



3
2006

Financial Results for the 3rd Quarter
ended 30 September 2006

SUMIDA CORPORATION

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CEO's Message for the Third Quarter of Fiscal 2006

CEATEC (Combined Exhibition of Advanced Technologies) was held in Makuhari Messe in October which its theme for this year is "Digital Convergence – Changing Society, Lifestyles, and Business". Ongoing proliferation of digital formats in communications and broadcasting is boosting convergence in the area of content, such as information and images, as well as in the realm of the media itself. Indeed, we are witnessing the dawn of the digital convergence era. Regarding digital convergence (we are living with digital and analogue), this word has also been revealed on the homepage of Sumida's website since six years ago that it is seen as the most important theme on the business of the company. While Sumida has grown up in the analogue industry since its establishment, the age is being replaced from analogue to digital. However, no matter how the digital technology advances, it is the analogous human beings that listen to the music, see the images, and use the mobile phones. Therefore, the analogue technology which is typified by coils permanently plays an important role as an interface between human beings and digital technology.

Regarding the business results in the 3rd quarter of 2006, as the core Magnetics which focuses on portable media players reached the highest record of sales turnover, sales in the 3rd quarter showed a year-on-year increase of 62.2% to 16.587 billion yen, while the operating profit and current income also increased by 60.5% to 1.356 billion yen and by 56.6% to 0.924 billion yen respectively.

Our 1B7 goal was set in 2003 which was a target to increase the company's sales to 100 billion yen from 30 billion yen in only five years. This targeted sale figures was high enough to raise many doubts, saying it was not possible for three successive years. However, coming into 2006, our scale of sales has risen more than twice compared with that at the start of 1B7, and our alliances and acquisition targets have diminished many of those doubts. Since we target strong companies for M&A, and have growing potential as an absolute condition, there is no doubt that many have come forward seeking partnership with us, creating questions as to whether we can achieve all M&A as scheduled. Moreover, I think the most important thing regarding our goal of 1B7 is that it is clear to all that our company has made the base to achieve a 100-billion-yen-company on the final day, 31st December 2007, rather than becoming a 100-billion-yen company on that day. We won't say there are *only* 14 months remaining but there are *still* 14 months to go, as it's in all our interests to work towards 1B7 with a positive attitude.



Shigeyuki Yawata
Sumida Group CEO

Consolidated Financial Highlights for the 3rd Quarter ended 30 September 2006

1. Consolidated Results of Operations

(Million yen, %)

Category \ Period	3rd Quarter					9-month period (January - September)				
	2006	% of Total	2005	% of Total	% Change	2006	% of Total	2005	% of Total	% Change
Net sales	16,587	100.0	10,225	100.0	62.2	46,346	100.0	29,349	100.0	57.9
Operating income	1,356	8.2	845	8.3	60.5	3,563	7.7	2,257	7.7	57.9
Ordinary income	1,574	9.5	733	7.2	114.7	4,013	8.7	1,855	6.3	116.3
Income before income taxes	1,493	9.0	814	8.0	83.4	4,219	9.1	1,965	6.7	114.7
Net income	924	5.6	590	5.8	56.6	2,237	4.8	1,283	4.4	74.4
Net income per common share (yen)										
Net income:(Basic)	47.19	---	30.69	---	---	114.59	---	66.73	---	---
Net income:(Fully diluted)	40.13	---	26.53	---	---	97.24	---	60.67	---	---

2. Consolidated Financial Conditions

(Million yen)

Category \ Period	3rd Quarter		
	2006	2005	Increase/Decrease
Total assets	68,594	54,760	13,834
Paid in capital	6,931	6,654	277
Net assets	28,034	24,080	3,954
Total numbers of stock issued (thousand shares)	19,573	19,242	331
Net assets per share (yen)	1,388.07	1,251.43	136.64
Equity ratio (%)	39.6	44.0	---

3. Consolidated Statements of Cash Flows

(Million yen)

Category \ Period	3rd Quarter			9-month period (January - September)		
	2006	2005	Change	2006	2005	Change
Cash flows from operating activities	437	1,253	(816)	2,176	2,964	(788)
Cash flows from investing activities	(1,994)	(15,191)	13,197	(7,998)	(18,915)	10,917
Cash flows from financing activities	1,734	9,396	(7,662)	(5,237)	15,806	(21,043)
Cash and cash equivalents, end of period	7,464	5,130	2,334	7,464	5,130	2,334

4. Estimation of 4th Quarter 2006

Category \ Period	2006 4Q (Estimation)	2005 4Q (Actual)	% Change
Net sales (million yen)	15,800	10,317	53.1
Operating income (million yen)	1,100	926	18.8
Ordinary income (million yen)	930	997	(6.7)
Net income (million yen)	550	1,153	(52.3)
EPS (yen)	28.10	59.69	---

5. Consolidated Quarterly Business Results

Category \ Period	(Million yen)									
	2006			2005				2004		
	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
Net sales	16,587	14,953	14,806	10,317	10,225	9,700	9,424	9,361	9,518	9,179
Operating income	1,356	1,125	1,082	926	845	704	708	832	1,036	979
Ordinary income	1,574	1,234	1,206	997	733	513	610	652	934	917
Income before income taxes	1,493	1,520	1,206	1,964	814	610	541	220	876	904
Net income	924	586	727	1,153	590	318	374	56	631	645

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	3Q 2006	%	3Q 2005	%	Dec 2005	%
ASSETS						
I Current assets						
1. Cash and cash equivalents	7,464,308		5,130,286		18,342,370	
2. Trade receivables	15,866,236		9,493,768		9,900,383	
3. Inventories	9,697,815		3,901,614		4,628,738	
4. Deferred tax assets	1,778,764		1,368,240		1,011,068	
5. Others	3,554,458		3,049,148		1,325,864	
6. Allowance for doubtful accounts	(39,126)		(36,616)		(39,577)	
Total current assets	38,322,455	55.9	22,906,440	41.8	35,168,846	68.0
II Fixed assets						
(1) Tangible fixed assets						
1. Buildings	11,747,323		6,206,405		6,321,967	
2. Machinery and equipment	29,491,337		11,699,989		13,001,123	
3. Furniture and fixture	11,453,812		2,743,917		2,898,238	
4. Land	2,375,388		1,756,013		1,760,651	
5. Construction in progress	1,591,013		807,512		1,294,319	
6. Accumulated depreciation	(35,459,853)		(11,819,400)		(12,512,359)	
Total tangible fixed assets	21,199,020	30.9	11,394,436	20.8	12,763,939	24.7
(2) Intangible fixed assets						
1. Goodwill	2,839,126		805,041		848,272	
2. Leasehold rights	485,870		472,845		488,658	
3. Software	155,353		124,706		118,349	
4. Others	50,076		5,189		5,198	
Total intangible fixed assets	3,530,425	5.1	1,407,781	2.6	1,460,477	2.8
(3) Investments and other assets						
1. Investments in securities	446,601		16,776,699		123,795	
2. Deferred tax assets	3,342,706		1,383,589		1,352,281	
3. Others	1,752,942		890,659		831,843	
Total investments and other assets	5,542,249	8.1	19,050,947	34.8	2,307,919	4.5
Total fixed assets	30,271,694	44.1	31,853,164	58.2	16,532,335	32.0
TOTAL ASSETS	68,594,149	100.0	54,759,604	100.0	51,701,181	100.0

(Unit : thousand yen)

Account	Period	3Q 2006	%	3Q 2005	%	Dec 2005	%
LIABILITIES							
I	Current liabilities						
1.	Trade payables	5,316,270		3,635,059		3,705,758	
2.	Short-term loan	9,750,686		13,700,000		9,800,000	
3.	Bond	1,200,000		---		---	
4.	Current portion of long term loan	1,274,868		475,008		370,800	
5.	Others	7,340,366		2,374,970		2,131,347	
	Total current liabilities	24,882,190	36.3	20,185,037	36.9	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	4,279,460		28,294		---	
4.	Deferred tax liabilities	591,790		1,018,939		293,627	
5.	Others	2,806,671		193,764		1,223,781	
	Total fixed liabilities	15,677,921	22.8	10,440,997	19.0	10,717,408	20.7
	Total liabilities	40,560,111	59.1	30,626,034	55.9	26,725,313	51.7
MINORITY INTEREST							
				53,934	0.1	55,458	0.1
SHAREHOLDERS' EQUITY							
I	Paid in capital			6,653,584	12.2	6,771,015	13.1
II	Capital reserve			6,465,724	11.8	6,584,612	12.7
III	Retained earnings			11,379,380	20.8	12,531,518	24.2
IV	Unrealized gains/losses on securities at market valuation			1,185,720	2.2	52,215	0.1
V	Cumulative translation adjustments			(1,542,269)	(2.9)	(954,148)	(1.8)
VI	Treasury stock			(62,503)	(0.1)	(64,802)	(0.1)
	Total shareholders' equity			24,079,636	44.0	24,920,410	48.2
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY							
				54,759,604	100.0	51,701,181	100.0
SHAREHOLDERS' EQUITY							
I	Shareholders' equity						
1.	Paid in capital	6,930,691	10.1				
2.	Capital reserve	6,744,098	9.8				
3.	Retained earnings	13,891,937	20.3				
4.	Treasury stock	(72,595)	(0.1)				
	Total shareholders' equity	27,494,131	40.1				
II	Revaluation, translation adjustments and others						
1.	Unrealized gains/losses on securities at market valuation	24,693	0.0				
2.	Gains/losses on hedging	72,196	0.1				
3.	Cumulative translation adjustments	(421,186)	(0.6)				
	Total revaluation, translation adjustments and others	(324,297)	(0.5)				
III	Minority interest	864,204	1.3				
	Total shareholders' equity	28,034,038	40.9				
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY							
		68,594,149	100.0				

Consolidated Statements of Income

(Unit : thousand yen)

Account	Period	3rd Quarter				9-month Period (January - September)			
		2006		2005		2006		2005	
		Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
I	Net sales	16,587,283	100.0	10,225,167	100.0	46,345,817	100.0	29,349,358	100.0
II	Cost of sales	12,224,063	73.7	7,565,645	74.0	33,796,755	72.9	21,702,739	73.9
	Gross profit	4,363,220	26.3	2,659,522	26.0	12,549,062	27.1	7,646,619	26.1
III	Selling, general & administrative expenses	3,007,231	18.1	1,814,431	17.7	8,986,191	19.4	5,389,556	18.4
	Operating income	1,355,989	8.2	845,091	8.3	3,562,871	7.7	2,257,063	7.7
IV	Non-operating income (expenses)								
	Interest and dividends received	25,518		12,547		86,154		35,019	
	Interest paid	(47,260)		(19,318)		(113,922)		(39,366)	
	Exchange gain (loss)	459,370		5,989		907,951		(12,671)	
	Investment loss on equity method	(87,804)		(75,265)		(231,142)		(306,121)	
	Other non-operating income (expenses)	(131,797)		(36,375)		(198,445)		(78,514)	
	Non-operating income (expenses)	218,027	1.3	(112,422)	(1.1)	450,596	1.0	(401,653)	(1.4)
	Ordinary income	1,574,016	9.5	732,669	7.2	4,013,467	8.7	1,855,410	6.3
V	Extraordinary income (losses)								
	Gain on sales of fixed assets	286		0		2,416		42,728	
	Gain on sales of golf club membership	---		---		---		162	
	Gain on sales of securities	---		81,385		---		81,385	
	Profits from equity ratio change	---		---		288,469		---	
	Loss on disposal of fixed assets	(36,324)		---		(40,294)		(14,880)	
	Structural reorganization expenses	(44,776)		---		(44,776)		---	
	Extraordinary income (losses)	(80,814)	(0.5)	81,385	0.8	205,815	0.4	109,395	0.4
	Income before income taxes	1,493,202	9.0	814,054	8.0	4,219,282	9.1	1,964,805	6.7
	Income taxes	552,563	3.3	222,670	2.2	1,938,426	4.2	677,180	2.3
	Minority interest	17,068	0.1	913	0.0	44,327	0.1	4,738	0.0
	Net income	923,571	5.6	590,471	5.8	2,236,529	4.8	1,282,887	4.4

Consolidated Statements of Cash Flows

(Unit : thousand yen)

Account	Period	3rd Quarter		9-month Period (January - September)	
		2006	2005	2006	2005
I. Cash flows from operating activities					
Net income		923,571	590,471	2,236,529	1,282,887
Depreciation and amortization		650,001	400,805	2,000,309	1,150,531
Gain on sales of fixed assets		(286)	---	(2,416)	(42,728)
Loss on disposal of fixed assets		36,324	---	40,294	14,880
Changes in account receivable		(967,837)	21,587	(301,452)	85,703
Changes in inventories		(349,424)	295,578	(964,273)	410,710
Changes in account payable		393,860	(113,363)	(568,910)	(217,001)
Others		(248,939)	57,961	(263,822)	279,488
Cash flows from operating activities		437,270	1,253,039	2,176,259	2,964,470
II. Cash flows from investing activities					
Purchase of tangible fixed assets		(1,198,288)	(709,638)	(2,825,992)	(2,383,489)
Proceeds from sales of tangible fixed assets		4,189	1,294	13,308	61,595
Acquisition of new subsidiary		(838,556)	---	(2,615,922)	(292,161)
Profit Participation Right		---	---	(1,750,663)	---
Investment in affiliated company		---	---	(657,731)	(308,790)
Investment in securities		(155,938)	(13,873,283)	(249,331)	(15,185,188)
Sales of investment in securities		3,675	459,855	9,341	459,855
Purchase of intangible assets		(13,527)	(1,356)	(38,152)	(36,927)
Others		203,976	(1,068,253)	117,532	(1,229,544)
Cash flows from investing activities		(1,994,469)	(15,191,381)	(7,997,610)	(18,914,649)
III. Cash flows from financing activities					
Changes in short-term borrowings		2,511,582	9,850,000	(4,830,230)	8,850,000
Changes in long-term borrowings		(448,701)	(154,602)	97,625	(542,006)
Cash dividends paid		(391,830)	(288,852)	(876,040)	(550,458)
Proceeds from bond issuance		---	1,188,600	---	9,171,276
Repayment of bond		---	(1,200,000)	---	(1,200,000)
Revenue from issuance of stocks		3,048	2,039	319,163	98,963
Others		60,003	(1,215)	52,654	(21,959)
Cash flows from financing activities		1,734,102	9,395,970	(5,236,828)	15,805,816
IV. Effect of exchange rate changes on cash and cash equivalents		151,528	172,957	297,650	374,358
V. Net increase (decrease) in cash and cash equivalents		328,431	(4,369,415)	(10,760,529)	229,995
VI. Cash and cash equivalents at beginning of year		7,135,877	9,499,701	18,224,837	4,900,291
VII. Cash and cash equivalents at end of year		7,464,308	5,130,286	7,464,308	5,130,286

Sales by Segment

(Million yen, %)

Category \ Period	3rd Quarter					9-month period (January - September)				
	2006	% of Total	2005	% of Total	% Change	2006	% of Total	2005	% of Total	% Change
Coil	11,194	67.5	10,225	100.0	9.5	30,612	66.1	29,349	100.0	4.3
VOGT Components	4,667	28.1	—	0.0	—	13,819	29.8	—	0.0	—
VOGT EMS	726	4.4	—	0.0	—	1,915	4.1	—	0.0	—
Total	16,587	100.0	10,225	100.0	62.2	46,346	100.0	29,349	100.0	57.9

Quarterly Sales by Segment

(Million yen)

Category \ Period	2006			2005				2004		
	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
Coil	11,194	9,874	9,544	10,317	10,225	9,700	9,424	9,361	9,518	9,179
VOGT Components	4,667	4,491	4,661	—	—	—	—	—	—	—
VOGT EMS	726	588	601	—	—	—	—	—	—	—
Total	16,587	14,953	14,806	10,317	10,225	9,700	9,424	9,361	9,518	9,179

Sales by Region

(Million yen, %)

Area \ Period	3rd Quarter					9-month period (January - September)				
	2006	% of Total	2005	% of Total	% Change	2006	% of Total	2005	% of Total	% Change
Japan	2,438	14.7	2,271	22.2	7.4	7,080	15.3	6,884	23.4	2.8
HK / China	2,939	17.7	1,946	19.0	51.0	7,485	16.2	5,302	18.1	41.2
ASEAN	891	5.4	789	7.7	12.9	2,271	4.9	2,202	7.5	3.1
Taiwan / Korea	1,589	9.6	2,379	23.3	(33.2)	4,521	9.7	7,034	24.0	(35.7)
NAFTA	1,461	8.8	739	7.2	97.7	4,191	9.0	1,992	6.8	110.4
EU	7,269	43.8	2,101	20.6	246.0	20,798	44.9	5,935	20.2	250.4
Total	16,587	100.0	10,225	100.0	62.2	46,346	100.0	29,349	100.0	57.9

Segment Information

	3rd 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	11,194	4,667	726	16,587		16,587
(2) Inter-segment sales or transfers	2	16	-	18	(18)	-
Total	11,196	4,683	726	16,605	(18)	16,587
Operating expenses	9,555	4,315	623	14,493	738	15,231
Operating income	1,641	368	103	2,112	(756)	1,356
(%)	14.7	7.9	14.2	12.7	-	8.2

	3rd 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	10,225	-	-	10,225	-	10,225
(2) Inter-segment sales or transfers	-	-	-	-	-	-
Total	10,225	-	-	10,225	-	10,225
Operating expenses	8,663	-	-	8,663	717	9,380
Operating income	1,562	-	-	1,562	(717)	845
(%)	15.3	-	-	15.3	-	8.3

	9-month period (January-September 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	30,612	13,819	1,915	46,346	-	46,346
(2) Inter-segment sales or transfers	10	16	-	26	(26)	-
Total	30,622	13,835	1,915	46,372	(26)	46,346
Operating expenses	25,974	12,880	1,679	40,533	2,250	42,783
Operating income	4,648	955	236	5,839	(2,276)	3,563
(%)	15.2	6.9	12.3	12.6	-	7.7

	9-month period (January-September 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	29,349	-	-	29,349	-	29,349
(2) Inter-segment sales or transfers	-	-	-	-	-	-
Total	29,349	-	-	29,349	-	29,349
Operating expenses	25,059	-	-	25,059	2,033	27,092
Operating income	4,290	-	-	4,290	(2,033)	2,257
(%)	14.6	-	-	14.6	-	7.7

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

Overview of Consolidated Business Results for the 3rd Quarter of 2006

In the Third Quarter of 2006, the housing market in the U.S. was feeling a pinch that had given rise to the concern of personal spending, which coupled with the decline in crude oil price and other stable economic indexes had eased the fear for inflation in the territory leading to probable interest-rate cuts and a road towards a soft landing in the economy. Germany as a focus in Europe has been undertaking stronger revival than it was projected. Annual GDP growth for the 1st half year was 3.4% in Europe, which suggested a sustainable growth in the gross domestic production (GDP) within the EU sphere in the latter half year. In Japan, in addition to the increasing exports to the ever growing Asian countries, the revival of the corporate performance in all manufacturing and non-manufacturing industries has been driving capital investment in plant and equipment and personal spending, producing a continual full-bodied circulation.

Among the BRICs economies, China reported a growth rate of 10.3% in the 1st quarter, 11.3% in 2nd quarter and is estimated to keep up at 10.4% in 3rd quarter of 2006 compared with the same terms last year. The GDP growth rate of India in the 2nd quarter of 2006 achieved 8.9% compared with the corresponding term last year and was the 7th straight time of increase for more than 7% since the 4th quarter of 2004. The growth is expected to remain strong in the 3rd quarter on the back of the vigorous investment and improving productivity of the manufacturing sector.

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 like Flat TVs, DVD recorders, DSCs, functional cellular phones and other fancy devices in advance nations, along with the mounting demand for digital products in BRICs economies and other emerging countries in addition to the growing production of PCs and PC peripherals.

Shipment for audiovisual equipment like liquid crystal display (LCD) TVs and PDP-TVs recorded favorable growth while new models for portable music players have been under full-scale production. Shipment for personal computers was up 13.1% to 57 million sets in the 1st quarter, 11% to 55 million sets in the 2nd quarter and is estimated to grow but at a relatively moderate rate by 6.7% to 59 million sets in the 3rd quarter of 2006. Shipment volume for cellular phones climbed 23.8% to 224 million pieces in the 1st quarter, 18.3% to about 229 sets in the 2nd quarter and is expected to add 19% to 244 sets in the 3rd quarter compared with the year-before terms. As the new car sales worldwide are going through 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 the 1st quarter of 2006. Similarly, another German entity, PANTA, has also been consolidated starting from the 3rd quarter of 2006. With the partaking of VOGT Component Company and VOGT EMS Company to our existing Coil business that's made up of Legacy, Inverter, Automotive, and Other, the entire Group is committed to making greater contribution to further raise its corporate value. PANTA has been incorporated as part of the OTHER Company under our Coil Business and is anticipated to push up the overall gain in this Business.

Overall sales of the Third Quarter of 2006 jumped 62.2% to ¥16,587 million from the same term last year following the actualization of almost double-digit growth in the Coil Business, attributable to the keen expansion in the Legacy Company that consists of Power Inductor, Power Solution and Signal, in addition to the increase of Automotive and Other Companies accompanied by the contribution of the VOGT Component Company and VOGT EMS Company despite the downturn in the sales of Inverter Company.

Operating income increased 60.5% year-on-year to ¥1,356 million on the back of strong growth in Coil Business arising from significant increase of Legacy sales, the recovery of STELCO and JENSEN and the consolidation of PANTA, in addition to the input of the Component Company and

the EMS Company of VOGT. The achievements are more than enough to write off the eroded margin of Automotive Company from the rise of copper prices, declined sales of Inverter and the mounting costs with the sales, R&D and other management divisions. Ordinary income reported 2.1 times as that of last year to ¥1,574 million derived from the substantial exchange gain despite the increased investment loss from the equity method and the rise of interest payables. Net income gained 56.6% year-on-year to ¥924 million.

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 increased 9.5% to ¥11,194 million due partly to the considerable increase in Legacy Company and Other company, and partly to moderate growth of Automotive Company despite the drastic decline in Inverter Company.

Operating income added 5.1% year-on-year to ¥1,641 million as a result of the extensive income from the upward sales of Legacy Company, revival of Other Company from the upsurge of STELCO and JENSEN and integration of PANTA, despite the eroded margin in Automotive Company from rising copper price, declined sales in Inverter Company and expansion of the various costs from sales, R&D, Management expenses.

1. Legacy Company

Sales in our Legacy Company were up 29.4% year-on-year to ¥6,397 million thanks to the favorable and constant growth of Power Inductor together with a complete revival of Power Solution and Signal.

a) Power Solution

Sales of Power Solution increased 37.3% year-on-year to ¥1,023 million from the term last year.

In terms of area, sales expanded in the U.S., Europe, Singapore, Japan, and Hong Kong/China except Taiwan. 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 sharply but AV equipment decreased.

b) Power Inductor

Sales of Power Inductors rose 30.7% year-on-year to ¥4,162 million from the same term last year.

In terms of area, sales increased in the U.S., Hong Kong/China, Taiwan, Singapore and Europe except only for Japan. For sales by product used, PC & PC peripherals, AV equipment, communication devices and security devices grew whereas digital cameras, automotive-related devices and POS related products declined.

c) Signal

Sales of Signal added 19.3% to ¥1,212 million from a year earlier.

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

2. Inverter Company

Sales of Inverter Company reduced 29.2% year-on-year to ¥1,971 million.

In terms of area, sales were up in the U.S., Europe, Japan and Singapore but declined in Taiwan

and Hong Kong/China. For sales by product used, recreational devices, other monitors (excluding ones for PCs), and automotive-related equipment expanded whereas notebook-sized PCs, liquid crystal monitor and liquid crystal TV dropped.

3. Automotive Company

Sales in Automotive Company gained 4.3% to ¥2,099 million from the corresponding term last year.

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

4. Other Company

Sales in Other Company grew 50.5% year-on-year to ¥727 million.

Other Company is classified into STELCO, JENSEN and PANTA. Sales from existing STELCO and JENSEN increased while PANTA was a new subsidiary making great contribution to the Company.

II. VOGT COMPONENT COMPANY

Sales in VOGT Component Company were ¥4,667 million.

Sales increased relatively stable for Automotive-related equipment, home and illumination appliances and moderate for industrial and medical machines compared with the 2nd quarter of 2006 but reduced for communication equipment and recreational devices. Operating income was ¥368 million.

III. VOGT EMS COMPANY

Sales in VOGT EMS Company were ¥726 million. Sales increased for industrial and medical equipment and others but decreased for automotive-related equipment, and communication devices, home and illumination appliances. Operating income was ¥103 million.

Consolidated Business Results for Jan to Sept of 2006

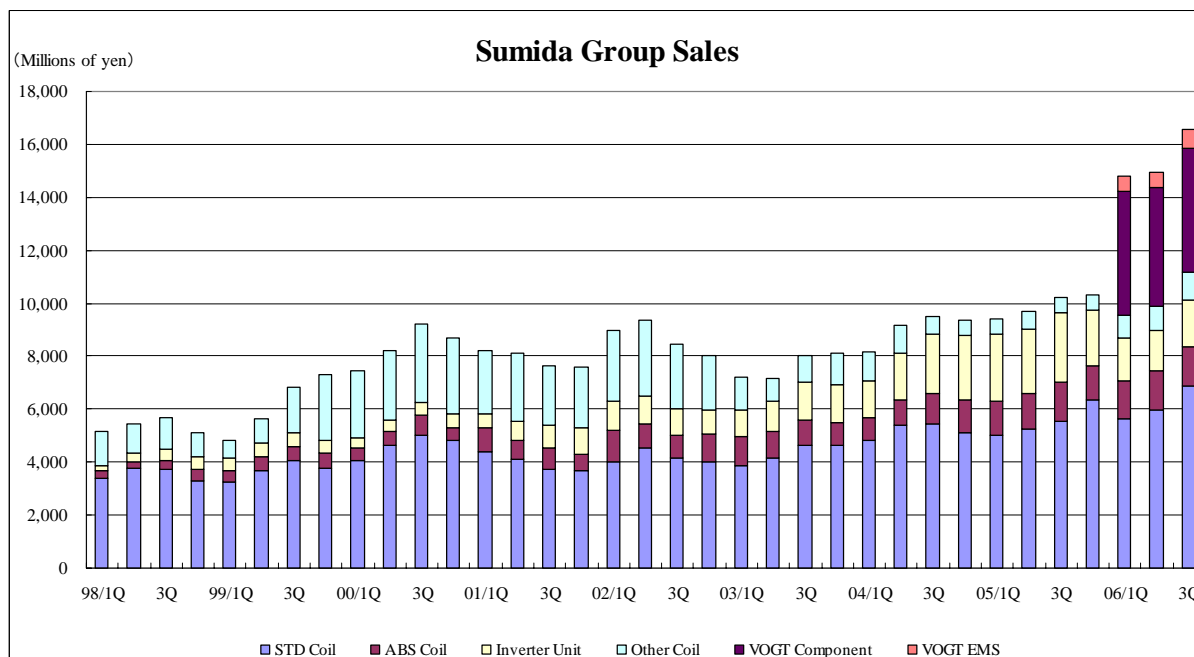
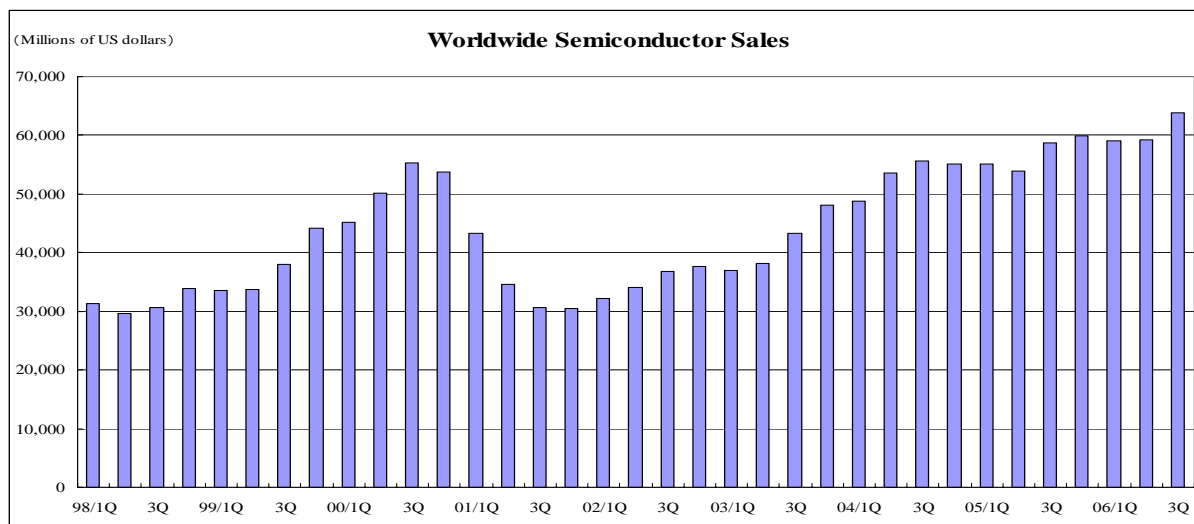
Overall sales from Jan through Sept of 2006 increased 57.9% year-on-year to ¥46,346 million. This was resulted from the moderate growth in the Coil Business attributable to the keen expansion in the Legacy Company that consists of Power Inductor, Power Solution and Signal, in addition to the increase of Automotive and Other Companies accompanied by the contribution of the VOGT Component Company and VOGT EMS Company despite the downturn in the sales of Inverter Company.

Operating income grew 57.9% year-on-year to ¥3,563 million due to the extending income of the Coil Business as a result of the increasing sales of Legacy as the main pillar and the improved yield from Other Company, in addition to the input of the VOGT Component Company and VOGT EMS Company. The contributions were sufficient enough to offset the eroded margin of Automotive Company from the rise of copper price, declined sales of Inverter as well as the mounting costs with the Sales, R&D and other management divisions. Ordinary income reached 2.2 times as much of the same term last year to ¥4,013 million thanks to the significant exchange gain and declined investment loss from the equity method. Net income increased 74.4% year-on-year to ¥2,237 million.

The Future Management Environment and Business Development Policy

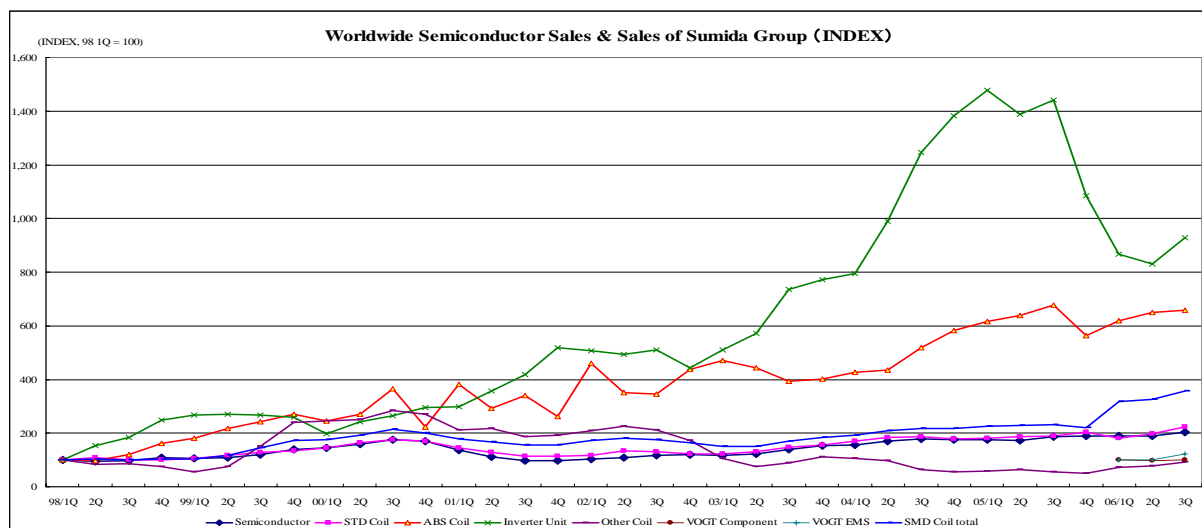
The discussion below is future management environment and our business development policy. The following descriptions include Sumida group's forecasts of future prospects, which Sumida group judged from an independent standpoint and adopted as management guidelines. In reality, however, actual results 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.

The comparison between the sales of Coils of Sumida and the worldwide shipment amount of Semi-conductors below is in an effort to explain the present situation of Sumida. The shipment amount of the semi-conductors that we adopted in this report is based on the benchmark from the worldwide-scale statistics. Coils and semi-conductors are both parts to be used for electronic devices so that they react to the comparable market trend in spite of the fact that coils are not counted in the shipment amount of semi-conductor.

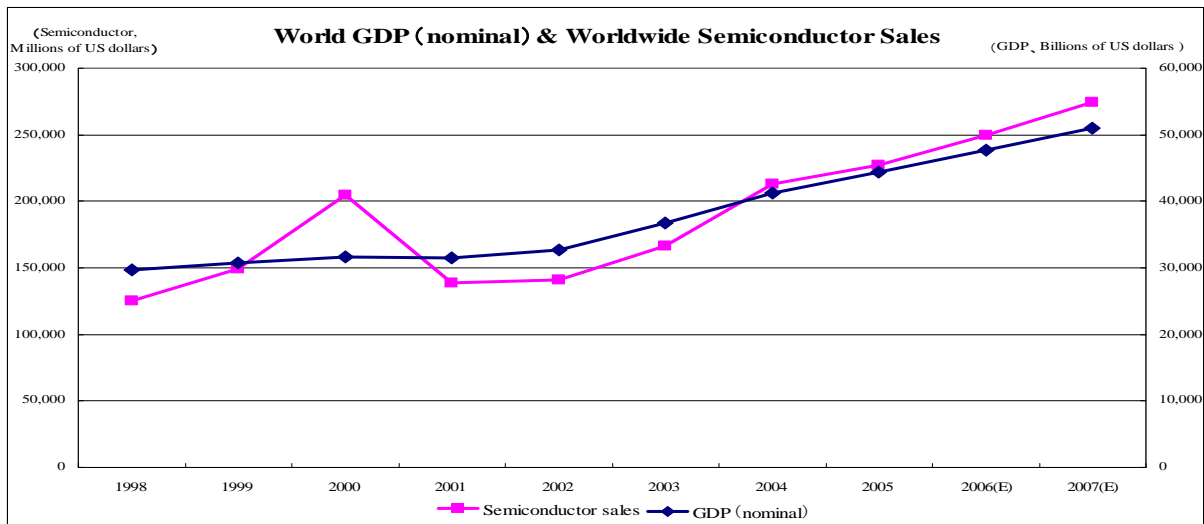
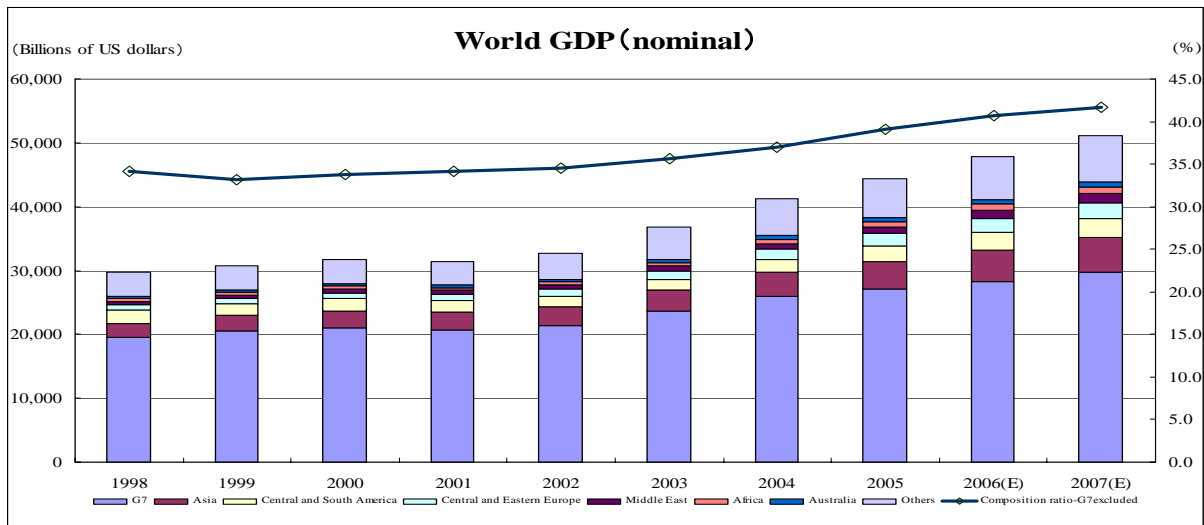


Shipment amount of semiconductor, the principal part for electronic components, classified by quarter grew 1.8 times from 1st quarter of 1998 to the 3rd quarter of 2000 in light of the popularization of cellular phones, PCs and the PC peripherals as well as the millennium-bug problem in 2000. Demand for semiconductor hovered for quite some time during 2001 when set manufacturers conducted production adjustments facing the excessive inventory building in the industry especially with the EMS enterprises, coinciding with the global economic insecurity as a result of the outbreak of terrorist attacks in the U.S. in September 2001 and the Afghan invasion. Shipment amount of semiconductor, which though slightly rebounded in the first few quarters of 2002 following an end to the war in late 2001, was again restrained for the Iraqi issue. Demand rallied from the 3rd quarter of 2003 subsequent to the cooling-off of the situation in the Middle East and 3 years of the lengthy stock adjustments. Order of semiconductor, after touching a record high in the 3rd quarter of 2004 in the past 4 years, has been constantly trending upward supported by the promising demand for digital products such as cellular phones, PCs and the PC peripherals, DSCs, liquid crystal TVs and DVD players.

Sales of coils in Sumida Group classified by quarter also increased 1.8 times from the 1st quarter of 1998 to the 3rd quarter of 2000 but declined afterwards. Sales revived once in the 1st and 2nd quarters in 2002 but languished later in sync with the semiconductor until the 2nd quarter of 2003 and has been back on the upward track from the 3rd quarter of 2003.



The products of Sumida Group are divided into Standard Coils (coils, transformers and others), Inverter Units, ABS Coils, Other Coils (electromagnetics, optical pickups, products of JENSEN, STELCO and PANTA), VOGT Components and VOGT EMS. Sales of Coils of Sumida by Segment in USD and Shipment of Semiconductor were both referred to as at Index 100 at the 1st quarter of 1998. Total sales of Sumida coils were consistent with the worldwide semiconductor shipment from the 1st quarter of 1998 though the 2nd quarter of 1999 but exceeded the semiconductor from the 3rd quarter of 1999 to the 3rd quarter of 2000 thanks to the surge of ABS and Other Coils. The contribution of ABS Coils and Inverter Units recorded a greater upward deviation during the recession of semiconductor from the 4th quarter of 2000 to 2nd quarter of 2002. The deviation narrowed from the 3rd quarter of 2002 to the 2nd quarter of 2003 with growth in ABS Coils and Inverter Units and decline in Other Coils like electromagnetics and optical pickups. The like deviation remained between the 3rd quarter of 2003 and the 4th quarter of 2005 as relatively great expansion of both ABS Coils and Inverter Units was offset by the retirement of the low-yield products like electromagnetics and optical pickups. From then, with the revival of Other Coils from the contribution of JENSEN, STELCO and PANTA, and the participation of VOGT Component and VOGT EMS regardless the decline in Inverter Units, the sales of Sumida coils have outperformed the semiconductor to a greater extent over time. Further, the sales of Standard Coils have been quite in line with the index of the shipment of semiconductor and kept going upward since the 2nd quarter of 2003.



When looking at the global electronics market in future by area of end-product consumption, the emerging countries such as Asia, Central and South America, Middle and East Europe, Middle East and Africa become more influential. The global growth in 4 years from 1998 to 2001 reached US\$30 trillion which the emerging countries other than the G7 accounted for about 34%. Following the global GDP expansion, the ratio composed by emerging countries increased and reported 39.1% in 2005. The magnitude of growth in the worldwide shipment of semiconductor has surpassed the global GDP beginning 2003 despite the sluggishness in 2001 and 2002. Emerging countries where the diffusion rate of the end products is relatively low are expected to bring vigorous purchasing power making great positive impact. Among the global GDP growth, the ratio from the emerging countries is expected at 40.7% in 2006 and further at 41.6% in 2007. In the advanced countries that have joined the G7 with stable economic growth, the demand in electronics market is estimated to sustain by the desire for replacement and new devices. Shipment amount of semiconductor increased 9.8% year-on-year in 2006 and is projected to add 11% in 2007 and 12% in 2008.

Amid such business environment, Sumida group focuses not only on expansion of the existing Coil Business but also endeavors to nurture other major product lines next to the ABS coils, inverter units, standard and other coils. As VOGT had exercised extensive restructure prior to our acquisition, we expect its further development in the business. Sumida aims towards a more sustainable growth in the electronic markets around the globe.

I. COIL BUSINESS

1. Legacy Company

For power solution, sales recorded a new high in the 3rd quarter of 2006 and have been staying on the upward track. Accordingly, Sumida is committed to strengthening sales of digital cameras, HID and FA-related equipment.

For power inductor, 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 the 1st quarter of 2006, and has resumed full-fledged production for new products from this 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.

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) TVs and recreational devices. Sales of notebook-sized PCs slowed down in the 1st quarter of 2006 due to the change of models by the major customer; however, turnover for new models has started in the 2nd and 3rd quarters and been now under full-fledged production. 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. Besides, we have developed three customers for Keyless Entry and widened the applications to more car models. Apart from struggling for new customers, the business also stresses to expand shares from existing clients. Our aims towards the development of Keyless Entry as the second pillar product next to ABS coils is close to achieve. New product for injection coil used for the direct-injection engine has been set up after the 2nd quarter of 2006 and the full-grown mass production will be in the 1st quarter of 2007. Dynamic activities has started in driving sales of coils for immobilizer, transmission, navigation system, EPS (electronic power steering) and air bag in the worldwide market.

4. Other Company

STELCO shrugging off the stagnant economy in Europe last year reported satisfying growth in the 1st, 2nd and 3rd quarters of 2006. The business growth is expected to stay stable in the coming days on the strength of the increasing inquiries and active liaisons with major customers in Europe.

JENSEN currently sells mainly surge arresters, and GDTs used for projectors in Europe. We are now under good preparation for the coming mass production of the GDT for automotive-related devices in 2007.

PANTA has been acquired in July with its upward financials being consolidated from September. PANTA bases in Germany engaging in the manufacture and sale of Flat Cables for automotive equipment, measuring instruments and other electronic manufacturers in Europe. The future direction of the Company is to reinforce sales both in Asia and the U.S.

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. Products with lower margin are being transferred gradually to China for production.

III. VOGT EMS BUSINESS COMPANY

The VOGT EMS Company sells power steering control unit, GPS antenna, theft-prevention control unit, diesel-engine control unit, power supply and etc. to mainly European customers. Besides, the restructuring programs have been thoroughly completed and imminent income can be so expected.

Forecast of Business Results in the 4th 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.

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

Forecast of consolidated business results in the 4th quarter of 2006 (from Oct. 1 to Dec. 31, 2006)		Actual figures of consolidated business results in the 4th quarter of 2005 (from Oct. 1 to Dec.31, 2005)	
Sales	¥15,800M	Sales	¥10,317M
Ordinary income	930M	Ordinary income	997M
Current term net income	550M	Current term net income	1,153M

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