



Financial Results for the 2nd Quarter
ended 30 June 2006

SUMIDA CORPORATION

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CEO's Message for the Second Quarter of Fiscal 2006

The economic effects brought on by the World Cup held in Germany in the early summer was already 500 billion yen in Japan alone. This included a direct effect on digital consumer electronics connected with Sumida of approximately 100 billion yen. Between 2000 and 2005, the average growth rate of Sumida was 9.5 % in sales, and 16.9% in operating profit, while the years in which the Olympics and World Cup were held, i.e. 2000, 2002, 2004, produced average growth rates of 21.9% and 56.5% in sales and operating profit respectively. Therefore, it could be said that the influence of such events are by no means small.

Concerning the business results of the 2nd Quarter, the Magnetics and Automotive businesses are running in good condition supported by the active demand in the markets. We achieved a year-on-year 54.2% increase to 14.953 billion yen in sales, and a 59.8% increase to 1.125 billion yen in operating profit respectively. Moreover, VOGT - which has been consolidated in the Sumida group for half a year - is also showing positive results and steadily contributing to the group's earnings.

In our planning of 1B7, we stated that besides the growth of existing businesses, we will actively seek M&A activities in order to pursue new synergies. Following VOGT's acquisition in February this year, we have further acquired a German company, Panta, which deals with the manufacturing and sale of flat cables for automotive manufacturers. By the joining of Panta, the group now has Sumida, VOGT, STELCO, and Panta, in total 4 companies who deal with automotive components manufacturers concentrating in Germany. Our recent acquisitions not only expand our product categories, but at the same time also strengthens our customer base including Tier 1 manufacturers in Germany. In addition, we have cooperated with Shintex, a Japanese company with specific technology in the field of LCD modules to establish a Joint Venture Company in July. Sumida Shintex Co., Ltd. is a joint venture that has combined Shintex's high precision processing technology in LCD modules production with Sumida's 20 years know-how in personnel management and manufacturing in Southern China. The company, though is small-sized, is aiming to develop into an LCD specialist with high competitiveness and strong presence in the growing LCD industry. As we have reached the third corner of our 1B7 goal, we are going to push harder on the accelerator of organic growth of our existing businesses and M&A activities to achieve 100 billion yen sales and lay the foundations for future success.



Shigeyuki Yawata
Sumida Group CEO

Consolidated Financial Highlights for the 2nd Quarter ended 30 June 2006

1. Consolidated Results of Operations

(Million yen, %)

Category \ Period	2nd Quarter					6-month period (January - June)				
	2006	% of Total	2005	% of Total	% Change	2006	% of Total	2005	% of Total	% Change
Net sales	14,953	100.0	9,700	100.0	54.2	29,759	100.0	19,124	100.0	55.6
Operating income	1,125	7.5	704	7.3	59.8	2,207	7.4	1,412	7.4	56.3
Ordinary income	1,234	8.2	513	5.3	140.6	2,439	8.2	1,123	5.9	117.3
Income before income taxes	1,520	10.2	610	6.3	149.2	2,726	9.2	1,151	6.0	136.8
Net income	586	3.9	318	3.3	84.3	1,313	4.4	692	3.6	89.6
Net income per common share (yen)										
Net income:(Basic)	29.96	---	16.55	---	---	67.37	---	36.04	---	---
Net income:(Fully diluted)	25.43	---	14.25	---	---	57.10	---	31.48	---	---

2. Consolidated Financial Conditions

(Million yen)

Category \ Period	2nd Quarter		
	2006	2005	Increase/Decrease
Total assets	62,536	42,439	20,097
Paid in capital	6,929	6,653	276
Net assets	26,563	22,337	4,226
Total numbers of stock issued (thousand shares)	19,572	19,241	331
Net assets per share (yen)	1,322.17	1,160.90	161.27
Equity ratio (%)	41.5	52.7	---

3. Consolidated Statements of Cash Flows

(Million yen)

Category \ Period	2nd Quarter			6-month period (January - June)		
	2006	2005	Change	2006	2005	Change
Cash flows from operating activities	1,162	1,051	111	1,739	1,711	28
Cash flows from investing activities	(1,336)	(2,901)	1,565	(6,003)	(3,723)	(2,280)
Cash flows from financing activities	(450)	(661)	211	(6,971)	6,410	(13,381)
Cash and cash equivalents, end of period	7,136	9,500	(2,364)	7,136	9,500	(2,364)

4. Estimation of 3rd Quarter 2006

Category \ Period	2006 3Q (Estimation)	2005 3Q (Actual)	% Change
Net sales (million yen)	15,700	10,225	53.6
Operating income (million yen)	1,300	845	53.9
Ordinary income (million yen)	1,200	733	63.7
Net income (million yen)	700	590	18.6
EPS (yen)	35.76	30.69	---

5. Consolidated Quarterly Business Results

Category \ Period	(Million yen)									
	2006		2005				2004			
	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net sales	14,953	14,806	10,317	10,225	9,700	9,424	9,361	9,518	9,179	8,188
Operating income	1,125	1,082	926	845	704	708	832	1,036	979	764
Ordinary income	1,234	1,206	997	733	513	610	652	934	917	625
Income before income taxes	1,520	1,206	1,964	814	610	541	220	876	904	625
Net income	586	727	1,153	590	318	374	56	631	645	475

6. Consolidated Yearly Business Results

Category \ Period	(Million yen)				
	2005	2004	2003	2002	2001
Net sales	39,666	36,246	30,537	34,796	31,558
Operating income	3,183	3,611	2,394	2,171	1,112
Ordinary income	2,853	3,128	1,960	2,116	82
Income before income taxes	3,929	2,625	73	1,653	(1,779)
Net income	2,435	1,807	315	1,118	(1,037)
Net assets	24,920	20,511	18,809	18,910	19,534
Total assets	51,701	34,170	29,941	30,666	32,340
EPS (yen)	126.54	104.25	21.21	83.64	(78.11)
Net assets per share (yen)	1,285.44	1,175.67	1,220.14	1,408.72	1,471.29

Consolidated Balance Sheets

(Unit : thousand yen)

Account \ Period	2Q 2006	%	2Q 2005	%	Dec 2005	%
ASSETS						
I Current assets						
1. Cash and cash equivalents	7,334,754		9,499,701		18,342,370	
2. Trade receivables	14,436,649		9,420,659		9,900,383	
3. Inventories	8,443,268		4,136,347		4,628,738	
4. Deferred tax assets	1,093,432		1,399,789		1,011,068	
5. Others	2,458,450		1,579,529		1,325,864	
6. Allowance for doubtful accounts	(38,834)		(37,754)		(39,577)	
Total current assets	33,727,719	53.9	25,998,271	61.3	35,168,846	68.0
II Fixed assets						
(1) Tangible fixed assets						
1. Buildings	11,321,628		6,187,710		6,321,967	
2. Machinery and equipment	27,142,545		10,662,446		13,001,123	
3. Furniture and fixture	11,174,617		2,557,027		2,898,238	
4. Land	2,520,297		1,756,638		1,760,651	
5. Construction in progress	1,795,025		871,769		1,294,319	
6. Accumulated depreciation	(34,087,340)		(11,152,239)		(12,512,359)	
Total tangible fixed assets	19,866,772	31.8	10,883,351	25.6	12,763,939	24.7
(2) Intangible fixed assets						
1. Goodwill	2,762,480		788,940		848,272	
2. Leasehold rights	477,196		460,486		488,658	
3. Software	135,194		134,580		118,349	
4. Others	51,741		5,245		5,198	
Total intangible fixed assets	3,426,611	5.5	1,389,251	3.3	1,460,477	2.8
(3) Investments and other assets						
1. Investments in securities	301,459		1,799,265		123,795	
2. Deferred tax assets	3,445,739		1,384,772		1,352,281	
3. Others	1,768,057		983,684		831,843	
Total investments and other assets	5,515,255	8.8	4,167,721	9.8	2,307,919	4.5
Total fixed assets	28,808,638	46.1	16,440,323	38.7	16,532,335	32.0
TOTAL ASSETS	62,536,357	100.0	42,438,594	100.0	51,701,181	100.0

(Unit : thousand yen)

Account	Period	2Q 2006	%	2Q 2005	%	Dec 2005	%
LIABILITIES							
I	Current liabilities						
1.	Trade payables	4,767,365		3,709,720		3,705,758	
2.	Short-term loan	7,022,780		3,850,000		9,800,000	
3.	Bond	--		1,200,000		--	
4.	Current portion of long term loan	1,305,796		552,108		370,800	
5.	Others	6,036,901		2,052,397		2,131,347	
	Total current liabilities	19,132,842	30.6	11,364,225	26.8	16,007,905	31.0
II	Fixed liabilities						
1.	Straight bond	1,200,000		--		1,200,000	
2.	Convertible bond	8,000,000		8,000,000		8,000,000	
3.	Long-term loan	4,450,000		105,796		--	
4.	Deferred tax liabilities	648,642		369,336		293,627	
5.	Others	2,542,033		209,309		1,223,781	
	Total fixed liabilities	16,840,675	26.9	8,684,441	20.4	10,717,408	20.7
	Total liabilities	35,973,517	57.5	20,048,666	47.2	26,725,313	51.7
				53,021	0.1	55,458	0.1
MINORITY INTEREST							
SHAREHOLDERS' EQUITY							
I	Paid in capital			6,652,563	15.7	6,771,015	13.1
II	Capital reserve			6,464,674	15.2	6,584,612	12.7
III	Retained earnings			11,077,523	26.1	12,531,518	24.2
IV	Unrealized gains/losses on securities at market valuation			241,498	0.6	52,215	0.1
V	Cumulative translation adjustments			(2,038,064)	(4.8)	(954,148)	(1.8)
VI	Treasury stock			(61,287)	(0.1)	(64,802)	(0.1)
	Total shareholders' equity			22,336,907	52.7	24,920,410	48.2
INTEREST AND SHAREHOLDERS'							
				42,438,594	100.0	51,701,181	100.0
SHAREHOLDERS' EQUITY							
I	Shareholders' equity						
1.	Paid in capital	6,929,167	11.1				
2.	Capital reserve	6,742,575	10.8				
3.	Retained earnings	13,359,780	21.4				
4.	Treasury stock	(72,121)	(0.1)				
	Total shareholders' equity	26,959,401	43.2				
II	Revaluation, translation adjustments and others						
1.	Unrealized gains/losses on securities at market valuation	32,461	0.1				
2.	Gains/losses on hedging	18,859	0.0				
3.	Cumulative translation adjustments	(1,121,208)	(1.8)				
	Total revaluation, translation adjustments and others	(1,069,888)	(1.7)				
III	Minority interest	673,327	1.0				
	Total shareholders' equity	26,562,840	42.5				
INTEREST AND SHAREHOLDERS'							
		62,536,357	100.0				

Consolidated Statements of Income

(Unit : thousand yen)

Account	2nd Quarter		2005		2006		6-month Period (January - June)	
	2006		2005		2006		2005	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
I Net sales	14,952,573	100.0	9,699,983	100.0	29,758,534	100.0	19,124,191	100.0
II Cost of sales	10,848,811	72.6	7,115,498	73.4	21,572,692	72.5	14,137,094	73.9
Gross profit	4,103,762	27.4	2,584,485	26.6	8,185,842	27.5	4,987,097	26.1
III Selling, general & administrative	2,978,540	19.9	1,880,899	19.3	5,978,960	20.1	3,575,125	18.7
Operating income	1,125,222	7.5	703,586	7.3	2,206,882	7.4	1,411,972	7.4
IV Non-operating income (expenses)								
Interest and dividends received	20,660		12,164		60,636		22,472	
Interest paid	(31,386)		(9,892)		(66,662)		(20,048)	
Exchange gain (loss)	206,262		(24,471)		448,581		(18,660)	
Investment loss on equity method	(65,434)		(109,196)		(143,338)		(230,856)	
Other non-operating income (expenses)	(21,757)		(59,629)		(66,648)		(42,139)	
Non-operating income (expenses)	108,345	0.7	(191,024)	(2.0)	232,569	0.8	(289,231)	(1.5)
Ordinary income	1,233,567	8.2	512,562	5.3	2,439,451	8.2	1,122,741	5.9
V Extraordinary income (losses)								
Gain on sales of fixed assets	1,584		42,428		2,130		42,728	
Gain on sales of golf club membership	---		68,763		---		162	
Profits from equity ratio change	288,469		---		288,469		---	
Gain on sales of securities	(3,814)		(14,026)		(3,970)		(14,880)	
Extraordinary income (losses)	286,239	2.0	97,165	1.0	286,629	1.0	28,010	0.1
Income before income taxes	1,519,806	10.2	609,727	6.3	2,726,080	9.2	1,150,751	6.0
Income taxes	983,032	6.6	286,793	3.0	1,385,863	4.7	454,510	2.4
Minority interest	(49,449)	(0.3)	4,648	0.0	27,259	0.1	3,825	0.0
Net income	586,223	3.9	318,286	3.3	1,312,958	4.4	692,416	3.6

Consolidated Statements of Cash Flows

(Unit : thousand yen)

Account	Period	2nd Quarter		6-month Period (January - June)	
		2006	2005	2006	2005
I. Cash flows from operating activities					
Net income		586,223	318,286	1,312,958	692,416
Depreciation and amortization		710,934	385,702	1,350,308	749,726
Gain on sales of fixed assets		(1,584)	(42,428)	(2,130)	(42,728)
Loss on disposal of fixed assets		3,814	14,026	3,970	14,880
Changes in account receivable		119,417	167,696	666,385	64,116
Changes in inventories		(618,548)	(19,403)	(614,849)	115,132
Changes in account payable		(315,235)	(277,924)	(962,770)	(103,638)
Others		677,333	505,580	(14,883)	221,527
Cash flows from operating activities		1,162,354	1,051,535	1,738,989	1,711,431
II. Cash flows from investing activities					
Purchase of tangible fixed assets		(1,059,727)	(1,192,999)	(1,627,704)	(1,673,851)
Proceeds from sales of tangible fixed assets		7,795	59,424	9,119	60,301
Acquisition of new subsidiary		(27,464)	(292,161)	(1,777,366)	(292,161)
Profit Participation Right		(72,492)	---	(1,750,663)	---
Investment in affiliated company		---	---	(657,731)	(308,790)
Investment in securities		(89,989)	(1,311,905)	(93,393)	(1,311,905)
Others		(94,428)	(163,375)	(105,403)	(196,862)
Cash flows from investing activities		(1,336,305)	(2,901,016)	(6,003,141)	(3,723,268)
III. Cash flows from financing activities					
Changes in short-term borrowings		48,097	(500,000)	(7,341,812)	(1,000,000)
Long-term borrowings paid		---	---	6,000,000	---
Repayment of long-term borrowings		(486,869)	(183,202)	(5,453,674)	(387,404)
Cash dividends paid		647	318	(484,210)	(261,606)
Proceeds from bond issuance		---	(17,324)	---	7,982,676
Revenue from issuance of stocks		110,721	27,224	316,115	96,924
Others		(122,649)	12,208	(7,349)	(20,744)
Cash flows from financing activities		(450,053)	(660,776)	(6,970,930)	6,409,846
IV. Effect of exchange rate changes on cash and cash equivalents		56,295	91,155	146,122	201,401
V. Net increase (decrease) in cash and cash equivalents		(567,709)	(2,419,102)	(11,088,960)	4,599,410
VI. Cash and cash equivalents at beginning of year		7,703,586	11,918,803	18,224,837	4,900,291
VII. Cash and cash equivalents at end of year		7,135,877	9,499,701	7,135,877	9,499,701

Sales by Segment

(Million yen, %)

Category \ Period	2nd Quarter					6-month period (January - June)				
	2006	% of Total	2005	% of Total	% Change	2006	% of Total	2005	% of Total	% Change
Coil	9,874	66.0	9,700	100.0	1.8	19,418	65.2	19,124	100.0	1.5
VOGT Components	4,491	30.1	—	—	—	9,152	30.8	—	—	—
VOGT EMS	588	3.9	—	—	—	1,189	4.0	—	—	—
Total	14,953	100.0	9,700	100.0	54.2	29,759	100.0	19,124	100.0	55.6

Quarterly Sales by Segment

(Million yen)

Category \ Period	2006		2005				2004			
	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Coil	9,874	9,544	10,317	10,225	9,700	9,424	9,361	9,518	9,179	8,188
VOGT Components	4,491	4,661	—	—	—	—	—	—	—	—
VOGT EMS	588	601	—	—	—	—	—	—	—	—
Total	14,953	14,806	10,317	10,225	9,700	9,424	9,361	9,518	9,179	8,188

Sales by Region

(Million yen, %)

Area \ Period	2nd Quarter					6-month period (January - June)				
	2006	% of Total	2005	% of Total	% Change	2006	% of Total	2005	% of Total	% Change
Japan	2,334	15.6	2,294	23.6	1.7	4,642	15.6	4,613	24.1	0.6
HK / China	2,267	15.2	1,716	17.7	32.1	4,546	15.3	3,356	17.6	35.5
ASEAN	709	4.7	707	7.3	0.3	1,380	4.6	1,413	7.4	(2.3)
Taiwan / Korea	1,546	10.3	2,321	23.9	(33.4)	2,932	9.8	4,655	24.3	(37.0)
NAFTA	1,443	9.7	631	6.5	128.7	2,730	9.2	1,253	6.6	117.9
EU	6,654	44.5	2,031	21.0	227.6	13,529	45.5	3,834	20.0	252.9
Total	14,953	100.0	9,700	100.0	54.2	29,759	100.0	19,124	100.0	55.6

Segment Information

	2nd quarter FY2006					
	Coils (millions of yen)	VOGTComponents (millions of yen)	VOGT EMS (millions of yen)	Total (millions of yen)	Elimination (millions of yen)	Consolidated (millions of yen)
Sales						
(1) Sales to third parties	9,874	4,491	588	14,953		14,953
(2) Inter-segment sales or transfers	8	—	—	8	(8)	—
Total	9,882	4,491	588	14,961	(8)	14,953
Operating expenses	8,376	4,157	518	13,051	777	13,828
Operating income	1,506	334	70	1,910	(785)	1,125
(%)	15.2	7.4	11.9	12.8	—	7.5

	2nd quarter FY2005					
	Coils (millions of yen)	VOGTComponents (millions of yen)	VOGT EMS (millions of yen)	Total (millions of yen)	Elimination (millions of yen)	Consolidated (millions of yen)
Sales						
(1) Sales to third parties	9,700	—	—	9,700	—	9,700
(2) Inter-segment sales or transfers	—	—	—	—	—	—
Total	9,700	—	—	9,700	—	9,700
Operating expenses	8,288	—	—	8,288	708	8,996
Operating income	1,412	—	—	1,412	(708)	704
(%)	14.6	—	—	14.6	—	7.3

	6-month period (January-June 2006)					
	Coils (millions of yen)	VOGTComponents (millions of yen)	VOGT EMS (millions of yen)	Total (millions of yen)	Elimination (millions of yen)	Consolidated (millions of yen)
Sales						
(1) Sales to third parties	19,418	9,152	1,189	29,759		29,759
(2) Inter-segment sales or transfers	8	—	—	8	(8)	—
Total	19,426	9,152	1,189	29,767	(8)	29,759
Operating expenses	16,418	8,565	1,057	26,040	1,512	27,552
Operating income	3,008	587	132	3,727	(1,520)	2,207
(%)	15.5	6.4	11.1	12.5	—	7.4

	6-month period (January-June 2005)					
	Coils (millions of yen)	VOGTComponents (millions of yen)	VOGT EMS (millions of yen)	Total (millions of yen)	Elimination (millions of yen)	Consolidated (millions of yen)
Sales						
(1) Sales to third parties	19,124	—	—	19,124	—	19,124
(2) Inter-segment sales or transfers	—	—	—	—	—	—
Total	19,124	—	—	19,124	—	19,124
Operating expenses	16,396	—	—	16,396	1,316	17,712
Operating income	2,728	—	—	2,728	(1,316)	1,412
(%)	14.3	—	—	14.3	—	7.4

(※ Elimination of Operating expenses includes headquarter and R&D expenses.)

Overview of Consolidated Business Results for the 2nd Quarter of 2006

In the Second Quarter of 2006, the unemployment rate in Europe fell to the lowest in 5 years which evidenced a strong economic revival. The tight monetary policy which started in June 2004 in the U.S. is about to parallel the longest string of interest-rate hikes during the late 1970's.. GDP growth rate reduced from 5.6% in the first quarter to only 2.5% in the second quarter of 2006 as a result of a decline of consumer spending and corporate expenditure following the cooling housing market. The growth rate is however expected to maintain at about 3% in the latter half year on speculation of an imminent pause in the rate rises. More optimistic employment market that supported by the macroeconomic recovery of Japan driven by strong corporate performance has given rise to higher personal spending and demand for household goods, which in turn stimulate capital spending in plant and equipment of the corporate sectors forming a healthy circulation. Among the BRICs economies, China reported a growth rate of 10.3% in the 1st quarter and is estimated to continue with the favorable upward trend to 11.3% in 2nd quarter compared with the same terms last year. India after achieving a GDP growth rate of 8.4% for 2005 though faced a slump in her stock market, the blow to the economy of domestic investors was mild. The Personal spending that made up in excess of 60% of the GDP was led by the new wealthy classes including the IT-industry-related personnel and the contribution from the like groups in future is expected to stay with a high growth.

The worldwide demand for electronic equipment continues to expand rapidly on the strength of the popularization of digital home appliances, the desire for replacement of multi-feature models in advanced nations plus the mounting demand for new products in BRICs economies.

Shipment for audiovisual equipment like liquid crystal display (LCD) TVs and PDP-TVs was on the upside though portable music players was under production adjustment due to replacement of new models by set manufacturers. Shipment for personal computers in 2005 was up 15.3% to 219 million sets from 2004 and up 13.1% to 57 million sets in the 1st quarter and was up 11% to 55 million sets in the 2nd quarter. Shipment volume for cellular phones in 2005 gained 21.2% to 816 million pieces and 23.8% to 224 million pieces in the 1st quarter and is estimated to jump 22.5% to about 233 sets in the 2nd quarter compared with the year-before terms. As the new car sales worldwide are undergoing high-level expansion, demand for automotive electronic parts and peripherals that optimize safety, comfort and fuel-economy for cars has been prospering.

Under such circumstances, a German principal coil manufacturer, VOGT has been acquired to become one of our subsidiaries contributing to our consolidated financials since 2006. With the partaking of its Component Company and EMS Company to our existing Coil Business that's made up of Legacy, Inverter, Automotive, and Other Companies, the entire Group is committed to making a greater contribution to further raise its corporate value.

Overall sales of the Second Quarter of 2006 were up 54.2% from the same term last year to ¥14,953 million on the back of the robust expansion in the Legacy Company that consists of Power Inductor, Power Solution and Signal, in addition to the moderate growth of Automotive Company accompanied by the contribution of the Component Company and the EMS Company of VOGT. This is despite the drastic downturn in the sales of Inverter and Other Companies.

Operating income was up 59.8% year-on-year to ¥1,125 million, bolstered by the stably growing profit of the Coil Business. This came as a result of the substantial sales of Legacy as the main pillar, improved yield from Inverter and Other Companies, in addition to the input of the Component and the EMS Companies of VOGT despite the eroded margin of Automotive Company from the rise in copper prices. Ordinary income achieved 2.4 times that of last year to ¥1,234 million thanks to an exchange gain and declined investment loss stemming from the equity method despite the rise of interest payables. Net income gained 84.3% year-on-year to ¥586 million due to due to profits from the equity ratio change.

Business Segment Information

Sumida Group is composed of the Coil Business, VOGT Component Company, and VOGT EMS Company.

I. COIL BUSINESS

Sales for Coil Business up 1.8% year-on-year to ¥9,874 million were rooted in the drastic and moderate growth of Legacy and Automotive Companies respectively despite the significant decline of Inverter and the lethargy of Other Companies.

Operating income grew 6.7% to ¥1,506 million compared with the same term last year. This was

accounted for by the extensive profit from the upward sales of Legacy, increased margin caused by the shift of production to our Suzhou Factory with cost reduction on raw materials relating to Inverter, as well as the uprising revenue of Other Company in response to the recuperation of both STELCO and JENSEN.

1. Legacy Business

Sales in our Legacy business shot up 23.5% year-on-year to ¥5,473 million from a year earlier as a result of the steady growth of the Power Inductor business together with a complete revival of Power Solution and Signal.

a) Power Solution

Sales of Power Solution increased 37.8% year-on-year to ¥879 million.

In terms of area, sales expanded in the U.S., Europe, Singapore, Japan and China except Taiwan and Hong Kong compared with the same term last year. For sales by product used, with the addition of 4V coils for switching between cooling and heating that has been removed and reclassified into Legacy from Automotive, OA and communication devices, automotive-related and industrial equipment increased considerably and AV equipment improved stably.

b) Power Inductor

Sales of Power Inductors gained 20.0% year-on-year to ¥3,439 million from the same term last year.

In terms of area, sales grew in the U.S., Hong Kong & China, Taiwan, Japan and Singapore in spite of the slowing in Europe. For sales by product used, PC & PC peripherals, AV equipment, security devices and POS related products expanded aside from digital cameras and communication devices.

c) Signal

Sales of Signal rose 24.7% to ¥1,155 million from a year earlier.

In terms of area, sales increased in the U.S., Europe, China, Hong Kong, Singapore and Japan but Taiwan. For sales by product used, OA equipment, PC peripherals, AV equipment, communication devices and automotive-related devices were on the rise except for animal tags.

2. Inverter Company

Sales of Inverter Company reduced 34.4% to ¥1,738 million from the year-before term.

In terms of area, sales increased in the U.S., Japan and China but declined in Taiwan, Suzhou, Hong Kong, Europe and Singapore. For sales by product used, LCD monitors, liquid crystal TV, automotive equipment, other monitors (excluding ones for PCs) decreased save for notebook-sized PCs and recreational devices.

3. Automotive Company

Sales in Automotive Company were up 3.4% to ¥2,016 million from the corresponding term last year.

In terms of area, sales gained positively in Europe and Singapore but shrank in the U.S., Japan, Hong Kong and China. For sales by product used, ABS and keyless entry expanded stably while coils for the direct-injection engines trended upward in spite that the removal of its prime product of 4V coils for switching between cooling and heating to Legacy Business.

4. Other Company

Sales in Other Company fell 3.3% year-on-year to ¥647 million. The increase of sales both from STELCO and JENSEN were not adequate enough to make up for the loss of Electromagnetic sales.

II. VOGT COMPONENT COMPANY

Sales in VOGT Component Company were ¥4,491 million. About 60% of the sales being Automotive-related parts increased moderately whereas parts for communication equipment, home and illumination appliances, industrial and medical machines as well as recreational devices were on the downside.

Operating income was ¥334 million due to the devotion on reduction of manufacturing overhead.

III. VOGT EMS COMPANY

Sales in VOGT EMS Company remained though were ¥588 million. Sales increased for home and illumination appliances but decreased for automotive-related equipment, communication devices, industrial and medical equipment.

Operating income was ¥70 million attributable to the effective reduction of manufacturing, marketing and general administration costs.

Consolidated Business Results for 1st Half of 2006

Overall sales of the first half of 2006 jumped 55.6% from the same term last year to ¥29,759 million. The strong expansion of Power Inductor, Power Solution and Signal and the growth of Automotive and Other Companies in addition to the input of the Component and the EMS Companies of VOGT had given rise to the soaring revenue despite the mere decline in Inverter Company.

Operating income gained 56.3% year-on-year to ¥2,207 million due to the double-digit growth in profit of the Coil Business resulting from the substantial sales of Legacy as the main pillar, improved yield from Other Company and effective cost control in the Coil Business, in addition to the input of the Component Company and EMS Company of VOGT. This was despite the eroded margin of Automotive Company facing the rise of copper price and the reduction of Inverter sales. Ordinary income reached 2.2 times as much of the same term last year to ¥2,439 million thanks to exchange gain and declined investment loss sprung from the equity method despite the rise of interest payables. Net income increased 89.6% year-on-year to ¥1,313 million due to profits from equity ratio change.

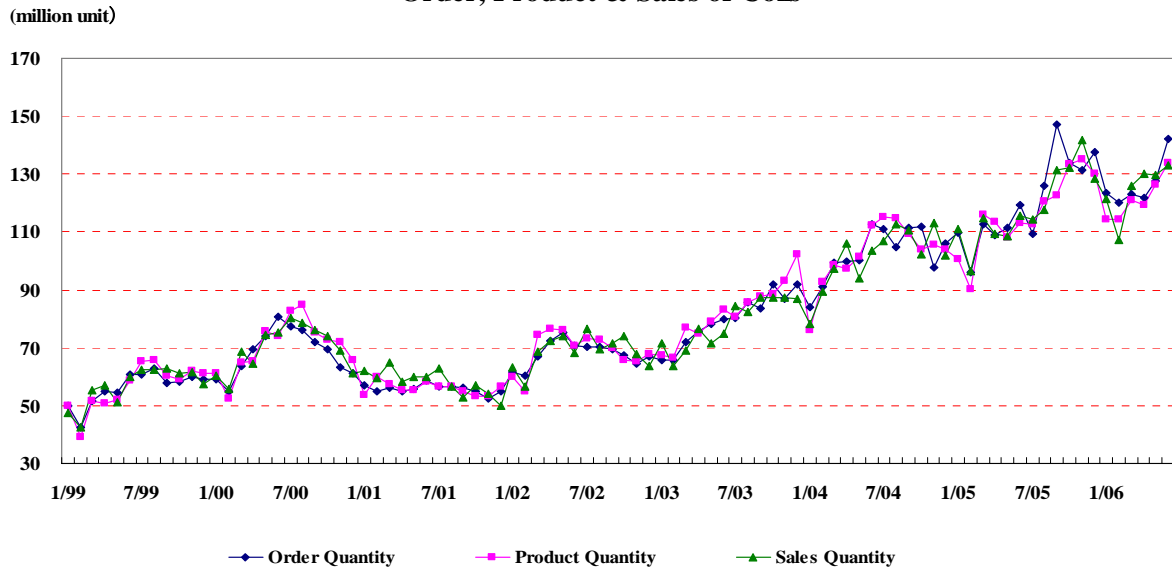
The Future Management Environment and Business Development Policy

The discussion below is future management environment and our business development policy. 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.

Orders for coils received by Sumida Group in the 2nd quarter rebounded from the mild adjustment and was about to welcome a new era.

The monthly volume of orders received for coils (orders received during the current month except STELCO, JENSEN & VOGT = scheduled to sell during the current month) increased to 70 million pieces on average per month in 2002, 80 million in 2003, 100 million in 2004 and hit a record high of 147 million pieces in September of 2005, starting from 53 million pieces in October of 2001. After ranging from 120 to 130 million pieces on average per month in the 4th quarter of 2005, orders taken in June of 2006 reached 142 million pieces, the second highest on record. Furthermore, orders received by the end of this July have just renewed a history-high at 154 million pieces per month.

Order, Product & Sales of Coils



The future demand for electronic parts is predicted to keep up with the favorable upward movement.

Shipment volume of personal computers worldwide remained a brisk growth in the 2nd quarter adding 11.0% to 55 million sets following the increase of 13.1% to 57 million sets in 1st quarter of 2006 from the corresponding term last year following the rise of 15.3% to 219 million sets in 2005 compared with 2004. Demand in Asia Pacific and Latin America increased rapidly whereas Europe, Middle East and Africa that used to record high growth reported a less than double-digit increase for the first time in 3 years in addition to the slowdown in both Japan and the U.S. However, with the sustainable boom in the budding markets, the demand for personal computers especially notebook-sized PC in 2006 is expected to keep on a double-digit growth from the previous year.

Shipment volume of cellular phones in 2005 was up 21.2% to 816 million sets compared with 2004, climbing 23.8% year-on-year to about 224 million pieces in the 1st quarter and is expected to add 22.5% to about 233 million pieces in the 2nd quarter of 2006. Demand in Asian Pacific, Middle East, Africa and the like emerging countries is expected to further elevate and in all likelihood to get closer to 1 billion pieces in 2006.

Shipment volume for liquid-crystal display (LCD) TVs is projected to increase double as much of 20 million sets in 2005 to about 40 million sets in 2006. With the fading out of CRT-TVs by 2009, the volume is anticipated to attain 128 million sets in 2010.

New car registration for the first half of 2006 in the U.S., Europe and Japan lost slightly 0.9% in total to 18,550 thousand sets from the same term last year, regarded as on a relatively stable trend, with a decline in the U.S. and Japan and a rise in Europe. New car sales are expected to maintain at high level in the U.S., Europe and Japan and grow vigorously in China, Korea, India, Brazil, Russia and other developing areas. With the accessibility of the very digitalized and advanced electronic parts for automobile to raise the safety, comfort and fuel-economy performance, the demand for automobile related electronics is so expected to stay with high growth in the medium to long run.

Amid such business environment, Sumida group has acquired VOGT, a well-established German coil manufacturer. With VOGT being one of the consolidating subsidiaries since 2006, Sumida aims towards further growth that may outperform the electronic parts market around the globe.

I. COIL BUSINESS

1. Legacy Company

For power solution, sales in the 2nd quarter of 2006 were the highest in the past 5 consecutive quarters and comparable with that of the 1st quarter of 2004 in the wake of the sales upturn since the latter half of 2005

and the addition of 4V coils for switching between cooling and heating that has been removed and reclassified into Legacy from Automotive beginning 2006. Accordingly, Sumida is committed to seizing extra market share for digital cameras, DVC, DVD players, and printer-related devices. It is also our direction to reinforce new developments in automotive-mounted products in expected demand.

For power inductors, we seek to develop parts in new miniature designs with multi and power conserving traits to build the customer base. More effort will be extended to push sales on cellular phones, digital cameras, HDD, notebook-sized computers, automotive-mounted parts, game devices, printers and portable music players. We scheduled not only to reinforce the sales of cellular phones in Japan, Europe and the U.S. but also to explore new customers for HDD related parts following the increased production of personal computers. The leading customer that had placed order of portable music player with us since the 2nd half of 2005 has entered into production adjustment starting from the 1st quarter of 2006 and expected to resume full-fledged production for new products in the coming 3rd quarter.

For signal, the business intends to bolster sales of telecommunication products including modem and ADSL; automotive-related products including keyless entry and TPMS in addition to the major sales of toner sensors, and to reinforce the sales of Signal used for animal tag.

2. Inverter Company

The Inverter Company deals with the inverter transformers and inverter units used for of notebook-sized PCs, LCD monitors, liquid-crystal display (LCD) TV and recreational devices. Sales of notebook-sized PCs slowed down in the 1st quarter of 2006 due to the change of model by the major customer but turnover for new model has started in this quarter and is about to be under full-fledged production after the 3rd quarter. For LCD monitors, the Business is endeavoring to enhance its R&D development on the two-in-one system which unifies the functions of AC/DC converter on primary power source and DC/AC inverter on secondary power source with the aim of grasping more market shares. Meanwhile, the team has devoted to reinforce sales of inverters and transformers used for LCD TVs mainly in Taiwan, Japan and Korea.

3. Automotive Company

For ABS coil, we are continuing making all-out efforts to grow the sales. On the other hand, we have developed three customers for Keyless Entry with wide range of models. Apart from struggling for new customers, the business also stresses to expand shares from existing clients. New product for injection coil used for the direct-injection engine has been built up starting from the 2nd quarter with mass production scheduling in the 3rd quarter of 2006. Dynamic activities has started in driving sales of coils for immobilizer, navigation system, EPS (electronic power steering) and air bag in the worldwide market.

4. Other Company

STELCO releasing from the stagnant economy in Europe last year posted steady growth in the 1st and 2nd quarters of 2006. As major customers in Europe have made positive business, more inquiry and business opportunity is expected. Development of new markets has been in progress. Sales of parts used for automobile-related equipment, home appliances and communication devices to Japan and Asia are predicted in the 3rd quarter.

JENSEN currently sells mainly surge arresters, and GDTs used for projectors in Europe. Sales of the GDTs for the automotive-related devices are expected to be actualized gradually in the latter half of 2006. Small-sized SMT type used for projectors in Japan is under dedicated development and shipment of samples for mass production has positively started.

II. VOGT COMPONENT COMPANY

The VOGT Component Company engages in sales of coils, various modules, sensors and the like for a wide variety of applications such as automotive devices, communication equipment, industrial & medical equipment, recreational equipment, home appliances and lighting devices mainly to Europe, America and China. Sumida and VOGT has started the integration process in which resources and useful systems of both sides in respect of products, human resources, sales network, R&D, manufacturing know-how and other aspects would be effectively reshuffled to optimize the synergy effect.

III. VOGT EMS COMPANY

The VOGT EMS Company sells power steering control units, GPS antennas, theft-prevention control units, diesel-engine control units, power supply and others to mainly European customers. Besides this, the restructuring programs have been thoroughly completed and imminent profit can be so expected.

Forecast of Business Results in the 3rd Quarter of 2006

Sumida group is publishing the forecast of business results by compiling commitments submitted from each of our divisions covering the following quarter. Under the unstable and sudden 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 forecasted at the beginning of the term according to circumstances. Thus, it is our policy to disclose the contents of our forecast covering the coming quarter only as it is our foremost consideration to provide appropriate and correct information to our investors.

The following is our forecast at this point of business results in the third quarter of 2006.

Forecast of consolidated business results in the 3rd quarter of 2006 (from Jul 1 to Sept 30, 2006)		Actual figures of consolidated business results in the 3rd quarter of 2005 (from Jul 1 to Sept 30, 2005)	
Sales	¥15,700M	Sales	¥10,225M
Ordinary income	1,200M	Ordinary income	733M
Current term net income	700M	Current term net income	590M

(Exchange rate is premised at ¥110.00 per U.S. \$1)