



4
2006

Financial Results for the 4th Quarter
ended 31 December 2006

SUMIDA CORPORATION

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CEO's Message for the fourth Quarter of Fiscal 2006

When looking back on 2006, the acquisition of VOGT electronic AG (“VOGT”) of Germany should be the biggest event of the year. About one year has passed since then, and VOGT has begun to contribute steadily as a core business of Sumida Group which led the business scale of the entire Group to expand 1.5 times bigger than the previous year.

Due to such changes, we have decided to increase the number of executive officers from three to five in order to reinforce business management structure corresponding to the business expansion. Under the leadership of Group President who supervises overall business operation of Sumida Group, the two newly appointed executive officers will be respectively responsible for the business supervising companies of Sumida Group; Sumida Electronic Components Company Limited which supervises mainly the existing and conventional business of the Sumida Group, and SUMIDA Vogt GmbH which supervises mainly automotive business in Europe organized and controlled around VOGT. We have thereunder established the basis of 1B7 steadily by realizing far more prompt execution of operations and venturing into new industrial areas through these innovative changes while expanding the scope of businesses.

Regarding the business results in the 4th quarter of 2006, as the core Magnetics Business has kept good performance that reached the highest record of sales turnover, net sales in the 4th quarter showed a year-on-year increase of 66.3% to 17,162 million yen. On the other hand, we have amortized a part of goodwill amount (Goodwill Amount = Total Acquisition Cost – Net Assets of the acquired company) which has realized through the acquisition of VOGT of Germany which has become one of our subsidiaries contributing to our consolidated financials since the 1st Quarter of 2006. The amount of 622 million yen has been recorded as operating expense in the same quarter. This procedure has been implemented on the ground that the value of the goodwill concerning the acquisition has been exactly fixed from a conservative (sounder accounting) perspective, while we had used the interim amount. In consequence, the amount of each income under net sales is expected to fall below the previous forecast; however, as to the overall results of the whole financial year, net sales and operating income have grown with year-to-year increase of 60.1% to 63,508 million yen and of 31.1% to 4,171 million yen, respective while net income has dropped by 10.4% of 2,182 million yen. 2007 is the final year of 1B7 and it is our No.1 priority to achieve EBITDA maintained at 10% and ensures appropriate profit. In order to achieve the goal, we have adopted such financial policy that we should recognize the incurred cost as conservatively as possible and take action in a prompt manner. Accordingly, we have decided to amortize in a lump-sum a part of the goodwill amount (about 622 million yen) which has been recorded tentatively.

Finally, I would like to introduce my ambition for 2007 which was given to the employees during my New Year's greeting on 5th January, 2007.

“When considering the business environment surrounding Sumida, let us firstly note that we are in an advantaged market of the electronic component industry where expansion is still much expected. Since my succession of the company 15 years ago, I have targeted and taken various measures to expand the business whose sales profit was 10 billion yen at the time in multiplies of 10-billion-yen scale. Our current business plan, 1B7, has been set as an expansion of such target. In 2007, the final year of 1B7, we will finish establishing foundation of sales profit 100-billion-yen while maintaining EBITDA 10%. In order to achieve the goal, it is inevitable for our employees to fulfill their roles upon clearly acknowledge each of their roles so that the role of the entire company can be accomplished in total. It is also essential to implement further globalization in order to make effective use of various resources (human, financial, technical resources etc.) of Sumida Group from all over the world, which is one of the strong advantages of Sumida. This year, I like to promote further innovating organization as well as changing employees' mind-set. I like all of our employees to recognize the scenario for next step which will promote the sales profit 100-billion-yen company to be achieved through 1B7 to grow in multiples of 100-billion-yen scale.”



Shigeyuki Yawata
Sumida Group CEO

Consolidated Financial Highlights for the 4th Quarter ended 31 December 2006

1. Consolidated Results of Operations

(Million yen, %)

Category \ Period	4th Quarter					12-month period (January - December)				
	2006	% of Total	2005	% of Total	% Change	2006	% of Total	2005	% of Total	% Change
Net sales	17,162	100.0	10,317	100.0	66.3	63,508	100.0	39,666	100.0	60.1
Operating income	608	3.5	926	9.0	(34.3)	4,171	6.6	3,183	8.0	31.0
Ordinary income	492	2.9	997	9.7	(50.7)	4,505	7.1	2,853	7.2	57.9
Income before income taxes	(94)	(0.5)	1,964	19.0	(104.8)	4,126	6.5	3,929	9.9	5.0
Net income	(55)	(0.3)	1,153	11.2	(104.8)	2,182	3.4	2,435	6.1	(10.4)
Net income per common share (yen)										
Net income:(Basic)	(2.82)	---	59.69	---	---	111.88	---	126.54	---	---
Net income:(Fully diluted)	---	---	51.48	---	---	94.96	---	109.91	---	---

2. Consolidated Financial Conditions

(Million yen)

Category \ Period	4th Quarter		
	2006	2005	Increase/Decrease
Total assets	70,161	51,701	18,460
Paid in capital	6,961	6,771	190
Net assets	27,150	24,920	2,230
Total numbers of stock issued (thousand shares)	18,910	19,387	(477)
Net assets per share (yen)	1,383.75	1,285.44	98.31
Equity ratio (%)	37.3	48.2	---

3. Consolidated Statements of Cash Flows

(Million yen)

Category \ Period	4th Quarter			12-month period (January - December)		
	2006	2005	Change	2006	2005	Change
Cash flows from operating activities	1,088	87	1,001	3,264	3,052	212
Cash flows from investing activities	(2,050)	16,726	(18,776)	(10,048)	(2,188)	(7,860)
Cash flows from financing activities	(58)	(3,800)	3,742	(5,295)	12,006	(17,301)
Cash and cash equivalents, end of period	6,537	18,225	(11,688)	6,537	18,225	(11,688)

4. Estimation of 1st Quarter 2007

Category \ Period	2007 1Q (Estimation)	2006 1Q (Actual)	% Change
Net sales (million yen)	16,400	14,806	10.8
Operating income (million yen)	900	1,082	(16.8)
Ordinary income (million yen)	650	1,206	(46.1)
Net income (million yen)	390	727	(46.4)
EPS (yen)	20.62	37.44	---

5. Consolidated Quarterly Business Results

(Million yen)

Category \ Period	2006				2005				2004	
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q
Net sales	17,162	16,587	14,953	14,806	10,317	10,225	9,700	9,424	9,361	9,518
Operating income	608	1,356	1,125	1,082	926	845	704	708	832	1,036
Ordinary income	492	1,574	1,234	1,206	997	733	513	610	652	934
Income before income taxes	(94)	1,493	1,520	1,206	1,964	814	610	541	220	876
Net income	(55)	924	586	727	1,153	590	318	374	56	631

6. Consolidated Yearly Business Results

(Million yen)

Category \ Period	2006	2005	2004	2003	2002
Net sales	63,508	39,666	36,246	30,537	34,796
Operating income	4,171	3,183	3,611	2,394	2,171
Ordinary income	4,505	2,853	3,128	1,960	2,116
Income before income taxes	4,126	3,929	2,625	73	1,653
Net income	2,182	2,435	1,807	315	1,118
Net assets	27,150	24,920	20,511	18,809	18,910
Total assets	70,161	51,701	34,170	29,941	30,666
EPS (yen)	111.88	126.54	104.25	21.21	83.64
Net assets per share (yen)	1,383.75	1,285.44	1,175.67	1,220.14	1,408.72

Consolidated Balance Sheets

(Unit : thousand yen)

Account	Period	4Q 2006	%	4Q 2005	%	Jun 2006	%
ASSETS							
I	Current assets						
	1. Cash and cash equivalents	6,416,578		18,342,370		7,334,754	
	2. Trade receivables	16,220,112		9,900,383		14,436,649	
	3. Inventories	9,383,138		4,628,738		8,443,268	
	4. Deferred tax assets	831,740		1,011,068		1,093,432	
	5. Others	3,205,476		1,325,864		2,458,450	
	6. Allowance for doubtful accounts	(64,355)		(39,577)		(38,834)	
	Total current assets	35,992,689	51.3	35,168,846	68.0	33,727,719	53.9
II	Fixed assets						
	(1) Tangible fixed assets						
	1. Buildings	13,062,228		6,321,967		11,321,628	
	2. Machinery and equipment	23,319,861		13,001,123		27,142,545	
	3. Furniture and fixture	7,579,162		2,898,238		11,174,617	
	4. Land	2,543,702		1,760,651		2,520,297	
	5. Construction in progress	1,782,007		1,294,319		1,795,025	
	6. Accumulated depreciation	(25,843,279)		(12,512,359)		(34,087,340)	
	Total tangible fixed assets	22,443,681	32.0	12,763,939	24.7	19,866,772	31.8
	(2) Intangible fixed assets						
	1. Goodwill	5,359,970		848,272		2,762,480	
	2. Leasehold rights	490,432		488,658		477,196	
	3. Software	213,012		118,349		135,194	
	4. Others	650,588		5,198		51,741	
	Total intangible fixed assets	6,714,002	9.6	1,460,477	2.8	3,426,611	5.5
	(3) Investments and other assets						
	1. Investments in securities	818,532		123,795		301,459	
	2. Deferred tax assets	2,489,349		1,352,281		3,445,739	
	3. Others	1,703,185		831,843		1,768,057	
	Total investments and other assets	5,011,066	7.1	2,307,919	4.5	5,515,255	8.8
	Total fixed assets	34,168,749	48.7	16,532,335	32.0	28,808,638	46.1
	TOTAL ASSETS	70,161,438	100.0	51,701,181	100.0	62,536,357	100.0

(Unit : thousand yen)

Account	Period	4Q 2006	%	4Q 2005	%	Jun 2006	%
LIABILITIES							
I	Current liabilities						
1.	Trade payables	5,352,829		3,705,758		4,767,365	
2.	Short-term loans	10,531,423		9,800,000		7,022,780	
3.	Bond	1,200,000		---		---	
4.	Current portion of long term loan	1,500,000		370,800		1,305,796	
5.	Others	7,201,214		2,131,347		6,036,901	
	Total current liabilities	25,785,466	36.7	16,007,905	31.0	19,132,842	30.6
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 loans	5,107,191		---		4,450,000	
4.	Deferred tax liabilities	1,524,645		293,627		648,642	
5.	Others	2,593,647		1,223,781		2,542,033	
	Total fixed liabilities	17,225,483	24.6	10,717,408	20.7	16,840,675	26.9
	Total liabilities	43,010,949	61.3	26,725,313	51.7	35,973,517	57.5
MINORITY INTEREST							
				55,458	0.1		
SHAREHOLDERS' EQUITY							
I	Paid in capital			6,771,015	13.1		
II	Capital reserve			6,584,612	12.7		
III	Retained earnings			12,531,518	24.2		
IV	Unrealized gains/losses on securities at market valuation			52,215	0.1		
V	Cumulative translation adjustments			(954,148)	(1.8)		
VI	Treasury stock			(64,802)	(0.1)		
	Total shareholders' equity			24,920,410	48.2		
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY							
				51,701,181	100.0		
SHAREHOLDERS' EQUITY							
I	Shareholders' equity						
1.	Paid in capital	6,961,183	9.9			6,929,167	11.1
2.	Capital reserve	6,774,554	9.7			6,742,575	10.8
3.	Retained earnings	13,641,273	19.4			13,359,780	21.4
4.	Treasury stock	(1,522,553)	(2.2)			(72,121)	(0.1)
	Total shareholders' equity	25,854,457	36.8			26,959,401	43.2
II	Revaluation, translation adjustments and others						
1.	Unrealized gains/losses on securities at market valuation	29,150	0.1			32,461	0.1
2.	Gains/losses on hedging	96,423	0.1			18,859	0.0
3.	Cumulative translation adjustments	186,250	0.3			(1,121,208)	(1.8)
	Total revaluation, translation adjustments and others	311,823	0.5			(1,069,888)	(1.7)
III	Minority interest	984,209	1.4			673,327	1.0
	Total shareholders' equity	27,150,489	38.7			26,562,840	42.5
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY							
		70,161,438	100.0			62,536,357	100.0

Consolidated Statements of Income

(Unit : thousand yen)

Account	Period	4th Quarter				12-month Period (January - December)			
		2006		2005		2006		2005	
		Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
I	Net sales	17,161,782	100.0	10,316,356	100.0	63,507,599	100.0	39,665,714	100.0
II	Cost of sales	13,031,467	75.9	7,578,599	73.5	46,828,222	73.7	29,281,338	73.8
	Gross profit	4,130,315	24.1	2,737,757	26.5	16,679,377	26.3	10,384,376	26.2
III	Selling, general & administrative expenses	3,522,187	20.6	1,811,855	17.5	12,508,378	19.7	7,201,411	18.2
	Operating income	608,128	3.5	925,902	9.0	4,170,999	6.6	3,182,965	8.0
IV	Non-operating income (expenses)								
	Interest and dividends received	35,780		26,443		121,934		61,462	
	Interest paid	(219,479)		(20,078)		(333,401)		(59,444)	
	Exchange gain (loss)	237,203		151,243		1,145,154		138,572	
	Investment loss on equity method	(283,396)		(80,846)		(514,538)		(386,967)	
	Other non-operating income (expenses)	113,748		(5,062)		(84,697)		(83,576)	
	Non-operating income (expenses)	(116,144)	(0.6)	71,700	0.7	334,452	0.5	(329,953)	(0.8)
	Ordinary income	491,984	2.9	997,602	9.7	4,505,451	7.1	2,853,012	7.2
V	Extraordinary income (losses)								
	Gain on sales of fixed assets	(237,410)		21		(234,994)		42,749	
	Gain on sales of golf club membership	(5,723)		---		(5,723)		162	
	Gain on sales of securities	2,046		991,006		2,046		1,072,391	
	Gain on warrant deposits received	---		930		---		930	
	Profits from equity ratio change	---		---		288,469		---	
	Loss on disposal of fixed assets	38,672		(19,196)		(1,622)		(34,076)	
	Unrealized gain (loss) on golf club membership	---		(5,817)		---		(5,817)	
	Structural reorganization expenses	(383,172)		---		(427,948)		---	
	Extraordinary income (losses)	(585,587)	(3.4)	966,944	9.3	(379,772)	(0.6)	1,076,339	2.7
	Income before income taxes	(93,603)	(0.5)	1,964,546	19.0	4,125,679	6.5	3,929,351	9.9
	Income taxes	(78,589)	(0.4)	810,884	7.8	1,859,837	3.0	1,488,064	3.8
	Minority interest	39,881	0.2	1,524	0.0	84,208	0.1	6,262	0.0
	Net income	(54,895)	(0.3)	1,152,138	11.2	2,181,634	3.4	2,435,025	6.1

Consolidated Statements of Cash Flows

(Unit : thousand yen)

Account	Period	4th Quarter		12-month Period (January - December)	
		2006	2005	2006	2005
I. Cash flows from operating activities					
Net income		(54,895)	1,152,138	2,181,634	2,435,025
Depreciation and amortization		1,314,867	455,921	3,315,176	1,606,452
Gain on sales of fixed assets		(959)	(21)	(3,375)	(42,749)
Loss on disposal of fixed assets		198,075	19,196	238,369	34,076
Changes in account receivable		376,730	(150,950)	75,278	(65,247)
Changes in inventories		(94,083)	(556,138)	(1,058,356)	(145,428)
Changes in account payable		(347,733)	(65,603)	(916,643)	(282,604)
Others		(303,781)	(767,404)	(567,603)	(487,916)
Cash flows from operating activities		1,088,221	87,139	3,264,480	3,051,609
II. Cash flows from investing activities					
Purchase of tangible fixed assets		(1,149,317)	(596,174)	(3,975,309)	(2,979,663)
Proceeds from sales of tangible fixed assets		2,210	432,510	15,518	494,105
Acquisition of new subsidiary		(411,635)	---	(3,027,557)	(292,161)
Profit Participation Right		---	---	(1,750,663)	---
Investment in affiliated company		(240,000)	---	(897,731)	(308,790)
Investment in securities		(229,139)	(1,505,293)	(478,470)	(16,690,481)
Sales of investment in securities		9,425	17,329,593	18,766	17,789,448
Purchase of intangible assets		(15,467)	(9,440)	(53,619)	(46,367)
Others		(15,974)	1,075,193	101,558	(154,351)
Cash flows from investing activities		(2,049,897)	16,726,389	(10,047,507)	(2,188,260)
III. Cash flows from financing activities					
Changes in short-term borrowings		817,985	(3,900,000)	(4,012,245)	4,950,000
Changes in long-term borrowings		7,402,375	(132,502)	7,500,000	(674,508)
Cash dividends paid		(5,598,568)	526	(6,474,608)	(549,932)
Proceeds from bond issuance		---	---	---	9,171,276
Repayment of bond		---	---	---	(1,200,000)
Revenue from issuance of stocks		60,947	234,351	380,110	333,314
Others		(2,741,024)	(2,300)	(2,688,370)	(24,259)
Cash flows from financing activities		(58,285)	(3,799,925)	(5,295,113)	12,005,891
IV. Effect of exchange rate changes on cash and cash equivalents		92,772	80,948	390,422	455,306
V. Net increase (decrease) in cash and cash equivalents		(927,189)	13,094,551	(11,687,718)	13,324,546
VI. Cash and cash equivalents at beginning of year		7,464,308	5,130,286	18,224,837	4,900,291
VII. Cash and cash equivalents at end of year		6,537,119	18,224,837	6,537,119	18,224,837

Sales by Segment

(Million yen, %)

Category \ Period	4th Quarter					12-month period (January - December)				
	2006	% of Total	2005	% of Total	% Change	2006	% of Total	2005	% of Total	% Change
Coil	11,637	67.8	10,317	100.0	12.8	42,249	66.5	39,666	100.0	6.5
VOGT Components	5,059	29.5	-	0.0	-	18,878	29.7	-	0.0	-
VOGT EMS	466	2.7	-	0.0	-	2,381	3.8	-	0.0	-
Total	17,162	100.0	10,317	100.0	66.3	63,508	100.0	39,666	100.0	60.1

Quarterly Sales by Segment

(Million yen)

Category \ Period	2006				2005				2004	
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q
Coil	11,637	11,194	9,874	9,544	10,317	10,225	9,700	9,424	9,361	9,518
VOGT Components	5,059	4,667	4,491	4,661	-	-	-	-	-	-
VOGT EMS	466	726	588	601	-	-	-	-	-	-
Total	17,162	16,587	14,953	14,806	10,317	10,225	9,700	9,424	9,361	9,518

Sales by Region

(Million yen, %)

Area \ Period	4th Quarter					12-month period (January - December)				
	2006	% of Total	2005	% of Total	% Change	2006	% of Total	2005	% of Total	% Change
Japan	2,583	15.1	2,264	21.9	14.1	9,663	15.2	9,148	23.1	5.6
HK / China	3,543	20.6	2,494	24.2	42.1	11,028	17.4	7,796	19.6	41.5
ASEAN	892	5.2	814	7.9	9.6	3,163	5.0	3,016	7.6	4.9
Taiwan / Korea	1,510	8.8	2,048	19.8	(26.3)	6,031	9.5	9,082	22.9	(33.6)
NAFTA	1,740	10.1	627	6.1	177.5	5,931	9.3	2,619	6.6	126.5
EU	6,821	39.8	2,070	20.1	229.5	27,619	43.5	8,005	20.2	245.0
Other	73	0.4	-	0.0	-	73	0.1	-	0.0	-
Total	17,162	100.0	10,317	100.0	66.3	63,508	100.0	39,666	100.0	60.1

Segment Information

	4th 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	11,637	5,059	466	17,162		17,162
(2) Inter-segment sales or transfers	21	22	-	43	(43)	-
Total	11,658	5,081	466	17,205	(43)	17,162
Operating expenses	10,247	5,267	373	15,887	667	16,554
Operating income	1,411	(186)	93	1,318	(710)	608
(%)	12.1	(3.7)	20.0	7.7	-	3.5

	4th 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	10,317	-	-	10,317	-	10,317
(2) Inter-segment sales or transfers	-	-	-	-	-	-
Total	10,317	-	-	10,317	-	10,317
Operating expenses	8,701	-	-	8,701	690	9,391
Operating income	1,616	-	-	1,616	(690)	926
(%)	15.7	-	-	15.7	-	9.0

	12-month period (January-December 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	42,249	18,878	2,381	63,508	-	63,508
(2) Inter-segment sales or transfers	31	38	-	69	(69)	-
Total	42,280	18,916	2,381	63,577	(69)	63,508
Operating expenses	36,221	18,147	2,052	56,420	2,917	59,337
Operating income	6,059	769	329	7,157	(2,986)	4,171
(%)	14.3	4.1	13.8	11.3	-	6.6

	12-month period (January-December 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	39,666	-	-	39,666	-	39,666
(2) Inter-segment sales or transfers	-	-	-	-	-	-
Total	39,666	-	-	39,666	-	39,666
Operating expenses	33,760	-	-	33,760	2,723	36,483
Operating income	5,906	-	-	5,906	(2,723)	3,183
(%)	14.9	-	-	14.9	-	8.0

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

Overview of Consolidated Business Results for the 4th Quarter of 2006

In 2006, personal spending in the U.S. had been boosted by the support of the depreciation of crude oil price and stable economic indexes in association with good result of the sales battle at the year end. Besides, the residential market as a primary factor that shakes the economy appeared to show a sign of revival and this had given rise to growing beliefs in achieving a soft landing in the economy. Germany which represents one third of the economy in Europe is undertaking strong revival beyond the expectation. Europe recorded a GDP growth rate at 2.7% for 2006 and is expected to remain at 2.2% for 2007 as a result of the recovery of business income and growing investment in plants and machineries as well as the improvement of employment market in the wake of lengthy organizational restructure. In Japan, actual GDP growth rate in the 4th quarter is projected to reach about 3% with the increasing personal spending, public and housing investments although the consumption was temporarily slowed down in mid of the year for seasonal effect. The personal spending is expected to sustain in future led by the surging personal income.

Among the BRICs economies, China posted a growth rate of 10.7% for 2006 which had reported the 4th straight year achieving a double-digit growth on the back of the robust exports and stable personal spending. In spite of the continual measures by the China Authority to restrict the over-heating investment, the growth rate in 2007 is expected to record at nearly 10%. India is also estimated to attain an economic growth of 9% for 2006 and remain with another 9% growth in 2007 as a result of the activation of IT industries and the rapidly growing demand in the local market.

Besides, investment to the N-11(Next Eleven) group of countries including Vietnam, Nigeria, Turkey and others, and towards the TIPs such as Thai, Indonesia and Philippines is much accelerating and the global economy is activating at all regions.

The activation of economy on such a terrestrial scale may destroy the demand cycle in all different sectors including commodities and services and transform into a market where the conventional rule of thumb would no longer apply. The worldwide demand for electronic equipments, despite at the valley of the Silicon Cycle, continues to expand briskly on the strength of the popularization of digital home appliances like Flat TVs, DVD recorders, DSCs, the desire for replacement in advance nations, the mounting demand for BRICs and other emerging countries for cellular phones, 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 soared 13.1% to 57 million sets in the 1st quarter, 11% to 55 million sets in the 2nd quarter, 6.7% to 59 million sets with a blunted growth in the 3rd quarter and will remain on the upside at 7.4% to 67 million sets in the 4th quarter. 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, 21.5% to 251 sets in the 3rd quarter and is expected to add 19.2% to about 280 sets in the 4th 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 Fourth Quarter of 2006 gained 66.3% to ¥17,162 million from the same term last year following the favorable 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 dropped 34.3% year-on-year to ¥608 million owing partly to the increase of the R&D and general and headquarters expenses and partly to the one-time amortization for the Goodwill of VOGT. This is despite the significant increase of Legacy sales, improved profitability of Other Business like STELCO, JENSEN and PANTA. Ordinary income declined 50.7% to ¥492 million resulting from the rise of interest payables and investment loss from the equity method despite the increase of exchange gain. Net income recorded a loss of ¥55 million as compared with ¥1,153 at the same term last year in which a special gain from the sales of the securities of SAIA BURGESS was accounted.

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 12.8% to ¥11,637 million due to the considerable increase in Legacy Company and Other company as well as Automotive Company despite the drastic decline in Inverter Company.

Operating income fell 12.7% year-on-year to ¥1,411 million as a result of the eroded margin in Automotive Company resulted from the rising copper price and the declined sales in Inverter Company in addition to the mounting expenses from R&D, selling and administration and headquarters despite the upward sales of Legacy Company and the increased gross margin of Other Company driven by the expanded sales of Stelco and Panta.

1. Legacy Company

Sales in our Legacy Company increased 14.8% year-on-year to ¥6,632 million attributable to the stable growth of Power Inductor and Signal plus the drastic expansion of Power Solution.

a) Power Solution

Sales of Power Solution were up 41.8% to ¥1,140 million from the same term last year.

In terms of area, sales expanded in the U.S., Europe, Singapore and Hong Kong/China except Japan and Taiwan. For sales by product used, in addition to the contribution of the 4V coils for switching between cooling and heating that has reclassified into Legacy from Automotive, AV equipments, recreational devices and automotive-related increased sharply whereas industrial equipments, medical instruments, data processing equipments and communication devices declined.

b) Power Inductor

Sales of Power Inductors gained 10.3% year-on-year to ¥4,329 million.

In terms of area, sales increased in Hong Kong/China, Taiwan and Singapore but barely decreased in the U.S., Japan and Europe. For sales by product used, AV equipments, phone sets, automotive-related and recreational devices expanded while PC & PC peripherals which were under fast growth for the corresponding period last year reduced.

c) Signal

Sales of Signal raised 10.8% to ¥1,163 million from a year earlier.

In terms of area, sales were all up in the U.S., Europe, Hong Kong/China, Taiwan, and Japan except Singapore. For sales by product used, OA and AV equipments, automotive-related and industrial devices increased save for tags related products.

2. Inverter Company

Sales of Inverter Company declined 12.9% year-on-year to ¥1,988 million.

In terms of area, sales went up in the U.S., Hong Kong/China, Japan and Singapore on one hand but reduced in Taiwan and Europe on the other. For sales by product used, automotive-related equipments climbed while notebook-sized PCs, liquid crystal monitors, liquid crystal TVs, recreational devices and other monitors (excluding ones for PCs) fell on the contrary.

3. Automotive Company

Sales in Automotive Company rose 22.9% to ¥2,166 million from the corresponding term last year. In terms of area, sales leaped stably in the U.S., Japan, Europe and Singapore but reduced in Hong Kong/China. For sales by product used, ABS, keyless entry, car air-conditioners and coils for the direct-injection engines and suspension systems improved 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 added 72.6% year-on-year to ¥851 million. Other Company is classified into STELCO, JENSEN and PANTA. Sales from existing STELCO increased while PANTA was a new subsidiary making great contribution to the Company.

II. VOGT COMPONENT COMPANY

Sales in VOGT Component Company were ¥5,059 million.

Sales soared for communication equipments, automotive and home and illumination appliances while slowed down for recreational devices, industrial and medical devices. Operating loss was ¥186 million due to the one-time amortization of Goodwill.

III. VOGT EMS COMPANY

Sales in VOGT EMS Company were ¥466 million. Sales increased for home and illumination appliances but decreased for automotive-related equipments, communication devices, industrial and medical equipments. Operating income was ¥93 million in spite of the once amortization of Goodwill.

Consolidated Business Results for Jan. to Dec. of 2006

Overall sales from Jan through Dec of 2006 advanced 60.1% year-on-year to ¥63,508 million. This was sprung from the keen expansion in Legacy Company that consists of Power Inductor, Power Solution and Signal, in addition to the stable growth of Automotive and Other Companies together with the contribution of the VOGT Component Company and VOGT EMS Company despite the downturn in the sales of Inverter Company.

Operating income jumped 31.0% year-on-year to ¥4,171 million thanks to the extensive earning of the Coil Business resulted from the rising sales of Legacy Company as the main pillar and the improved margin from Other Company made up of Stelco and Panta, along with the input of the VOGT Component Company and VOGT EMS Company. All contributions came to pay off the eroded margin of Automotive Company from the rise of copper price, declined sales of Inverter, mounting R&D, selling and administration and headquarters expenditures as well as the one-time amortization for the Goodwill of VOGT. Ordinary income gained 57.9% year-on-year to ¥4,505 million attributable most to the significant exchange gain despite increased interest payables and loss from equity method. With a special gain from the sales of the securities of SAIA BURGESS and the increased tax payment due from the increased dividend receivables from subsidiaries last year, the net income reduced 10.4% year-on-year to ¥2,182 million.

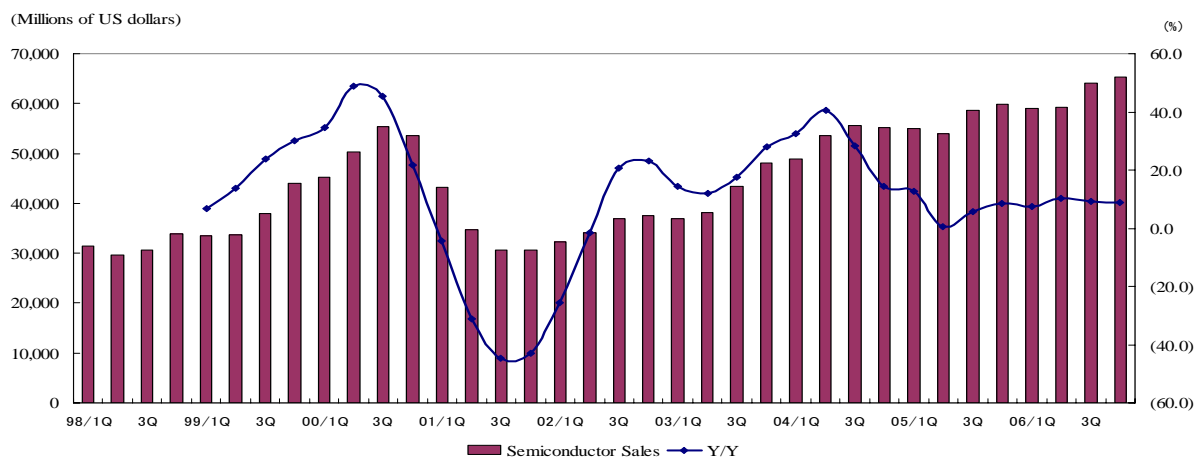
The Future Management Environment and Business Development Policy

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 dramatically after the 3rd quarter of 2003 in response to the completion of the long-lasting inventory adjustment and the growing demand for the Olympics, and renewed a record high in the 3rd quarter of 2004 in the previous 4 years. The demand for cellular phones, PCs and the PC peripherals, DSCs, liquid crystal TVs and DVD players thereafter, though at the downside of the silicon cycle, remained on the upward trend and sustainable except the 2nd quarter of 2005. Shipment amount increased 7.3% to US\$59 billion in the 1st quarter of 2006 from the same term last year, 10.2% to US\$59 billion in the 2nd quarter, 9.1% to US\$64 billion in the 3rd quarter and 9% further to US\$65 billion in the 4th quarter.

Worldwide Semiconductor Sales

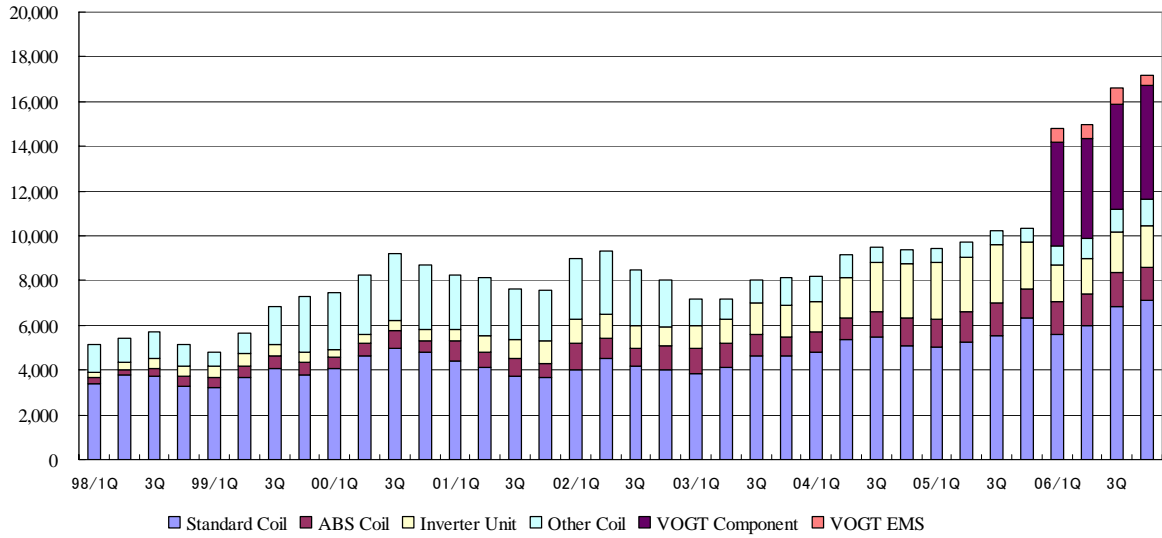


Sales of coils in Sumida Group classified by quarter also reported the year-on-year growth in sync with the semiconductor ever since the 4th quarters of 2003 and had lasted for more than 3 years.

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 remained consistent with the worldwide semiconductor shipment between the 3rd quarter of 2003 and the 4th quarter of 2005 since the 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 STELCO and PANTA, and the participation of VOGT Component and VOGT EMS regardless the decline in Inverter Units, the sales of Sumida have outperformed the semiconductor to a greater extent over time.

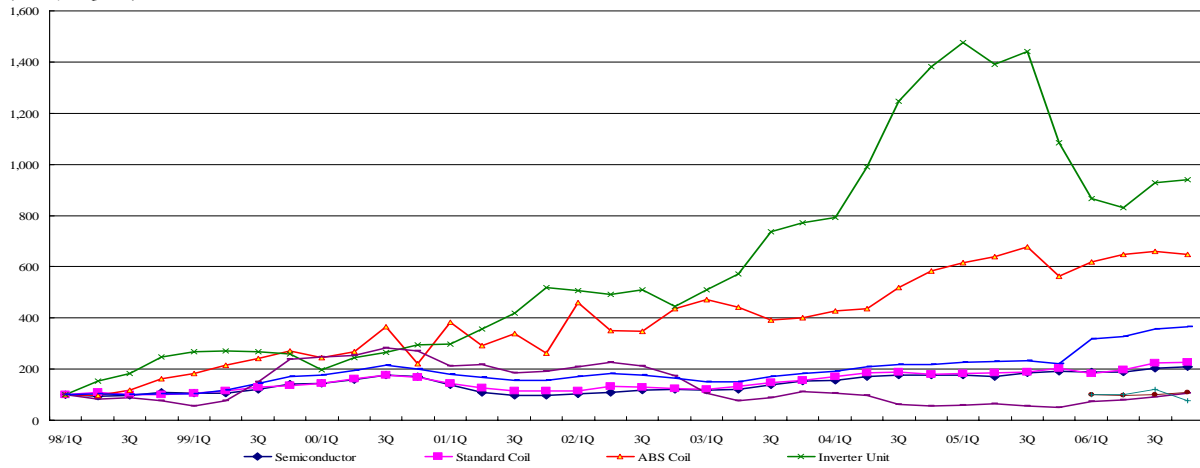
Sumida Group Sales

(Millions of yen)



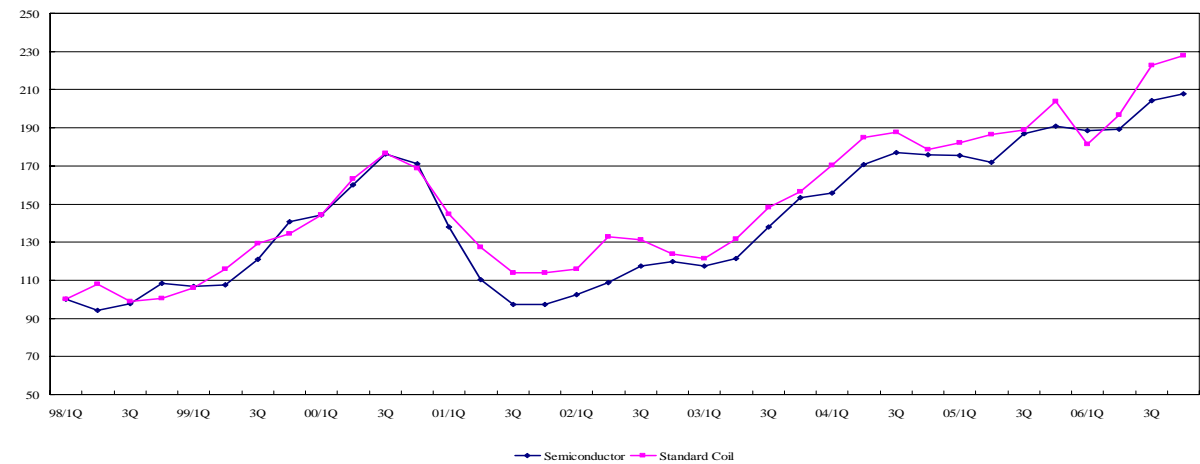
Worldwide Semiconductor Sales & Sales of Sumida Group (INDEX)

(INDEX, 98 1Q = 100)



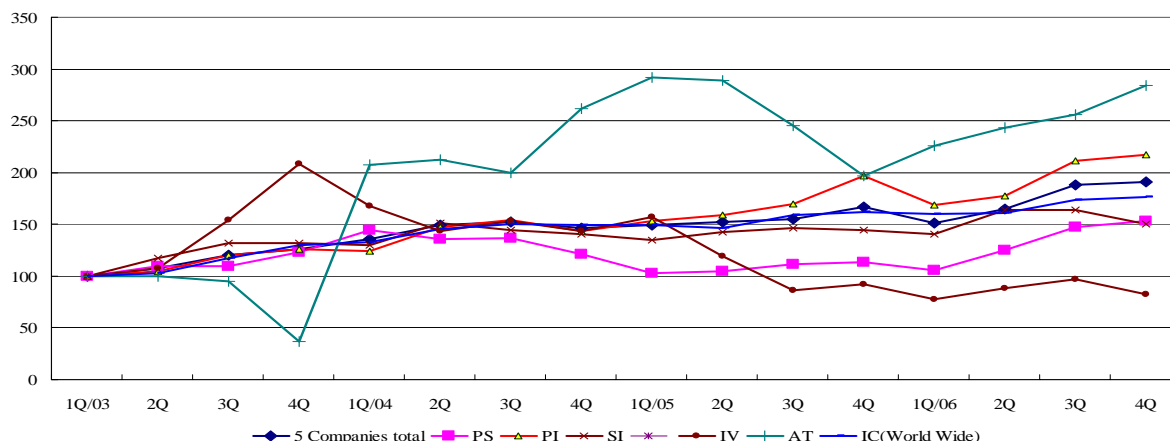
Worldwide Semiconductor Sales & Sumida Standard Coil Sales(INDEX)

(INDEX, 981Q=100)



Worldwide Semiconductor Sales & Sumida Standard Coil Sales

(INDEX: 031Q=100)

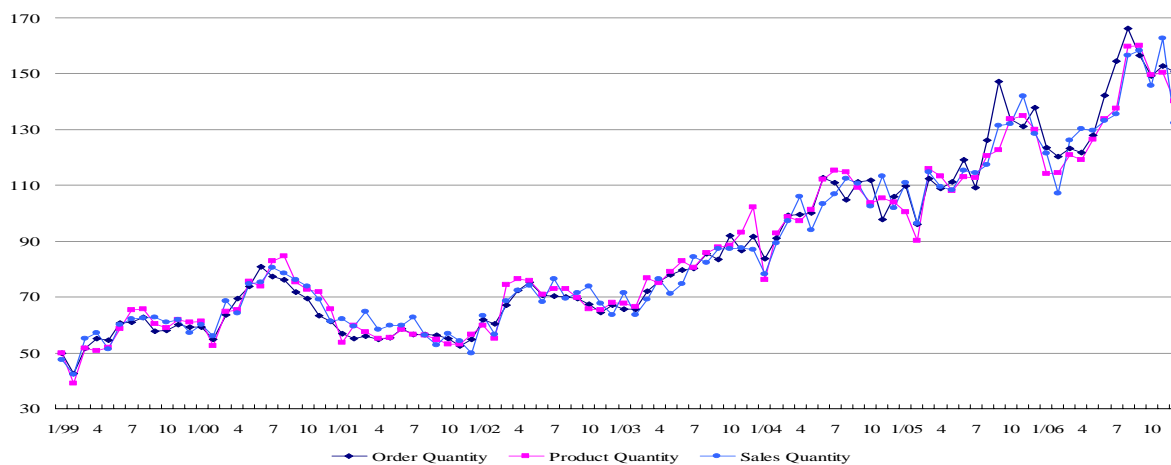


Shipment amount for Standard Coils (except ABS Coils, Inverter Units, Other Coils, electromagnetics, optical pickups, products of JENSEN, STELCO and PANTA, VOGT) corresponded in line with the index of the semiconductor in the all past 9 years and continued to trend upward starting from the 2nd quarter of 2003. The Standard Coils has outperformed the semiconductor for 3 quarters in a row since the 2nd quarter of 2006 with more deviation in consequence of stable expansion of Power Solution and Power Inductor used for PC & PC peripherals and DSC, HDD, printers, portable music players and recreational devices in addition to the increase of the coils for automotive related devices like keyless entry, injection engines and suspension systems except ABS Coils. Not only are the total sales of Sumida group surpassing the growth of the market but also the Standard Coils as a base alone.

Orders for coils received by Sumida Group before the next-demand season maintained at a high level. The monthly volume of orders received for coils (orders received during the current month and scheduled to sell during the current month exclude STELCO, JENSEN, PANTA and VOGT) ranged from 120 to 140 million pieces after a report of 147 million pieces in September of 2005. Shortly after a new high at 154 million pieces in July of 2006, the record high renewed at 166 million pieces in August. The volume thereafter in the last quarter was about 150 million pieces on average with 149 million pieces in October, 153 million pieces for November and 151 million pieces for December.

Order, Product & Sales of Coils

(Million unit)



The environment for electronic parts is expected to trend favorably upward in future.

Shipment volume of personal computers in the globe remained stable and climbed 9.5% to 239 million sets in 2006 compared with the last year. Demand decelerated from North America and Japan but expanded in great extent in South America, the Asia Pacific, Europe, the Middle East and Africa. With full-fledged

“VISTA” of the new Windows OS and the growth in the budding markets, the demand for personal computers is anticipated to increase by 8.8% to 260 million sets in 2007. Shipment volume of cellular phones is estimated to have increased 20.6% year-on-year to 985 million sets due to new demand from the Asia Pacific and replacement needs in the Eastern Europe. The volume is expected to increase by 11.7% to 1,100 million pieces in 2007 from 2006 in view of the growing demand from emerging markets like India and Africa.

Demand for liquid-crystal display (LCD) TVs [10 types and above] grew 64.0% year-on-year to 28 million sets in 2006 and is expected to rise 42.2% to 39 million sets in 2007. Sales of PDP TVs increased 48.4% to 9 million sets in 2006 and will increase 31.4% to 11 million sets in 2007; DVD recorders rose 55.1% to 20 million sets and will rise 34.5% to 27 million sets; DSCs added 10.0% to 83 million sets and will leap 9.1% to 90 million sets.

Shipment volume of automobile worldwide gained 2.3% to 65 million units in 2006 from last year and is foreseen to grow mildly by 3.3% to 67 million units in 2007. The global automotive electronics market soared 8.0% year-on-year to US\$122 billion and is projected to increase 9.0% to US\$133 billion. The rating for cars of environment-conscious, safe and comfortable traveling has ever increased in a globe wide. Japan has a policy that sets a target to cut the present automotive fuel consumption by 20% by 2015 while Europe and the U.S. are also expected to tighten the environmental regulations in the near future. The cost proportion for the electronic parts in one single automotive is anticipated to rise from 19% in 2004 up to 40% in 2015 with sustainable growth for mid to long term.

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, after posting a breakthrough in the 3rd quarter of 2006 in the last 10 terms, renewed and reported a record high again in 4th quarter. This was mainly resulted from the promising growth for AV and recreational-related equipments coupled with the input of 4V coils. Sumida is committed to exploring sales of networking devices for ADSL or ISDN, digital cameras, recreational-related equipments, HID Lamps and FA-related equipments.

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, recreational 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 full-fledged production for new products from this 3rd quarter.

For signal, the business intends to bolster sales of printer, ADSL, digital TVs, TPMS, FA devices, fish-finder equipments and tags 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 quarters. 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. Besides, the production currently in Taiwan will be transferred shortly to Suzhou, China in order to minimize the overall manufacturing costs.

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 is scheduled to be under the full-grown production in the first half of 2007. Various activities have started to reinforce sales of coils for immobilizer, transmission, navigation system, and EPS (electronic power steering) in the worldwide market. Products with comparatively lower margin will be shifted from Mexico to China to optimize the gain.

4. Other Company

STELCO shrugging off the stagnant economy in Europe last year reported satisfying growth in 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. The Business is striving orders for STB (Set Top Box) of which the feedthrough capacitors and small-sized chip inductors are with increasing demand.

JENSEN currently sells mainly surge arresters, and GDTs used for projectors in Europe. The Business is collaborating with VOGT on HID used for automotive.

PANTA has been acquired in July with its upward financials being consolidated from August. 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, we will further endeavor on the improvement of production efficiency and optimization of profitability.

Forecast of Business Results in the 1st Quarter of 2007

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 first quarter of 2007.

Forecast of consolidated business results in the 1st quarter of 2007 (from Jan. 1 to Mar. 31, 2007)		Actual figures of consolidated business results in the 1st quarter of 2006 (from Jan. 1 to Mar.31, 2006)	
Sales	¥16,400M	Sales	¥14,806M
Operating income	900M	Operating income	1,082M
Ordinary income	650M	Ordinary income	1,206M
Current term net income	390M	Current term net income	727M

(Exchange rate is premised at ¥115 per U.S. \$1)