (355,995) | 233,610 | (347,007) | (160,932) |
| Increase (Decrease) in Accounts Payable | | 261,298 | (414,984) | 716,969 | 275,144 |
| Others | | 90,846 | 216,684 | 116,968 | (268,860) |
| Cash Flows from Operating Activities | | 535,948 | 717,856 | 1,139,971 | 2,707,301 |
| II. Cash Flows from Investing Activities | | | | | |
| Acquisition of tangible fixed assets | | (586,299) | (305,762) | (1,565,392) | (1,455,133) |
| Proceeds from sale of tangible fixed assets | | 679 | 3,966 | 191,527 | 6,955 |
| Others | | (1,470) | (135,135) | (531,886) | (175,911) |
| Cash Flows from Investing Activities | | (587,090) | (436,931) | (1,905,751) | (1,624,089) |
| III. Cash Flows from Financing Activities | | | | | |
| Net borrowings (repayments) of short-term loans | | (398,000) | (121,859) | (1,004,670) | (16,979) |
| Net borrowings (repayments) of long-term debt | | (239,202) | (258,702) | (279,308) | (1,052,808) |
| Cash dividends paid | | --- | --- | (281,902) | (266,716) |
| Proceeds from bond issuance | | (13,800) | --- | 1,186,200 | --- |
| Revenue from issuance of stocks | | 1,131,612 | 5,100 | 1,274,381 | 302,940 |
| Others | | (4,415) | (4,430) | (17,854) | (4,430) |
| Cash Flows from Financing Activities | | 476,195 | (379,891) | 876,847 | (1,037,993) |
| IV. Effect of exchange rate changes on cash and cash equivalents | | (196,041) | (192,464) | (427,878) | (605,213) |
| V. Net increase (decrease) in cash and cash equivalents | | 229,012 | (291,430) | (316,811) | (559,994) |
| VI. Cash and cash equivalents at beginning of year | | 4,242,157 | 5,080,704 | 4,789,274 | 5,349,268 |
| VII. Decrease in cash and cash equivalents on exception from consolidation | | --- | --- | (1,294) | --- |
| VIII. Cash and cash equivalents at end of year | | 4,471,169 | 4,789,274 | 4,471,169 | 4,789,274 |

 **The explanatory notes given in English are for reference only. For any doubts or uncertainties regarding the English translation, refer to the original text in Japanese.**