

(Translation)

(Stock Code: 6817)

March 5, 2007

## **NOTICE OF THE 52ND ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

SUMIDA CORPORATION hereby would like to inform you that the 52nd annual general meeting of shareholders will be held as outlined below. Please accept our cordial invitation to this meeting.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. Please examine the appended "Reference Materials for Annual General Meeting of Shareholders" and exercise your voting rights in accordance with the instructions given in page 2.

Yours faithfully,  
Shigeyuki Yawata  
Representative Executive Officer (CEO)  
SUMIDA CORPORATION  
3-3-6, Nihonbashi-Ningyocho, Chuo-ku, Tokyo

- 1. Date and Time:** 1:00 p.m., Wednesday, March 21, 2007
- 2. Venue:** Rose Room, Palace Hotel Tokyo (2nd Floor),  
1-1-1 Marunouchi, Chiyoda-ku, Tokyo

**3. Meeting Agenda:**

*- Items to be reported*

1. Business Report, consolidated financial statements and a report on the audit results of consolidated financial statements by the accounting auditors and the audit committee for the 52nd term (January 1 to December 31, 2006)
2. Non-consolidated financial statements for the 52nd term (January 1 to December 31, 2006)

*- Items to be resolved*

- Agenda 1: Partial amendment to the Articles of Incorporation
- Agenda 2: Election of eleven (11) directors

#### **4. Decisions made for the notice of the meeting**

- (1) If a shareholder does not indicate acceptance or rejection of the agenda items when exercising a voting right in writing or via the Internet, the Company shall treat such cases as indications of acceptance.
- (2) In the event that a shareholder exercises a voting right via the Internet, even if the voting form is returned to us by mail, the Company shall treat the shareholder's Internet vote as the effective exercise of the voting right.
- (3) If a shareholder exercises a voting right in writing, the shareholder is requested to return a voting form to us by mail by 5:00 p.m. on Tuesday, March 20, 2007.
- (4) If a shareholder exercises a voting right via the Internet, the shareholder is requested to do so by 5:00 p.m. on Tuesday, March 20, 2007.
- (5) If a shareholder exercises a voting right by a proxy, the voting right of the shareholder shall be entrusted only to a proxy who has a voting right. In that case, the voting right shall be entrusted only to one proxy.
- (6) In the event that a shareholder exercises voting rights inconsistently, the shareholder is requested to submit his/her intention to do so and the reason for the inconsistent exercise of voting rights to the Company in writing by three days before the meeting.

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If the Reference Materials for Annual General Meeting of Shareholders, Business Report, Consolidated and Non-consolidated Financial Statements are revised, the revisions shall be posted on our website (<http://www.sumida.com>).

#### **<Concerning the Exercise of Voting Rights>**

- \* Shareholders attending the meeting are requested to fill out the voting form enclosed with this notice and submit it at the reception desk on the day of the meeting.
- \* If you are unable to attend the meeting, please exercise your voting rights using either of the below methods.

[How to submit your voting form by mail]

After indicating your acceptance or rejection of the agenda items on the voting form enclosed with this notice, return the form to us.

[How to exercise your voting rights via the Internet]

1. When using a computer
  - (1) Access the Website for Exercising General Shareholder Meeting Voting Rights at <http://www.e-tosyodai.com>.

- (2) After reading the requests listed on the voting form, input the exercise of voting right number and exclusive password for the exercise of voting rights.
  - (3) Follow the instructions given on the screen to exercise your voting rights.
2. When using a mobile phone
- (1) The following services can be utilized. When using a mobile phone, access the Website for Exercising General Shareholder Meeting Voting Rights (<http://www.e-tosyodai.com>) in the same way as specified in “1. When using a computer” above, and follow the instructions displayed on the screen to exercise your voting rights.
    - i-mode
    - EZweb
    - Yahoo! Keitai(i-mode is a service mark / registered trademark of NTT DoCoMo, Inc., EZweb is a service mark / registered trademark of KDDI Corp. and Yahoo! Keitai is a service mark / registered trademark of Softbank Mobile Corp.)
  - (2) Your mobile phone needs to be equipped with an SSL communications function for secure encrypted communications.
3. Please note that shareholders are to bear any and all telecommunications charges, including call charges, and connection charges to be paid to Internet service providers when accessing the Website for Exercising General Shareholder Meeting Voting Rights.
4. In the event that a shareholder exercises a voting right on multiple occasions, the Company shall treat the shareholder’s final vote as the effective exercise of the voting right.

Please direct any enquiries you may have concerning the exercise of voting rights via the Internet to:  
Shareholders’ Register Manager: Tokyo Securities Transfer Agent Co., Ltd.  
Tel: 0120-49-7009 (Toll free number)  
Operating hours: 9:00 a.m. to 5:00 p.m. weekdays (excluding Saturdays, Sundays and holidays)

[To All Institutional Investors]

In the event that institutional investors apply for the use of the platform for electronic exercise of voting rights (the so-called TSE platform) operated by ICJ, they may use it as their electronic method for exercising voting rights at the Company’s general meetings of shareholders, in addition to the above-mentioned electronic method via the Internet.

*This is a translation of the original notice in Japanese. In the event of any discrepancy, the original notice in Japanese shall prevail.*

**Business Report**  
for the 52nd business term  
(January 1 to December 31, 2006)

Shigeyuki Yawata  
Representative Executive Officer (CEO)  
SUMIDA CORPORATION

## **Business Report**

(January 1 to December 31, 2006)

### **1. Matters Concerning the Current Status of the SUMIDA Group**

#### (1) Business conditions for the fiscal year under review

##### (i) Progress and results of the business

In 2006, given a continuing decline in oil prices and stable prices, the U.S. saw robust consumer spending with a strong sales growth during the holiday shopping season and a sign of stabilization of the housing market, which had been a downside risk to the economy. Currently, it is widely believed that the U.S. economy will succeed in making a soft landing. In Europe, the economy has been making a stronger-than-expected recovery, driven by Germany, which accounts for one third of the regional economies. The real GDP in the euro area is expected to grow about 2.2% in 2007 following an increase of 2.7% recorded in 2006, supported by corporate earnings recovery as a result of the long-term restructuring efforts and the consequent increase in capital expenditure, as well as the improvement of the labor market. In Japan, the economy slowed down temporarily owing to weak consumer spending affected by the weather around the middle of the current year, though consumer spending, public sector investment, and housing investment all turned up again after that. It is estimated that the real GDP growth rate has reached around 3% annualized for the fourth quarter, and the prolonged economic growth should continue going forward due to an increase in consumer spending resulting from an increase in wages.

Among the BRICs countries, China seems to have achieved an economic growth of 10.7% in 2006, which is a double digit growth for the fourth consecutive year, supported by buoyant exports and solid consumer spending amidst the widespread unwinding of the past over-investment. In 2007, it is expected to post a growth rate close to 9%, though restrained investment by the government will continue to affect adversely. India is estimated to have achieved an economic growth rate of around 9% in 2006, which is forecasted to maintain in 2007 due to a strong domestic demand and the increase of business activities of the IT industry and the like.

Furthermore, with accelerated investments for the so-called “Next Eleven,” countries including Vietnam, Nigeria and Turkey, as well as Thailand, Indonesia and Philippines (TIPs), economies have been active everywhere throughout the world.

Such a global-scale economic revival has destroyed the demand cycle in all areas, including commercial goods and services, and shaped the markets, where the general rule of thumb may not be applied. The global markets for electronic devices, now at the bottom of the silicon cycle, has been expanding strongly with a backdrop of full-fledged penetration of digital home appliances, such as flat-screen TVs, DVD recorders and digital cameras; replacement demand for sophisticated models of personal computers/peripherals and cellular phones in developed countries; as well as increasing new purchases in emerging markets.

Shipment for audio and visual equipment like liquid crystal display (LCD) TVs and PDP-TVs recorded favorable growth, while models for portable music players have been under in full-scale production. In 2006, shipments of personal computers was up 13.1% to 57 million units in the first quarter, 11.0% to 55 million units in the second quarter, 6.7% to 59 million units in the third quarter, and 7.4% to 67 million units in the fourth quarter compared with the corresponding term of last year. The growth rate slowed down between the first and second quarters, but accelerated between the third and fourth quarters. The shipment volume of cellular phones steadily increased by 23.8% to 224 million units in the first quarter of 2006, 18.3% to 229 million units in the second quarter, and 21.5% to 251 million units in the third quarter, and is expected to add 19.2% to around 280 million units in the fourth quarter compared with the year-before term. As the new car sales worldwide are going through high-level of expansion, demand for automotive parts and peripherals that optimize safety, comfort and fuel-economy for cars has been prospering against the backdrop of high oil price trend and environmental conservation needs.

Under such circumstances, the SUMIDA Group made consolidated subsidiaries, VOGT Electronic AG, a specialized coil maker in Germany, in the first quarter of 2006, and PANTA of Germany, which the Group purchased in July, in the third quarter. The participation of VOGT has significantly contributed to the enhancement of the enterprise value of the entire Group, which is comprised of the existing coil business (legacy, inverter, automotive and other businesses) and the component and EMS businesses of VOGT. PANTA has also boosted the earnings of the other operations within the coil business.

Overall sales of the fiscal year under review jumped to 60.1% to ¥63,508 million from the previous fiscal year following the growth in Coil Business, attributable to the keen expansion in Legal 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 VOGT Components and VOGT EMS Company despite the downturn in the sales of Inverter Company.

Operating income increased 31.0% year-on-year to ¥4,171 million on the back of significant increase of Legacy sales, our mainstay, improvement of profits in STELCO, JENSEN and the consolidation of PANTA and other businesses, and contribution of VOGT Components Company and VOGT EMS Company. 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 R&D and other management divisions including head office as well as lump-sum amortization of goodwill of VOGT Company.

Ordinary income grew by 57.9% y/y to 4,505 million yen owing to the significant exchange gains despite an increase in interest payment at the non-operating level. Net income rose by only 10.4% y/y to 2,182 million yen, affected by the absence of proceeds from the sale of investment securities of Saia-Burgess recorded in the previous fiscal year and an increase in tax burden due to a higher dividend income from overseas subsidiaries.

For the fiscal year under review, business performance of each segment was as follows: The Sumida Group is composed of Coil Business, VOGT Component Company, and VOGT EMS Company.

## **I. COIL BUSINESS**

Sales for Coil Business increased by 6.5% year-on-year to ¥42,294 million due to steady increase in Legacy Company and other Company, and to solid growth of Automotive Company despite of drastic decrease in Inverter Company.

### 1. Legacy Company

Sales for Legacy Company were up 22.4% year-on-year to ¥23,634 million thanks to favorable increase in Power Inductor and Signal, and to substantial expansion of sales in Power Solution.

#### a) Power Solution

Sales of Power Solution were up by 36.3% year-on-year to ¥3,807 million.

In terms of area, sales expanded in U.S., Europe, Singapore, Hong Kong, China and Japan except Taiwan. For sales by product used, while information processing devices decreased, AV equipment, recreational equipment, automotive-related devices,

industrial equipment as well as medical and communication devices showed an increase, with addition of the 4V coils for switching between heating and cooling from Automotive Company and reclassified into the Legacy Company.

b) Power Inductor

Sales of the Power Inductor rose by 20.5% year-on-year to ¥15,272 million. In terms of area, sales were substantially increased in Hong Kong China, and sales in the U.S., Singapore, Taiwan, and Europe as well as in Japan increased. For sales by product used, although industrial equipment decreased, PC and its peripherals, AV equipments, communication equipment, automotive-related devices and recreational equipment increased.

c) Signal

Sales of the Signal grew by 18.6% year-on-year to ¥4,555 million. In terms of area, sales were increased in U.S., Europe, Hong Kong China, Taiwan, and Japan, but sales in Singapore were declined. For sales by product used, tags declined, but OA equipment, AV equipment, Automotive-related devices and Industrial equipment increased

2. Inverter Company

Sales of Inverter Company decreased by 28.6% year-on-year to ¥7,520 million. In terms of area, while sales were up in U.S., Europe and Japan, but declined in Taiwan, Hong Kong China and Singapore. For sales by product used, automobile-related equipment and notes-book sized PCs expanded whereas liquid crystal displays, liquid crystal display TVs, recreational equipment (excluded one for PCs) dropped.

3. Automotive Company

Sales of Automotive Company gained 8.4% to ¥8,231 million from the previous consolidated fiscal year. In terms of area, sales declined in Hong Kong China, U.S. and Japan, but, on the other hand, were favorably increased in Europe, Singapore. For sales by product used, in spite of removal of 4V coil and reclassification into Legacy Company, keyless entry, injection and coils for suspension were up.

4. Other Company

Sales of Other Company were increased by 28.8% year-on-year to ¥2,864 million. Other Company is classified into STELCO, Jensen, PANTA, etc. Sales from existing

STELCO increased while PANTA, a new subsidiary making a great contribution to the Company.

## II. VOGT COMPONENT BUSINESS

Sales in VOGT component business were at ¥18,878 million. In terms of sales by application, automotive-related equipment and communication devices increased moderately whereas home electric appliances, industry equipment, medical equipment and recreational equipment showed sluggish growth.

## III. VOGT EMS BUSINESS

Sales in VOGT EMS business posted at ¥2,381 million. In terms of sales by application, while home electric appliances and industry equipment increased steadily, automotive-related equipment and communication devices were on the downside.

(¥ million)

Business Segment	Net Sales
Coil business	4,2249
VOGT Component business	18,878
VOGT EMS business	2,381
Total	63,508

(Note: Above figures do not include consumption tax)

### (ii) Plant and equipment investment

The Group continuously makes investments to expand facilities and enhance research and development for rationalization of production, quality improvement and increasing demand. For the current fiscal year, the total investment amounted to 4,029 million yen, including constant investments related to the development and manufacturing of new products.

### (iii) Fund procurement

During the current fiscal year, bank borrowings increased to 6,968 million yen from the end of the previous consolidated fiscal year, to meet the funding requirements for M&A.

Additionally, borrowing commitment agreements have been concluded with five Company's financing banks to raise working capital effectively. The undisbursed commitment pertaining to the borrowing commitment as of the last

day of the current consolidated fiscal year is shown as follows:

Total borrowing commitment:	¥6,000 million
Borrowings outstanding:	—
Undisturbed commitment:	¥6,000 million

- (iv) Business transfers, absorption-type demerger, and incorporation-type demerger  
There were no relevant issues.
  
- (v) Business acceptance from other companies  
There were no relevant issues.
  
- (vi) Acquisition of shares, other stakes or stock acquisition rights of other companies
  - 1) From December 22, 2005 to February 8, 2006, the Company acquired 67.2% of the total outstanding shares of VOGT Electronic AG in Germany through a tender offer via its Germany-based subsidiary, Sumida Holding Germany GmbH to make it a consolidated subsidiary. As of the end of the current consolidated fiscal year, the Company held 78.1% of the total outstanding shares.
  - 2) On August 31, 2006, the Company acquired 61.0% of total shares outstanding of PANTA GmbH in Germany through its German-based subsidiary, Sumida Holding German GmbH to make it a consolidated subsidiary.
  - 3) On August 30, 2006, the Company acquired 27.7% of shares of Shintex Corporation. As it has insignificant importance within the Group and little influence over net income, losses and retained earnings of the Company.
  
- (vii) Succession in rights and obligation related to the businesses of other companies through merger or spin-off by absorption  
There were no relevant issues.

## (2) Summary of Assets, Profit and Losses

Item	49th Fiscal Term (ended Dec. 2003)	50th Fiscal Term (ended Dec. 2004)	51st Fiscal Term (ended Dec. 2005)	52nd (Current) Fiscal Term (ended Dec. 2006)
Net sales (million yen)	30,537	36,246	39,666	63,508
Net income (million yen)	315	1,807	2,435	2,183
Net income per share (yen)	21.21	104.25	126.54	111.88
Total assets (million yen)	29,941	34,170	51,701	70,161
Net assets (yen)	18,809	20,511	24,920	27,150
Net assets per share (yen)	1,220.14	1,175.67	1,285.44	1,383.75

Notes:

1. Net sales do not include consumption tax
1. Starting from the 52nd fiscal term, “Accounting Standards for Indication of Shareholders’ Equity on the Balance Sheet” (Accounting Standards No. 5, December 9, 2005) and “Implementation Guide for Accounting Standards for Indication of Shareholders’ Equity on the Balance Sheet” (Implementation Guide for Accounting Standards No. 8, December 9, 2005) have been adopted.
2. From the 49th to the 51st fiscal term, “Accounting Standards for Net Income per Share” (Accounting Standards No. 2) and “Implementation Guide for Accounting Standards for Net Income per Share” (Implementation Guide for Accounting Standards No. 4) were adopted for calculation of net assets per share, net income per share and fully-diluted net income per share.
3. During the 49th, 50th and 51st fiscal terms, a 1.1-for-1 stock split was executed. Net income per share was calculated based on the assumption that the stock split was executed at the beginning of each fiscal term.
4. Starting from the 52nd fiscal term, “Accounting Standards for Net Income per Share” (Amended Accounting Standards No. 2) and “Implementation Guide for Accounting Standards for Net Income per Share” (Implementation Guide for Amended Accounting Standards No. 4) were adopted for calculation of net assets per share, net income per share, and fully-diluted net income per share.

## (3) Significant matters of the parent company and subsidiaries

### (i) Relationship with the parent company

There were no relevant issues.

### (ii) Significant subsidiaries

Company name	Capital (in thousand)	Voting right of the Company (%)	Key business
Sumida Electric Co., Ltd.	50,000 yen	100	Control of the coil business
Sumida Electronic Components Co., Ltd.	1,000,000 yen	100 (100)	Sale and research & development of coils
Sumida Corporate Service Incorporated	25,000 yen	100	Control of domestic operations
Dongguan Sumida (Tai Ping) Electric Co., Ltd.	305,000 Hong Kong dollars	100 (100)	Manufacture of coils
SUMIDA Electric (H.K.) Company Limited	132,000 Hong Kong dollars	100 (100)	Manufacture and research & development of coils
SUMIDA TRADING COMPANY LIMITED	80,000 Hong Kong dollars	100 (100)	Sale of coils
SUMIDA CORPORATE SERVICE COMPANY LIMITED	50 Hong Kong dollars	100	Control of overseas operations and financial issues

Company name	Capital (in thousand)	Voting right of the Company (%)	Key business
Sumida Trading PTE LTD	6,000 Singapore dollars	100 (100)	Sale of coils
SUMIDA AMERICA INC.	48,636 U.S. dollars *1	100 (100)	Manufacture and sale of coils
Taiwan Sumida Electronics Incorporated	115,000 Taiwan dollars	100 (100)	Manufacture and sale of coils
SUMIDA DE MEXICO S.A. DE C.V.	5 U.S. dollars *	100 (100)	Manufacture of coils
SMD MARKETING (M) SDN.BHD.	50 Malaysia dollars	100 (100)	Sale of coils
SUZHOU SUMIDA ELECTRIC CO., LTD.	5,000 U.S. dollars	100 (100)	Manufacture and sale of coils
Sumida Korea, Inc.	1,000 Korea won	51 (51)	Sale of coils
STELCO GmbH Electronic Components	105 euro	100 (100)	Manufacture and sale of coils
Sumida Holding Germany GmbH	25 euro	100	Control of European operations
Jensen Devices AB	71,602 Swedish krona	70 (70)	Research & development
SUMIDA TRADING (SHANGHAI) COMPANY LIMITED	8,070 yuan	100 (100)	Sale of coils
VOGT electronic AG	3,899 euro	78.1 (78.1)	Holding company
VOGT electronic Austria GmbH	1,500 euro	78.1 (78.1)	Manufacture of components
VOGT electronic Components GmbH	25 euro	78.1 (78.1)	Control and sale of components
VOGT electronic EMS GmbH	25 euro	78.1 (78.1)	Controlling company of EMS
VOGT electronic Lehesten GmbH	1,100 euro	78.1 (78.1)	EMS
VOGT electronic Letron GmbH	100 euro	78.1 (78.1)	EMS
VOGT electronic de Mexico S.A. de C.V.	50 Mexico peso	57.8 (57.8)	Manufacture of components
VOGT electronic of North America, Inc.	350 U.S. dollars	78.1 (78.1)	Sale of components
VOGT electronic Oberzell GmbH	5,025 euro	78.1 (78.1)	Manufacture of components
VOGT electronic Romania S.R.L.	327 euro	78.1 (78.1)	Manufacture of components
VOGT electronic Shanghai Co., Ltd.	37,905 yuan	78.1 (78.1)	Manufacture of components
VOGT electronic Slovenija, d.o.o.	111,138 tolar	57.8 (57.8)	Manufacture of components
VOGT electronic Ukraina TzOV	4,493 hryvnia	77 (77)	Manufacture of components
Vogtronics GmbH	25 euro	57.8	Manufacture and sale of

Company name	Capital (in thousand)	Voting right of the Company (%)	Key business
		(57.8)	components
SUMIDA SHINTEX COMPANY LIMITED	1,000Hong Kong dollars	71.1 (71.1)	Manufacture and sale of LCD modules
PANTA GmbH	26 euro	61 (61)	Manufacture and sale of flat cables
SUMMIDA TRADING (KOREA) COMPANY LIMITED	250 Korea won	100 (100)	Sale of coils

Notes:

1. Asterisks: Figures inclusive of capital reserve.
2. Figures shown in parentheses in the column of voting rights are the percentages held indirectly.
3. Sumida Holding German GmbH changed its name to SUMIDA Vogt GmbH as of January 1, 2007.

#### (4) Issues to address

With the motto “Global, Speed and Focus” and under its medium-term business plan starting in 2003, the SUMIDA Group strives to establish foundations to achieve sales of 100 billion yen and EBITDA of 10 billion yen in fiscal year 2007.

##### (i) Global

A local comprehensive business model, by which local staffs carry out all management, manufacturing and distribution locally, has been adopted.

##### (ii) Speed

Under the policy of corporate governance at the so-called company with committee, a system has been established to speed up the execution of operations by substantially assigning authority to the executive officers. The so-called company system has also been introduced, under which authority is significantly transferred to each company president to ensure speedy actions by recognizing the operating and financial performances by product and clarifying responsibilities.

##### (iii) Focus

Highly profitable businesses are being emphasized while the less profitable businesses have been scaled down. For further expansion of such profitable businesses, business collaborations and acquisitions have been brought into view.

##### (iv) Risk Management

Risks that a company will be exposed to include a variety of things, in addition to diseases, disasters, lawsuits, and fluctuations of currencies and interest rates. They are also becoming more complicated and complex. To cope with these ever-changing corporate risks, the SUMIDA Group has set up a risk management committee within the Company, where the CEO is placed at the top and the executive officers as core members and designates risk management personnel

worldwide to ensure smooth and precise responses.

(v) Corporate Social Responsibility

Given the increasing importance of higher-level, voluntary responsibilities, such as legal, economic, and social responsibilities required for a company, the Group has focused on a wide variety of activities related to corporate social responsibilities (CSR) to further enhance social reliance by strengthening the Legal & Compliance Department, acquiring the ISO14001 international standard concerning the environment, and providing scholarships.

(5) Major business lines (as of December 31, 2006)

Lines of business	Key products
Coil business	DC/CD converter transformers, switching power supply transformers, stroboscopical oscillating transformers, noise filter coils, DC/DC converter units, power inductors, IFT/RF coils, keyless entry antenna coils, ADSL modem transformers, data line filters, antenna coils, video filters, signal inductors, RF-ID, four-way valve coils, CCFL driving inverter transformers, CCFL driving inverter units, ABS coils, injection coils, antenna coils, sensor coils, and noise filers
VOGT component business	Antenna coils, sensor coil modules, ignition coil modules, noise filters, xDSL splitter modules, and DC/DC converter transformers
VOGT EMS business	Power steering control units, GPS antennas, anti-theft control units, diesel engine control units, and power supply

(6) Major sales offices of the SUMIDA Group (as of December 31, 2006)

Headquarters: Chuo-ku, Tokyo (the Company)

Business Supervising Company:

Sumida Electric Co., Ltd. (Chuo-ku [Tokyo]), Sumida Holding Germany GmbH (Germany), VOGT electronic AG (Germany)

Domestic sales offices:

Sumida Electronic Components Co., Ltd. (Chuo-ku [Tokyo], Yokohama, Osaka, Nagoya and other four offices)

Overseas sales offices:

SUMIDA TRADING COMPANY LIMITED (Hong Kong), SUMIDA TRADING PTE LTD. (Singapore), SUMIDA AMERICA INC. (U.S.), SMD MARKETING (M) SDN. BHD. (Malaysia), Taiwan Sumida Electronics Incorporated (Taiwan), SUZHOU SUMIDA ELECTRIC CO., LTD. (China), SUMMIDA Korea Inc. (South Korea), STELCO GmbH Electronic Components (Germany), SUMIDA TRADING (SHANGHAI) COMPANY LIMITED (China), VOGT electronic Components GmbH (Germany), VOGT electronic EMS GmbH (Germany), vogtronics GmbH (Germany), VOGT electronic Letron GmbH (Germany), VOGT electronic Lehesten GmbH (Germany), VOGT electronic North America, Inc. (U.S.), VOGT electronic Shanghai

Co., Ltd. (China), PANTA GmbH (Germany), SUMMIDA SHINTEX COMPANY LIMITED (Hong Kong), SUMIDA TRADING (KOREA) COMPANY LIMITED (South Korea)

Overseas production bases:

SUMIDA Electric (H.K.) Company Limited (Hong Kong), Dongguan Sumida (Tai Ping) Electric Co., Ltd. (China), Taiwan Sumida Electronics Incorporated (Taiwan), SUMIDA AMERICA INC.. (U.S.), SUMIDA DE MEXICO S.A. DE C.V. (Mexico), SUZHOU SUMIDA ELECTRIC CO., LTD. (China), STELCO GmbH Electronic Components (Germany), VOGT electric Austria GmbH (Austria), VOCT electronic Obernzell GmbH (Germany), VOGT electronic Ukraina TzOV (Ukraine), VOGT electronic Romania S.R.L. (Rumania), Vogtronics GmbH (Germany), VOGT electronic de Mexico S.A. de C.V. (Mexico), VOGT electronic Slovenija, d.o.o. (Slovenia), VOGT electronic Letron GmbH (Germany), VOGT electronic Lehesten GmbH (Germany), VOGT electronic Shanghai Co., Ltd. (China), PANTA GmbH (Germany), Sumida Shintex Company Limited (Hong Kong)

Domestic R&D centers:

Sumida Electronic Components Co., Ltd. (Chuo-ku [Tokyo], Natori-shi [Miyagi])

Overseas R&D centers:

Taiwan Sumida Electronics Incorporated (Taiwan), Sumida Electric (H.K.) Company Limited (Hong Kong), Dongguan Sumida (Tai Ping) Electric Co., Ltd. (China), SUZHOU SUMIDA ELECTRIC CO., LTD. (China), SUMIDA AMERICA INC. (U.S.), SUMIDA Korea Inc. (South Korea), Jensen Devices AB (Sweden), STELCO GmbH Electronic Components (Germany), VOGT electronic Components GmbH (Germany), Vogtronics GmbH (Germany), VOGT electronic Shanghai Co., Ltd. (China), VOGT electronic de Mexico S.A. de C.V. (Mexico)

(7) Employees (as of December 31, 2006)

(i) Employees of the SUMIDA Group

Number of employees	Changes from the end of the previous consolidated fiscal year
23,705	Increase of 5,952

Notes:

1. An increase in the number of employees is attributed to the net increase of employees at eighteen new consolidated companies and also to preparation for future growth in demand.
2. The number of employees includes those of consigned processing companies.

(ii) Employees of the Company

As the Company is a pure holding company, it has no employees.

(8) Major lenders (as of December 31, 2006)

Lenders	Amount borrowed (million yen)
Sumitomo Mitsui Banking Corporation	4,500
Bank of Tokyo-Mitsubishi UFJ, Ltd	4,425
Resona Bank Limited	4,250
Mizuho Corporate Bank, Ltd.	3,905

(9) Other important matters concerning the SUMIDA Group

- (i) On June 29, 2005, the Company received a notice of tax reassessment from the Tokyo Regional Taxation Bureau for fiscal years ended December 2002 and 2003, based on the judgment that its Hong Kong subsidiary, SUMIDA Electric (H.K.) Company Limited, is considered to be applicable to the “tax heaven” measures under the Japanese Law. The taxable income was revised up to around 1,800 million yen, and additional payable tax is estimated to be approximately 700 million yen. However since the Company had the deferred losses, no additional payment was made by offsetting the losses against tax. With regard to the fiscal year ended December 2005, the Company made payment against the assessable tax amount calculated provided that the Company would accept the assessment of the Tokyo Regional Taxation Bureau for the year concerned in order to avoid further imposition of the additional tax (around 10-15%). Nevertheless, as the Company does not agree to the bureau’s assessment, it made its appeal to the Tokyo National Tax Tribunal on August 29, 2005 and the proceeding has been still continuing.
- (ii) A Taiwanese subsidiary of the Company, Taiwan Sumida Electronics Incorporated, became embroiled in patent infringement cases among suppliers of core materials (IC chips). In January 2005, one of the suppliers filed a suit in the U.S. District Court in Texas, which pronounced a judgment and issued an injunction based on the patent infringement verdict against Taiwan Sumida in April 2006. Major point of the judgment is to allow the plaintiff to claim four million dollars in damages and up to three million dollars for attorney’s fees. In May 2006, however, Taiwan Sumida appealed against the judgment and injunction to the U.S. Appeals Court. This case is still in litigation.

## 2. Matters Concerning the Company

### (1) Shares of the Company

- (i) Number of shares issuable: 70,000,000 shares
- (ii) Total number of shares outstanding: 19,640,002 shares
- (iii) Number of shareholders: 5,791 people
- (iv) Major shareholders who hold more than one tenth of total number of shares outstanding

Name of shareholders	Investment in the Company	
	Share ownership	Investment ratio
Yawata Building Co., Ltd.	5,100,000	26.97%
Master Trust Bank of Japan, Ltd.	1,933,000	10.22%

Note: Investment ratio has been calculated excluding treasury shares (730,306 shares).

### (v) Other important matters concerning shares

#### Acquisition of treasury stock

Treasury stock acquired based on the resolution of the Board of Directors

- Methods of acquisition of treasury stock: Tender Offer

- Reasons for acquisition of treasury stock:

To flexibly implement capital policies responding to changes in the corporate environment and to improve capital efficiency.

- Results of tender offer: 700,072 shares

Total value of acquisition: ¥1,449,149 thousand

### (2) Matters concerning the Company's stock acquisition rights

- (i) Stock acquisition rights granted to and held by the Company's officers in compensation for exercise of their duties (as of December 31, 2006)  
Stock acquisition rights in accordance with the decision of representative executive officers on May 30, 2003
  - Number of stock acquisition rights: 5,312 (121 shares per right)
  - Number of treasury stock subject to stock acquisition rights out of the above: NA
  - Number of shares subject to stock acquisition rights: 642,752 shares
  - Amount to be paid upon exercise of stock acquisition rights: 0 yen per rights
  - Value of contribution upon exercise stock acquisition rights:  
167,900 yen per warrant (1,679 yen per share)
  - Amount to be accounted for as stated capital in respect of shares to be issued upon exercise of stock acquisition rights:  
840 yen per share

- Exercise Period of stock acquisition rights: Between June 10, 2003 and March 31, 2008

- Terms to exercise stock acquisition rights:

1. Those who are allotted stock acquisition rights are required to be directors, executive officers or employees of the Company or its consolidated subsidiaries, even at the time of exercise; provided, however, this is not the case when they resign upon the expiration of the term, or retire.
2. In case of a person given stock acquisition rights passing during exercise period, the successor of this deceased shall be able to exercise that person's stock acquisition rights pursuant to the contract of the stock acquisition rights.
3. Other terms are determined by the chief executive officers.

- Stock acquisition rights held by the Company's officers

	Number of stock acquisition rights	Number of shares subject to stock acquisition rights	Number of holders
Executive officers	3,071	371,591	2
Directors	50	6,050	1
Outside directors	60	7,260	3

- (ii) Stock acquisition rights granted to employees in compensation for exercise of their duties during the current fiscal year

There were no relevant issues.

- (iii) Other important matters concerning stock acquisition rights

In addition to the foregoing, yen-denominated convertible bond-type bonds attached with stock acquisition rights have been issued pursuant to the provisions of Article 341-2 of the former Commercial Law.

[Yen-denominated convertible bond-type bonds attached with share warrant]

	As of the end of fiscal year (December 31, 2006)
Number of stock acquisition rights	1,600 warrants
Number of treasury stock subject to stock acquisition rights out of the above	NA
Class of share subject to stock acquisition rights	Common shares
Number of target shares for stock acquisition rights	3,201,280 shares
Amount to be paid per share upon exercise of stock acquisition rights	2,499 yen
Exercise period of stock acquisition rights	In principle, between February 1, 2005 and January 13, 2009 (Swiss time)
Amount to be paid and amount to be accounted for as stated capital in respect of shares to be issued upon exercise of stock acquisition rights	Issue price: 2,499 yen Amount to be accounted for as stated capital: 1,250 yen

	As of the end of fiscal year (December 31, 2006)
Terms of exercise of stock acquisition rights	Partial exercise of each share warrant is not allowed.
Matters concerning transfer of stock acquisition rights	Separate transfer of stock acquisition rights from the bond is not allowed.
Matters concerning substitute payment	Under Items 7 and 8, Paragraph 1, Article 341-3 of the former Commercial Law, when those who hold the bonds attached with stock acquisition rights exercise the warrants, the entire amount of payment to be made upon exercise of the relevant stock acquisition rights shall be deemed to have been made in lieu of redemption of all amount of the bonds attached with the relevant stock acquisition rights.
Matters concerning grant of stock acquisition rights as part of the business restructuring	NA

### (3) Matters concerning corporate officers of the Company

#### (i) Directors and executive officers (as of December 31, 2006)

Name	Position and responsibility at the Company	Important concurrent responsibilities as representatives and outside officers at other companies
Shigeyuki Yawata	Director, Representative Executive Officer and CEO (Chairman of the Board of Directors)	
Ka Sheung Chiu	Director, Representative Executive Officer and Group President	
Robert E. Patterson	Director (Member of the Compensation Committee)	
Ashok B. Melwani	Director (Member of the Nomination Committee)	CEO, AB Melwani PTE, Ltd.
Tadakazu Koizumi	Director (Chairman of the Audit Committee)	
Hiroshi Matsuhashi	Director (Member of the Audit Committee)	
Yutaka Aso	Director (Member of the Compensation Committee)	President, Representative Director, Lafarge Aso Cement Co., Ltd. President, Representative Director, Aso Group
Kazuhide Kondo	Director (Chairman of the Compensation Committee, and Member of the Nomination Committee)	Outside Auditor, Ajinomoto Co., Ltd.
Masato Tsuru	Director (Chairman of the Nomination Committee)	Chairman and President, Representative Director, NOK Corporation
Kotaro Miyagi	Director (Member of the Audit Committee)	
Saburo Matsuda	Representative executive officer and CFO	

#### Notes:

- Messrs. Robert E. Patterson, Ashok B. Melwani, Hiroshi Matsuhashi, Yutaka Aso, Kazuhide Kondo, Masato Tsuru and Kotaro Miyagi are outside directors.
- The Company has voluntarily set up an Independent Board of Directors consisting of all outside directors; Chairman: Mr. Kotaro Miyagi
- Aside from statutory committees (Nomination, Audit and Compensation Committees), the Company

has voluntarily set up a Strategy Committee.

Members of the Strategy Committee: Messrs. Shigeyuki Yawata (chairman), Ka Sheung Chiu, Robert E. Patterson, Ashok B. Melwani, Tadakazu Koizumi, Kotaro Miyagi and Saburo Matsuda (Representative Executive Officer)

4. Mr. Hiroshi Matsuhashi, member of the Audit Committee, had 30 years of experience in the financial department at a major trading company before assuming the position of director of the Company, and thus has a fair knowledge of finance and accounting.

(ii) Policy to determine the compensations of directors and executive officers by the Compensation Committee and the details of the policy

(1) Basic policy

The “Compensation Committee Charter” of the Company advocates the guidelines of the activities and the purposes and responsibilities of the Committee as follows:

1) Guidelines

“To establish a compensation system to constantly allow the SUMIDA Group to recruit excellent human resources among the world’s top 20%. To set the level of compensation required to achieving this goal.”

2) Purposes and responsibilities

“The Compensation Committee is intended to fairly and properly determine the compensation base for directors and executive officers.”

The Company has made these a basic policy to define the details of individual compensation for directors and executive officers and established a concrete policy for the current fiscal year as follows.

(2) Scope of decision and extent of disclosure

To increase transparency, “the amount of individual compensation of directors and executive officers” that the Compensation Committee defines and discloses shall be the total amount of compensation paid by the SUMIDA Group.

(3) Directors’ compensation

Directors’ compensation shall be on a fixed basis rather than a corporate performance-linked basis in order to ensure the healthy functioning of the supervising executive officers. The level of compensation will be determined by reflecting the position, responsibility and working hours of each director, and in consideration of the economic trends and the business environment of the Company. Directors’ compensation is composed of the following four elements and this will not be paid to those who serve as executive officer concurrently.

1) Basic compensation

Compensation for the responsibilities as director (including the compensation for the responsibilities of the members of the Nomination and Compensation Committees)

2) Compensation of Audit Committee members

Compensation for the responsibilities as the member of the Audit Committee

3) Compensation of Strategy Committee members

Compensation for the knowledge and insight provided by the member of the Strategy Committee

4) Compensation of full-timers

Compensation for full-time directors

(4) Executive officers' compensation

For executive officers' compensation, corporate performance-linked compensation will be adopted in addition to the fixed compensation in order to maintain and raise the incentive for the execution of operations. Executive officers' compensation is composed of the following three elements:

1) Basic compensation

Basic compensation shall be on a fixed basis in consideration of the position and responsibility as an executive officer within the Company, and any additional post as an officer at subsidiaries. The amount of compensation will be determined by taking into account the previous operational performance and comparison with the actual compensation for the prior fiscal year.

2) Short-term incentives (Bonuses)

These compensations are intended to maintain and raise the short-term incentives, and the base amount will be determined depending on the position and responsibility of each executive officer. The amount to be paid will be changed in accordance with the target performance set at the beginning of the term and the performance achievement of the Group as a whole or the function in charge. Additional bonuses may be paid to any distinguished achievement, for which the Compensation Committee gives credit.

3) Long-term incentives

These compensations are designed to maintain and raise the medium- and long-term incentives, and to prevent the loss of human resources. They

are in line with the medium-term business plan and will not be paid during the current period.

(iii) Total amount of compensation paid to directors and executive officers  
(Period: January 1 to December 31, 2006)

Item	Amount determined by the resolution of the Compensation Committee		Non-cash compensation based on the resolution of the Compensation Committee		Total
	Staffs paid (persons)	Amount paid (million yen)	Staffs paid (persons)	Amount paid (million yen)	Amount paid (million yen)
Executive officers	3	343	1	18	361
Directors	3	22	-	-	22
Outside directors	7	49	-	-	49
Total	11	414	1	18	432

Notes:

1. Staffs as of the end of the fiscal year include three executive officers, three Directors, and seven outside directors. As two of the three executive officers serve as Directors concurrently, the total number of officers is eleven. Directors' compensation are not paid to those who concurrently serve as executive officer and Director, and therefore, they are included in the figures shown in the column of executive officers and excluded from the figures indicated in the column of Directors.
2. Compensations for Directors Robert E. Patterson and Ashok B. Melwani are shown in the column of Directors for the period between January and March, and in the column of outside directors for the period between April and December. They are included redundantly in the number of staffs paid of inside and outside directors.
3. Compensations for executive officers include 168 million yen in bonus paid during the current fiscal year.
4. Non-cash compensations for directors and executive officers (amount of property benefits for performance of duties) include company sponsored-housing for corporate officers.

(iv) Matters concerning outside directors

(1) Important concurrent offices of executive directors and outside officers at other companies

This is as described in the list of (i) Directors and executive officers above.

There are no business relationships between the Company and other companies where they hold the additional posts.

(2) Relationships with specially related companies including main clients

1) None of the outside directors have ever served as business executors of the Company or its specially related companies.

2) None of the outside directors have ever received a significant amount of money or other properties from the Company or its specially related companies.

3) None of the outside directors are relatives within the third degree of

relationship with directors and executive officers of the Company.

(3) Main activities during the current fiscal year

1) Activities of each outside director

(a) Mr. Robert E. Patterson

He attended all Board meetings held during the current fiscal year, and made necessary remarks in deliberations on a timely basis, mainly from the standpoint of a model of U.S. corporate governance.

He attended all Compensation Committee meetings held during the current fiscal year, and made necessary and timely remarks in deliberations in order to fairly and properly determine the compensation bases for directors and executive officers.

At the Strategy Committee meetings held during the current fiscal year, he made necessary and timely remarks for strategy formulation to enhance the corporate value of the Company and actualize the medium-term Vision.

(b) Mr. Ashok B. Melwani

He attended all Board meetings held during the current fiscal year, and made necessary remarks in deliberations from time to time, mainly from the perspective of a business executive.

He attended all Nomination Committee meetings, and made necessary remarks in deliberations on a timely basis, from the standpoint of discussing and actualizing the lineup and composition of the Board and executive officers appropriate for the business development of the Company, and the ideal directors and executive officers required.

At the Strategy Committee meetings held during the current fiscal year, he made necessary and timely remarks for strategy formulation to enhance the corporate value of the Company and actualize the medium-term Vision.

(c) Mr. Hiroshi Matsushashi

He attended all Board meetings held during the current fiscal year, and made necessary remarks in deliberations on a timely basis, mainly from the viewpoint of knowledge of and experience in finance and accounting and of companies like trading houses.

He attended all Audit Committee meetings held during the current fiscal year, and made necessary remarks in deliberations from time to

time, in terms of promoting compliance management through audits and leading it to increasing corporate value.

(d) Mr. Yutaka Aso

He attended nearly half of the Board meetings held during the current fiscal year, and made necessary and timely remarks in deliberations, mainly from the perspective of a business executive.

He attended nearly half of the Compensation Committee meetings held during the current fiscal year, and made necessary remarks in deliberations on a timely basis, in order to fairly and properly determine the compensation bases for directors and executive officers.

(e) Mr. Kazuhide Kondo

He attended almost all Board meetings held during the current fiscal year, and made necessary remarks in deliberations from time to time mainly as a financial and accounting expert.

As chairman of the Compensation Committee, he led the in deliberations from the perspective of determining fairly and properly the compensation bases for directors and executive officers, and defined the policy on the details and amount of individual compensation received by directors and executive officers.

He attended nearly all Nomination Committee meetings held during the current fiscal year, and made necessary and timely remarks in deliberations from the standpoint of discussing and actualizing the lineup and composition of the Board and executive officers appropriate for the business development of the Company, and the ideal directors and executive officers required.

(f) Mr. Masato Tsuru

He attended nearly all Board meetings held during the current fiscal year, and made necessary and timely remarks in deliberations, mainly from a point of view of a business executive and based on the knowledge on automobile industry.

As chairman of the Nomination Committee, he led hearings of bills in terms of discussing and actualizing the lineup and composition of the Board and executive officers appropriate for business development of the Company, and the ideal directors and executive officers required. He decided candidates for directors and

recommended candidates for executive officers.

(g) Mr. Kotaro Miyagi

He attended all Board meetings held after taking office on March 18, 2006, and made necessary remarks in deliberations from time to time, mainly from the viewpoint of a business executive and based on the knowledge on electric machinery industry.

He attended all Audit Committee meetings held after taking office on March 18, 2006, and made necessary and timely remarks in deliberations, from the perspective of promoting compliance management through audits and leading it to enhance the corporate value.

At the Strategy Committee meetings held after taking office on March 18, 2006, he made necessary remarks for strategy formulation on a timely basis, in order to enhance the corporate value of the Company and actualize the medium-term Vision.

As chairman of the Independent Board meetings, he led deliberations fairly and equitably, and orchestrated the opinions of the Independent Board meetings for specific issues described below.

2) Independent Board of Directors

During the current fiscal year, the Company set up an Independent Board, consisting of all outside directors, to discuss better corporate governance and the role of the Board of Directors from the position of representing shareholders.

In addition, when the Company received a request for acquisition of treasury stock from major shareholders as a specific issue, it formulated an opinion of the Independent Board of Directors from a fair and equitable viewpoint by asking for legal opinion from disinterested lawyers, and reported to the Board of Directors. Since the Company's Board is made up of a majority of outside directors, the contents of the Board decision regarding this case reflected the view of the Independent Board of Directors.

(4) Outline of liability limitation contracts

In order to obtain excellent directors from outside, the Company has made provisions limiting liability for damages under Paragraph 1, Article 423 of the Corporate Law in the Articles of Incorporation pursuant to the provisions under Paragraph 1, Article 427 of the said law. In accordance with the

aforementioned provisions, the Company has entered into liability limitation contracts with seven outside directors. The limit of liability for damages under such contracts has been set at the minimum liability provided under Paragraph 1, Article 425 of the Corporate Law. However, liability limitation is applied only when the relevant outside directors have carried out their duties, for which they are supposed to assume liability, in good faith or without gross negligence.

- (5) Total amount of compensations received from the parent company or subsidiaries

There were no relevant issues.

(4) Accounting auditors

- (i) Name: Ernst & Young ShinNihon

- (ii) Amount of compensations:

	Amount to be paid
Amount of compensations for the current fiscal year	54,000,000 yen
Total amount of money and other property benefits to be paid by the Company and its subsidiaries to accounting auditors	55,000,000 yen

Note: Ernst & Young ShinNihon also serves as accounting auditor for Sumida Electric Co., Ltd., one of the significant subsidiaries of the Company.

### 3. Policies and Systems of the Company

(1) System to secure appropriateness of operations

- (i) System to ensure that Executive Officers and employees comply with the applicable laws, regulations and the Articles of Incorporation with regard to their business activities

SUMIDA has established “Sumida Business Principles (hereinafter, the ‘Principles’)” which embodies the group’s vision, management principles, commitment, code of conduct, corporate governance principles, and environment policy. Representative Executive Officers shall build up a system to ensure that the Executive Officers and employees perform their duties in accordance with the Principles, as well as to monitor for compliance. Details are as follows:

- (a) All directors, officers and employees shall always be reminded to understand and embody the Principles. The Principles, which is written in three languages, Japanese, English and Chinese, is always put on the company’s intranet and a booklet is distributed to all members of the group, so that it

enables the employees to check and confirm their activities and behaviors as needed. The Sumida Academy and Compliance Office shall be responsible for the education and training of the Principles and the Internal Audit Office shall be responsible for the surveillance of the implementation.

- (b) While compliance is recognized as the base of corporate governance, SUMIDA regards it in a more proactive manner rather than simply limiting the issue to the observance of law, with activities, which are defined in a wider scope as Corporate Social Responsibilities (CSR), based on integrity, and discipline and common sense. The Compliance Office shall be primarily responsible for the enhancement of the group's overall system and monitoring its activities.
- (c) The Compliance Office and the Internal Audit Office shall report the situation of the aforementioned activities to the Representative CEO and the Audit Committee, and a summary of which shall be reported to the Board of Directors.
- (d) Representative Executive Officers shall evaluate and verify the effectiveness of internal control.

- (ii) System regarding the preservation and management of information of Executive Officers' business activities

Representative Executive Officers shall manage all important business documents in accordance with the internal rules and regulations, which stipulate the period and place of preservation of documents and make them available to the Directors at all times.

- (iii) System and regulations with regard to risk management

The Representative CEO shall act as the Chief Risk Management Officer who takes the highest responsibility for risk management and leads the Risk Management Committee and Risk Management Office which are responsible for decision-making and enforcement, respectively.

The Risk Management Office shall set out the internal risk management rules and thereby identify and analyze potential risks and formulate and take preventive, protective and diversifying measures from a global business perspective, so that SUMIDA can minimize losses when a risk materializes.

Executive officers and employees shall perform their duties in compliance with the rules. The Internal Audit Office shall monitor and evaluate the implementation of the above. The Risk Management Office and the Internal Audit

Office shall report the situation of the aforementioned activities to the Representative CEO and the Audit Committee and a summary of which shall be reported to the Board of Directors.

- (iv) System to ensure the effectiveness and efficiency of Executive Officers' business activities

Executive Officers shall set up a system based on the Principles to ensure an appropriate decision-making process and surveillance of individual activities and thereby enhance the operating efficiency. Details are as follows:

- (a) Each Representative Executive Officer shall set up a respective Advisory Board with whom they shall consult and engage in sufficient discussion when making important decisions.
- (b) Representative Executive Officers shall set out regulations for the authority and decision-making process and conduct regular reviews of the situation.
- (c) Representative Executive Officers shall make regular reviews of the achievement and progress of business and ensure further propriety and efficiency of management by giving feedback of the results of the decision-making process.
- (d) Representative Executive Officers shall ensure an appropriate and prompt decision-making process by collecting, analyzing and communicating important information on SUMIDA's business activities, as well as sharing and archiving the necessary information.

- (v) System to ensure the propriety of business of the group consisted of the Company and its subsidiaries

SUMIDA Corporation is a holding company with business activities conducted by its group companies. In light of this, Directors and Executive Officers shall always perform their duties with the view of group governance. The Audit Committee shall carry out its audit in cooperation with auditors of each member company.

The Compliance Office, the Legal Office, the Risk Management Committee, as well as the Internal Audit Office shall strive to reinforce and strengthen their respective functions and these internal control institutions shall take charge of internal control of not only the company, but also the entire Group.

- (vi) System with regard to employees who assist the Audit Committee and matters

concerning the independence of those employees from Executive Officers  
The Internal Audit Office shall be responsible for assisting the Audit Committee, and the Corporate Governance Office shall be responsible for the secretariat of the Audit Committee. Any decisions with regard to changes or transfers of personnel, reorganization or any other considerations, which may have material effect on the duties of employees, shall require the prior approval of the Audit Committee.

- (vii) System whereby Executive Officers and employees report to the Audit Committee or its members

The Representative CEO shall set out the rules for Executive Officers and employees to report the following matters, and thereby report it to the Audit Committee and a summary of which to shall be reported to the Board of Directors

- (a) Incidents, which may cause material losses and/or gains to, or material damage and/or benefit to, the company
- (b) Any actual incident or potential risk involving an actual or suspected misconduct, malpractice or breach of laws, regulations or Memorandum & Articles of Incorporation by the Directors and Executive Officers
- (c) Monthly accounting statements on a consolidated basis
- (d) Monthly internal audit report
- (e) Monthly reports from the main operating divisions
- (f) Other important matters

- (viii) System to ensure the effectiveness of audit executed by the Audit Committee members

- (a) The Internal Audit Office shall have prior consultations with the Audit Committee when setting out the annual audit policies and plans. The office shall also report the progress and results of internal audit to the Audit Committee. The Audit Committee may request Internal Audit Office for an additional audit as necessary.
- (b) External auditors shall explain to the Audit Committee its auditing plan at the outset of the financial year and report to the Audit Committee the progress of its interim audit and the end-term audit results, etc. Furthermore, the external auditors may have consultations and discussions with the Audit Committee if needed.
- (c) In order to ensure the independence of auditors from the Executive Officers,

as well as to guarantee the implementation of the audit activities, decisions on the auditors' compensation require the Audit Committee's prior approval.

(2) Basic policy regarding control of a company

The Company has not specifically defined a basic policy for those who control the financial and business guidelines of a company.

(3) Policy on determination of dividend from retained earnings

The Company places return of profits to shareholders as a priority business issue.

Pursuant to Article 459 of the Corporation Law, the Company stipulates in the Articles of Incorporation that it can set a date of record and allocate dividends from retained earnings, based on the decision of the Board of Directors.

As for dividends from retained earnings, the Company will decide an annual dividend per share in accordance with the annual business plan and basic dividend payout ratio (25-30%:) and divide it in quarters to pay on a quarterly basis.

Based on the above policy, the Company decided to pay the second quarter dividend of ¥20 per share for the fiscal year under review and the third and fourth quarter dividends of ¥10 per share each for the fiscal year under review, respectively. Thus, the total dividend amount will be as the same ¥40 per share as the same of previous fiscal year

Details of dividends paid from the retained earnings for the Fiscal Year ended December 31, 2006 are as follows:

Date of Board of Directors Resolution	Term	Total Dividends paid amount (¥ thousand)	Dividend per share (¥)	Record Date	Date of commencement of payment
July 27, 2006	The 2 <sup>nd</sup> quarter	391,444	20.00	June 30, 2006	August 21, 2006
October 26, 2006	The 3 <sup>rd</sup> quarter	195,738	10.00	September 30, 2006	November 20, 2006
February 26, 2007	The 4 <sup>th</sup> quarter	189,097	10.00	December 31, 2006	March 6, 2007

In the First Quarter, since the Corporate Law hadn't taken effect, Sumida did not distribute dividend at that time (from January 1 to March 31, 2006). As the Corporate Law cited above comes first into effect in the 2<sup>nd</sup> quarter, the second quarter dividends were paid including the first quarter dividends.

Note: The amounts of money and the numbers of shares described in this business report are rounded to the nearest unit shown.

# Consolidated and Non-consolidated Financial Statements

for the 52nd business term

(January 1 to December 31, 2006)

Consolidated Balance Sheet

Consolidated Statement of Income

Consolidated Statement of Changes in Shareholders' Equity

Non-consolidated Balance Sheet

Non-consolidated Statement of Income

Non-consolidated Statement of Changes in Shareholders' Equity

Shigeyuki Yawata

Representative Executive Officer (CEO)

SUMIDA CORPORATION

**Consolidated Balance Sheet**  
**As of December 31, 2006**

	Thousands of yen
	As of December 31,
	2006
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	6,416,578
Trade notes and accounts receivable	16,220,112
Inventories	9,383,138
Deferred tax assets	831,740
Forward exchange contract	162,602
Others	3,042,874
Allowance for doubtful accounts	(64,355)
Total current assets	35,992,689
Fixed assets	
Tangible fixed assets:	
Buildings and structures	13,062,228
Machinery and equipment	23,319,861
Furniture and fixtures	7,579,162
Land	2,543,702
Construction in progress	1,782,007
Accumulated depreciation	(25,843,279)
Total tangible fixed assets	22,443,681
Intangible fixed assets:	
Goodwill	5,359,970
Leasehold	490,432
Software	213,012
Others	650,588
Total intangible fixed assets	6,714,002
Investments and other assets:	
Investments in securities	818,532
Investment in affiliated companies	1,232,903
Deferred tax assets	2,489,349
Others	470,282
Total investments and other assets	5,011,066
Total fixed assets	34,168,749
Total assets	70,161,438

**Consolidated Balance Sheet**  
**As of December 31, 2006**

	Thousands of yen
	As of December 31,
	2006
<b>LIABILITIES</b>	
Current liabilities:	
Trade notes and accounts payable	5,352,829
Short-term borrowings	10,531,423
Corporate bonds due within one year	1,200,000
Current portion of long-term debt	1,500,000
Other accounts payable	2,053,974
Accrued expenses	2,680,730
Income taxes payable	1,137,427
Deferred tax liabilities	186,163
Others	1,142,920
Total current liabilities	25,785,466
Long-term liabilities:	
Convertible-type bonds with stock warrants	8,000,000
Long-term borrowings	5,107,191
Deferred tax liabilities	1,524,645
Allowance for retirement benefits	1,096,496
Lease obligation	946,456
Others	550,695
Total long-term liabilities	17,225,483
Total liabilities	43,010,949
<b>NET ASSETS</b>	
Shareholders' equity:	
Common stock	6,961,183
Capital surplus	6,774,554
Retained earnings	13,641,273
Treasury stock, at cost	(1,522,553)
Total shareholders' equity	25,854,457
Valuation and translation differences:	
Net unrealized holding gain on securities	29,150
Deferred profit or loss from hedges	96,423
Translation adjustments	186,250
Total valuation and translation differences	311,823
Minority interests	984,209
Total net assets	27,150,489
Total liabilities and net assets	70,161,438

**Consolidated Statement of Income**  
**Year ended December 31, 2006**

	Thousands of yen
	Year ended December 31,
	2006
Net sales	63,507,599
Cost of sales	46,828,222
Gross profit on sales	16,679,377
Selling, general and administrative expenses	12,508,378
Operating income	4,170,999
Non-operating income:	
Interest and dividend income	121,934
Foreign exchange gains	1,145,154
Others	23,292
	1,290,380
Non-operating expenses:	
Interest expense	333,401
Investment loss on equity method	514,538
Contributions	23,992
Others	83,997
	955,928
Ordinary income	4,505,451
Extraordinary income:	
Gain on sale of fixed assets	3,375
Gain on sale of investment in securities	2,046
Gain on changes in equity	288,469
	293,890
Extraordinary losses:	
Loss on sale of fixed assets	238,369
Structural reform expenses	427,948
Loss on valuation of golf memberships	5,723
Loss on valuation of investment in securities	1,622
	673,662
Income before income taxes and minority interests	4,125,679
Income taxes:	
Current	1,627,851
Deferred	231,986
Minority interests	84,208
	1,944,045
Net income	2,181,634

**Consolidated Statement of Changes in Shareholders' Equity**  
**Year ended December 31, 2006**

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stocks	Total shareholders' equity
Balance as of Dec. 31, 2005	6,771,015	6,584,612	12,531,518	(64,802)	25,822,343
Change during this term					
Exercise of stock options	190,168	189,942			380,110
Dividends of retained earnings			(1,071,848)		(1,071,848)
Net income			2,181,634		2,181,634
Acquisition of treasury stocks				(1,458,349)	(1,458,349)
Disposal of treasury stocks			(31)	598	567
(Net) Changes in items other than shareholders' equity during this term					-
Total changes during this term	190,168	189,942	1,109,755	(1,457,751)	32,114
Balance as of Dec. 31, 2006	6,961,183	6,774,554	13,641,273	(1,522,553)	25,854,457

(Thousands of yen)

	Valuation / translation differences				Minority interests	Total net assets
	Net unrealized holding gain on securities	Deferred profit or loss from hedges	Translation adjustments	Total Evaluation / translation differences		
Balance as of Dec. 31, 2005	52,215	-	(954,148)	(901,933)	55,458	24,975,868
Change during this term						
Exercise of stock options				-		380,110
Dividends of retained earnings				-		(1,071,848)
Net income				-		2,181,634
Acquisition of treasury stocks				-		(1,458,349)
Disposal of treasury stocks				-		567
(Net) Changes in items other than shareholders' equity during this term	(23,065)	96,423	1,140,398	1,213,756	928,751	2,142,507
Total changes during this term	(23,065)	96,423	1,140,398	1,213,756	928,751	2,174,621
Balance as of Dec. 31, 2006	29,150	96,423	186,250	311,823	984,209	27,150,489

**Non-consolidated Balance Sheet**  
**As of December 31, 2006**

	Thousands of yen
	As of December 31,
	2006
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	1,239,386
Trade notes receivable	510,747
Short-term lending	4,106,425
Other receivables	1,786,627
Forward exchange contract	162,602
Deferred tax assets	162,790
Others	517,828
Total current assets	8,486,405
Fixed assets	
Tangible fixed assets:	
Buildings	1,978,366
Structures	40,804
Machinery and equipment	21,724
Land	1,659,309
Total tangible fixed assets	3,700,203
Intangible fixed assets:	
Telephone subscription rights	3,610
Total intangible fixed assets	3,610
Investments and other assets:	
Investments in securities	490,888
Investment in affiliated companies	31,767,417
Deferred tax assets	639,281
Others	12,831
Total investments and other assets	32,910,417
Total fixed assets	36,614,230
Total assets	45,100,635

**Non-consolidated Balance Sheet**  
**As of December 31, 2006**

	Thousands of yen
	As of December 31,
	2006
<b>LIABILITIES</b>	
Current liabilities:	
Short-term borrowings	10,530,000
Corporate bonds due within one year	1,200,000
Current portion of long-term debt	1,500,000
Other account payable	201,986
Accrued expenses	8,920
Income taxes payable	161,664
Deposits	689,427
Others	162,602
Total current liabilities	14,454,599
Long-term liabilities:	
Convertible-type bonds with stock warrants	8,000,000
Long-term borrowings	5,050,000
Total long-term liabilities	13,050,000
Total liabilities	27,504,599
<b>NET ASSETS</b>	
Shareholders' Equity:	
Common stock	6,961,183
Capital surplus	6,774,554
Capital reserves	6,774,554
Retained earnings	5,382,397
Legal reserve	264,379
Other retained earnings	5,118,018
Special reserve	3,100,000
Retained earnings carried forward	2,018,018
Treasury stock, at cost	(1,522,553)
Total shareholders' equity	17,595,581
Total valuation and translation differences	455
Net unrealized holding gain on securities	455
Total net assets	17,596,036
Total liabilities and net assets	45,100,635

**Non-consolidated Statement of Income**  
**Year ended December 31, 2006**

	Thousands of yen
	Year ended December 31,
	2006
Net sales	2,235,480
Cost of sales	810,769
Operating income	1,424,711
Non-operating income:	
Interest and dividend income	143,757
Foreign exchange gains	1,235,275
Others	14,666
	1,393,698
Non-operating expenses:	
Interest expense	137,978
Contributions	13,740
Others	5,692
	157,410
Ordinary income	2,660,999
Extraordinary income:	
Gain on sale of investment in securities	2,046
	2,046
Extraordinary losses:	
Loss on disposal of fixed assets	639
Loss on valuation of investment securities	1,621
Loss on valuation of affiliates' receivables	1,070,546
	1,072,806
Income before income taxes	1,590,239
Income taxes:	
Current	303,132
Deferred	44,610
Net income	1,242,497

**Non-consolidated Statement of Changes in Shareholders' Equity**  
**Year ended December 31, 2006**

(Thousands of yen)

	Shareholders' equity								
	Common stock	Capital surplus		Legal reserve	Retained earnings			Treasury stocks	Total shareholders' equity
		Capital reserve	Total capital surplus		Other retained earnings		Total retained earnings		
					Special reserve	Retained earnings carried forward			
Balance as of Dec. 31, 2005	6,771,015	6,584,612	6,584,612	264,379	3,100,000	1,847,400	5,211,779	(64,802)	18,502,604
Change during this term									
Exercise of stock options	190,168	189,942	189,942						380,110
Dividends of retained earnings						(1,071,848)	(1,071,848)		(1,071,848)
Net income						1,242,497	1,242,497		1,242,497
Acquisition of treasury stocks								(1,458,349)	(1,458,349)
Disposal of treasury stocks						(31)	(31)	598	567
(Net) Changes in items other than shareholders' equity during this term									
Total changes during this term	190,168	189,942	189,942	-	-	170,618	170,618	(1,457,751)	(907,023)
Balance as of Dec. 31, 2006	6,961,183	6,774,554	6,774,554	264,379	3,100,000	2,018,018	5,382,397	(1,522,553)	17,595,581

(Thousands of yen)

	Valuation / translation differences		Total net assets
	Net unrealized holding gain on securities	Total valuation / translation differences	
Balance as of Dec. 31, 2005	12,742	12,742	18,515,346
Change during this term			
Exercise of stock options			380,110
Dividends of retained earnings			(1,071,848)
Net income			1,242,497
Acquisition of treasury stocks			(1,458,349)
Disposal of treasury stocks			567
(Net) Changes in items other than shareholders' equity during this term	(12,287)	(12,287)	(12,287)
Total changes during this term	(12,287)	(12,287)	(919,310)
Balance as of Dec. 31, 2006	455	455	17,596,036

## **Audit Report**

The Audit Committee has audited the performance of duties by the Directors and the Officers for the 52nd Fiscal Year from January 1, 2006 to December 31, 2006. We report the methods and the results of the audit as follows.

### **1. Methods used in audits and content of audits**

The Audit Committee observed and examined the resolutions of the Board of Directors regarding the organization of the system stipulated in Article 416, Paragraph 1, Item 1, *Ro* and *Ho* of the Corporation Law and the status of the system based on said resolutions (internal control systems). We also inspected in cooperation with the internal control division the process and the content of the decision making on the significant meeting, the content of the important authorized documents and other important documents related to significant business operation, business performance of the officers (and major employees), and the Company's operation and condition of property in accordance with the auditing policies the Audit Committee established, the segregation of duties and others. With respect to subsidiaries, the Audit Committee took steps to facilitate communication with the Directors and Corporate Auditors of subsidiaries and, when necessary, received reports from subsidiaries on the status of their businesses.

In addition, Audit Committee also observed and verified whether the accounting auditor was maintaining its independence and was carrying out its audits in an appropriate manner. The Audit Committee received reports from the accounting auditor on the execution of its duties and, when necessary, requested explanations regarding those reports. The Audit Committee also received notification from the accounting auditor that it was taking steps to improve the "system for ensuring the proper execution of its duties" (as enumerated in Article 159 of the Accounting Regulation Ordinance) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005). When necessary, Audit Committee requested explanations on these reports and notifications and confirmed that the system under which the financial auditor operated was functioning appropriately.

Based on the foregoing methods, Audit Committee also examined the financial statements related to the fiscal year under review (balance sheet, statement of income, statement of changes in shareholders' equity, and notes to financial statements) and supporting schedules.

## 2. Results of the Audit

### (1) Results of audit of business report

- In our opinion, the business report and supporting schedules fairly present the situation of the Company, in compliance with the provisions of applicable laws, regulations and the Articles of Incorporation
- In our opinion, none of the actions taken by Directors in executing their duties were irregular and none of their actions violated the provisions of applicable laws, regulations or the Articles of Incorporation
- In our opinion, the content of the resolution by the Board of Directors regarding internal control systems was appropriate, and, furthermore, all actions of the Board of Directors with respect to executing internal control systems were carried out appropriately.

### (2) Results of the audit of financial statements and supporting schedules

In our opinion, the auditing methods used by Ernst & Young ShinNihon and the results of its audit were appropriate.

February 23, 2007

Audit Committee  
SUMIDA CORPORATION

Tadakazu Koizumi (Seal)  
Member of the Audit Committee

Hiroshi Matsuhashi (Seal)  
Member of the Audit Committee

Kohtaro Miyagi (Seal)  
Member of the Audit Committee

Note: Member of the Audit Committee, Hiroshi Matsuhashi and Kohtaro Miyagi are Outside Member of the Audit Committee, as provided in Article 2, item 15, and Article 400, paragraph 3, of the Corporation Law.

## **Audit Report Concerning The Consolidated Financial Statements**

The Audit Committee has audited the consolidated financial statements (the consolidated balance sheet, the consolidated statement of Income, the consolidated statement, of stockholders' equity and the notes to consolidated financial statements) for the 52nd Fiscal Year from January 1, 2006 to December 31, 2006. We report the methods and the results of the audit as follows.

### **1. Methods used in audits and content of audits**

In accordance with the auditing policies the Audit Committee established, the segregation of duties and others, Audit Committee received reports from Officers and others, and when necessary, requested explanations regarding those reports.

In addition, Audit Committee also observed and verified whether the accounting auditor was maintaining its independence and was carrying out its audits in an appropriate manner. The Audit Committee received reports from the accounting auditor on the execution of its duties and, when necessary, requested explanations regarding those reports. The Audit Committee also received notification from the accounting auditor that it was taking steps to improve the "system for ensuring the proper execution of its duties" (as enumerated in Article 159 of the Accounting Regulation Ordinance) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005). When necessary, Audit Committee requested explanations.

Based on the foregoing methods, Audit Committee also examined the financial statements related to the fiscal year under review.

## **2. Results of the Audit**

In our opinion, the auditing methods used by Ernst & Young ShinNihon and the results of its audit were appropriate.

February 23, 2007

Audit Committee  
SUMIDA CORPORATION

Tadakazu Koizumi (Seal)  
Member of the Audit Committee

Hiroshi Matsubishi (Seal)  
Member of the Audit Committee

Kohtaro Miyagi (Seal)  
Member of the Audit Committee

Note: Member of the Audit Committee, Hiroshi Matsubishi and Kohtaro Miyagi are Outside Member of the Audit Committee, as provided in Article 2, item 15, and Article 400, paragraph 3, of the Corporation Law.

## Reference Materials for Annual General Meeting of Shareholders

### Agenda 1: Partial amendment to the Articles of Incorporation

SUMIDA CORPORATION (the “Company”) would like to make a partial amendment to the current Articles of Incorporation as shown in the following proposal.

#### 1. Reasons for the amendment

- (1) Legal names quoted by Article 165 of The Corporation Law (Law No. 86, 2005) shall be changed from the “Securities and Exchange Law” to the “Financial Instruments and Exchange Law” under the “Law Concerning the Development of Laws Related to the Enforcement of the Law on Partial Amendment of the Corporation Law” (Law No. 66, 2006). In line with the change, the Company would like to change the wording of the Articles of Incorporation (Article 7).

Since laws related to the change of the “Securities and Exchange Law” to the “Financial Instruments and Exchange Law” will not have been enforced on the day when this Annual General Meeting of Shareholders of the Company is to be held, the Company has set up an additional clause that the effective date of the change in the Articles of Incorporation concerning Article 7 shall be the day when the relevant laws are enforced.

- (2) There is a view that the right to convene general meetings of shareholders is an exclusive right of directors, according to an interpretation of the Corporation Law. Taking this view into consideration for insurance purposes, the Company would like to clearly state that directors are the convener of the right to convene general meetings of shareholders, and specify how to handle the cases in which some accident happens to the said directors (Article 15).
- (3) A provision that the number of representatives who can attend general meetings of shareholders can be limited has been stipulated by the Corporation Law. The Company would like to limit the number of representatives to one (1) representative under the Articles of Incorporation (Article 18) in order to keep order of the general meetings of shareholders.
- (4) Since the Company has introduced the so-called quarterly dividend, it would like to omit public announcement on the setting of the base date and quickly undertake dividend payment procedures by specifying the four base dates in a year in the Articles of Incorporation (Article 52).

## 2. Details of amendment

Current and amended Articles of Incorporation are as follows.

(Underlined portions are to be amended.)

Current Articles of Incorporation	Amended Articles of Incorporation
<p>Article 7 – Acquisition of the Company’s Own Shares</p> <p>The Company may determine to acquire its own shares through transactions in the market or through tender offer stipulated in Article 27-2, Clause 6 of the <u>Securities and Exchange Law</u>, by resolution of the Board of Directors, pursuant to the stipulation in Article 165, Clause 2 of the Corporation Law.</p>	<p>Article 7 – Acquisition of the Company’s Own Shares</p> <p>The Company may determine to acquire its own shares through transactions in the market or through tender offer stipulated in Article 27-2, Clause 6 of the <u>Financial Instruments and Exchange Law</u>, by resolution of the Board of Directors, pursuant to the stipulation in Article 165, Clause 2 of the Corporation Law.</p>
<p>Article 15 – Convener and Chairman</p> <p>1. The <u>Representative Executive Officer and CEO</u> shall convene General Meetings of Shareholders <u>based on a resolution of the Board of Directors</u>.</p> <p>2. In case the <u>Representative Executive Officer and CEO</u> is prevented from so acting, another <u>Director</u> shall, in accordance with the order of succession previously determined by the Board of Directors, convene the General Meeting of Shareholders.</p> <p>3. (Details omitted)</p> <p>4. (Details omitted)</p>	<p>Article 15 – Convener and Chairman</p> <p>1. The <u>Director appointed in advance at the Board of Directors Meeting</u> shall convene General Meetings of Shareholders <u>unless otherwise stipulated in laws and regulations</u>.</p> <p>2. In case the <u>Director as appointed above</u> is prevented from so acting, another <u>Director</u> shall, in accordance with the order of succession previously determined by the Board of Directors, convene the General Meeting of Shareholders.</p> <p>3. (Same as at present)</p> <p>4. (Same as at present)</p>
<p>Article 18 – Exercise of Voting Rights by Proxy</p> <p>1. A shareholder may exercise his or her voting rights <u>by a proxy</u>, who must be another shareholder of the Company with exercisable voting rights.</p> <p>2. (Details omitted)</p>	<p>Article 18 – Exercise of Voting Rights by Proxy</p> <p>1. A shareholder may exercise his or her voting rights <u>through one proxy</u>, who must be another shareholder of the Company with exercisable voting rights.</p> <p>2. (Same as at present)</p>
<p>Article 52 – Dividends</p> <p>1. Retained earnings shall be distributed as dividend to shareholders or registered pledgees whose names are registered or recorded in the final shareholders registry as of <u>December 31</u> of each year.</p> <p>2. (Details omitted)</p> <p>3. (Details omitted)</p> <p>4. (Details omitted)</p>	<p>Article 52 – Dividends</p> <p>1. Retained earnings shall be distributed as dividend to shareholders or registered pledgees whose names are registered or recorded in the final shareholders registry as of <u>base dates as described below</u> of each year.</p> <p><u>First quarter: March 31</u></p> <p><u>Second quarter: June 30</u></p> <p><u>Third quarter: September 30</u></p> <p><u>Fourth quarter: December 31</u></p> <p>2. (Same as at present)</p> <p>3. (Same as at present)</p> <p>4. (Same as at present)</p>

Current Articles of Incorporation	Amended Articles of Incorporation
<p>Additional clause</p> <p><u>The partial amendment to the Articles of Incorporation shall take effect on the day when the Corporation Law (Law No. 86, 2005) is enforced.</u></p>	<p>Additional clause</p> <p><u>The amendment to the Article 7 of the Articles of Incorporation shall take effect on the day when the “Law Concerning the Development of Laws Related to the Enforcement of the Law on Partial Amendment of the Corporation Securities Transaction Law” (Law No. 66, 2006) is enforced.</u></p>

## Agenda 2: Election of eleven (11) directors

The tenure of office of ten (10) directors will expire at the end of this Annual General Meeting of Shareholders. The Company requests the addition of one director for the enhancement of the group management system and the election of eleven (11) directors based on the decision of the Nomination Committee.

The candidates for the directors' positions are as follows.

No.	Name (Date of birth)	Brief personal profile, position and duties at the Company, and directorships at other companies	Number of shares held in the Company
1	Shigeyuki Yawata (October 28, 1951)	Nov. 1977 Joined the Company Mar. 1988 Director Mar. 1990 Representative Director and Senior Managing Director Apr. 1991 Representative Director and Vice President Mar. 1992 Representative Director and President Apr. 2003 Director, Representative Executive Officer and CEO (To date)	251,469
2	Ka Sheung Chiu (October 23, 1957)	Apr. 1987 Joined the Company Dec. 1987 Branch Head, Hong Kong Mar. 1996 Director Jun. 2000 Managing Director Mar. 2001 Representative Director Jul. 2001 Representative Director and COO Apr. 2003 Director, Representative Executive Officer and COO Jan. 2004 Director, Representative Executive Officer and Group President (To date)	60,500
3	Robert E. Patterson (September 14, 1942)	Dec. 1972 Registered Attorney, California, U.S.A. Joined Graham James LLP (Squire, Sanders and Dempsey LLP) Jan. 1978 Representative Partner Apr. 1981 Thompson Clive Director Nov. 1999 SUMIDA Advisory Board Apr. 2003 Director (To date)	0
4	Ashok B. Melwani (November 26, 1958)	Apr. 1989 M. B. Melwani CEO Sep. 1998 Resigned M. B. Melwani CEO Apr. 1999 A. B. Melwani CEO Nov. 1999 SUMIDA Advisory Board Apr. 2003 Director (To date)	8,097
5	Tadakazu Koizumi (November 5, 1944)	Apr. 1967 Joined Kankaku Securities (Currently Mizuho Investors Securities) Nov. 1996 Kankaku Securities Public Listing Underwriting Dept. General Manager Jul. 1998 Resigned Kankaku Securities Aug. 1998 Joined the Company Corporate Strategy Officer Mar. 2001 Full-Time Corporate Auditor Mar. 2003 Resigned Corporate Auditor Apr. 2003 Director (To date)	6,050

No.	Name (Date of birth)	Brief personal profile, position and duties at the Company, and directorships at other companies	Number of shares held in the Company
6	Hiroshi Matsuhashi (March 26, 1938)	Jul. 1983 Nissho Iwai, Head, Financial Dept. (Currently Sojitz Corporation) Jun. 1993 Nissho Electronics Full-Time Corporate Auditor Jun. 1999 Resigned Nissho Electronics Mar. 2000 SUMIDA Corporate Auditor Mar. 2003 Resigned SUMIDA Corporate Auditor Apr. 2003 Director (To date)	0
7	Kazuhide Kondo (April 1, 1941)	Mar. 1967 Registered Chartered Accountant May 1996 Ota Showa & Co., Representative Partner (Currently Ernst & Young ShinNihon) Jun. 2003 Resigned Ota Showa & Co., Representative Partner Mar. 2004 SUMIDA Director Jun. 2004 Ajinomoto Corporate Auditor(To date)	0
8	Masato Tsuru (January 11, 1948)	Jun. 1985 NOK Representative Director, Chief Executive Officer, (Present Post) Jun. 1989 NOK Representative Director and Chairman SUMIDA Director Mar. 2005 (To date)	0
9	Kotaro Miyagi (June 17, 1940)	Mar. 1995 Canon, Director Mar. 2001 Canon Full-Time Corporate Auditor Mar. 2004 Resigned Canon Full-Time Corporate Auditor Mar. 2006 SUMIDA Director (To date)	0
10	Ulrich Ruetz (March 15, 1940)	Feb. 1983 BERU GmbH Director (Currently BERU AG) Jan. 1994 President Oct. 1997 CEO Apr. 2003 Resigned BERU GmbH CEO (To date)	0
11	Hideo Kamoshita (June 23, 1944)	Apr. 1988 Mitsumi Electric Center Manager, Coil Business Sep. 2001 Resigned Mitsumi Electric Oct. 2001 Joined Sumida Corporate Service Sumida Corporate Service Corporate Strategy Officer, Dec. 2006 Resigned Sumida Corporate Service (To date)	6,074

Notes:

1. One of the candidates for director, Shigeyuki Yawata, also serves as Representative Director of Sumida Vogt GmbH, and Dong Guan Sumida (Tai Ping) Electric Co., Ltd.
2. One of the candidates for director, Ka Sheung Chiu, also serves as Representative Director of SEC, Sumida Electric Co., Ltd., Sumida Electric (H.K.) Co., Ltd., Dong Guan Sumida (Tai Ping) Electric Co., Ltd., Taiwan Sumida Electronics Inc., Sumida Corporate Service Co., Ltd., Sumida Service Co., Ltd., Sumida Trading Co., Ltd., M. Sumida Electric Sdn. Bhd., Sumida Trading Private Limited, Sumida America Inc., Sumida de Mexico, SA de CV, Sumida Electronica de Mexico, Suzhou Sumida Electric Co., Ltd., Sumida Vogt GmbH, Sumida Trading (Shanghai) Co., Ltd., Sumida Trading (Korea) Co., Ltd. and Sumida Shintex Co., Ltd.

3. Apart from those stated above, there are no special interest relationships between the candidates and the Company.
4. One of the candidates for director, Masato Tsuru, is Representative Director of K.K. Auto Parts Center, Nippon Mektron, Ltd., NEOPT Corp., NOK Vibracoustic Co., Ltd., NOK Klüber Co., Ltd., NOK Technical Research and Development Co., Ltd., Eagle Engineering Aerospace Co., Ltd., Seiwa Jisho Co., Ltd., and Unimatec Co., Ltd.
5. Seven (7) of the candidates for director, Robert E. Patterson, Ashok B. Melwani, Hiroshi Matsuhashi, Kazuhide Kondo, Masato Tsuru, Kotaro Miyagi and Ulrich Ruetz seek positions as outside directors as stipulated in Article 2-3-7 of the Corporation Law Enforcement Regulations.
6. Two of the candidates for director, Robert Patterson and Ashok Melwani, were made outside directors, starting from the previous fiscal year, after the Company had considered legal interpretation and the actual state of their business activities.
7. Reasons for the selection of candidates for outside director, independence as outside directors and liability limitation contracts with outside directors

(1) Reasons for the selection of candidates for outside director

The Company is a company employing a committee-based corporate governance structure, called a company-with-committees. At a company-with-committees, the board of directors specializes in supervising management, while a committee made up of a majority of outside directors is established to improve the transparency of management and executive officers are installed as an organ to work full-time for the execution of operations. Thus, a company with committees clearly separates “supervision of management” from “execution of duties” to make them function effectively. Such a company generally needs to select multiple outside directors. To further enhance the functions of the board of directors, the Company aims to make outside directors account for a majority of directors, and hereby requests the appointment of seven outside directors.

All the candidates for outside director mentioned above satisfy requirements specified in Item 15, Article 2 of the Corporation Law.

- (i) Robert Patterson is a U.S. attorney, and has served as an outside director of a U.S. corporation for many years. The Company made him a candidate for outside director because it expects him to oversee and check management based on his knowledge and experience as a legal expert, which have been accumulated through his career, and his insight into corporate governance at U.S. corporations and into the U.S. market. He currently serves as an outside director of the Company. The length of his service as an outside director will be one year at the end of this Annual General Meeting of Shareholders.
- (ii) Ashok Melwani has managed a corporation in Singapore for a long time. The Company made him a candidate for outside director because it expects him to oversee and check management based on the knowledge and experience as a manager that he has accumulated throughout his career, and for his insight into the Asian market. He currently serves as an outside director of the Company. The length of his service as an outside director will be one year at the end of this Annual General Meeting of Shareholders.
- (iii) Hiroshi Matsuhashi worked for the financial affairs division of a major trading house for many years and served as corporate auditor of an affiliate of the trading house. The Company made him a candidate for outside director because it expects him to oversee and check management based on his knowledge and experience in financial affairs and accounting, which have been accumulated through his career, and standpoints of a trading house. He currently serves as an outside director of the Company. The length of his service as an outside director will be four years at the end of this Annual General Meeting of Shareholders.

- (iv) Kazuhide Kondo is a certified public accountant and serves as an outside corporate auditor of another company. The Company made him a candidate for outside director because it expects him to oversee and check management based on the expertise and experience in financial affairs and accounting that he has accumulated throughout his career. He currently serves as an outside director of the Company. The length of his service as an outside director will be three years at the end of this Annual General Meeting of Shareholders.
  - (v) Masato Tsuru has long engaged in the management of NOK. The Company made him a candidate for outside director because it expects him to oversee and check management based on the knowledge and experience as a manager that he has accumulated throughout his career, and his insight into the automobile industry. He currently serves as an outside director of the Company. The length of his service as an outside director will be two years at the end of this Annual General Meeting of Shareholders.
  - (vi) Kotaro Miyagi served as President of an overseas unit of Canon Inc., and Director and full-time Corporate Auditor of Canon. The Company made him a candidate for outside director because it expects him to oversee and check management based on the knowledge and experience as a manager that he has accumulated throughout his career, and for his insight into the electrical machinery industry. He currently serves as an outside director of the Company. The length of his service as an outside director will be one year at the end of this Annual General Meeting of Shareholders.
  - (vii) Ulrich Ruetz has engaged in the management of BERU AG of Germany for a long time. He currently serves as an outside director of a European corporation. The Company made him a candidate for outside director because it expects him to oversee and check management based on the knowledge and experience as a manager that he has accumulated throughout his career, and for his insight into the automobile and electrical machinery industries and the European market.
- (2) Independence of outside directors
- (i) None of the candidates for outside director have been executive officers of the Company or business concerns that have specific relations with the Company in the past.
  - (ii) None of the candidates for outside director have received or plan to receive a large amount of money or other property from the Company or business concerns that have specific relations with the Company.
  - (iii) None of the candidates for outside director have relatives in the third degree or closer with directors or executive officers of the Company.
- (3) Responsibility limitation contracts with outside directors
- The Company has concluded liability limitation contracts with current outside directors. (Details of the contracts are stated on pages 25 to 26 of the Business Report.) If the new appointment of Ulrich Ruetz, a candidate for outside director, is approved, the Company shall conclude a liability limitation contract of the same content with him.