

Financial Results for the 1<sup>st</sup> Quarter  
ended 31 March 2007

**SUMIDA CORPORATION**  
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Japan



## CEO's Message for the First Quarter of Fiscal 2007

As two-thirds of the first half of the year has now passed, we would like to report on the business performance of the first half of fiscal year 2007 and the forecast of our medium-term business target "1B7".

We will first review the business performance of the full fiscal year 2006, before going to elaborate on the forecast for the current fiscal year. The business performance of 2006 is as follows: our net sales amounted to 63,500 million yen, the operating income is 4,200 million yen, the ordinary income is 4,500 million yen and the net income is 2,200 million yen. However, 1,100 million yen of the net income is attributable to foreign currency exchange gains, which was mainly the result of the strong Euro in 2006.

The business structure of Sumida Group can be divided into three main entities: two profit centers and one cost center. A profit center is a business unit that generates profits, whereas a cost center does not. The cost center consists of the Sumida Group's strategy planning department, and the corporate units supporting the board of directors and executive officers. The two profit centers are, one, the business unit centered around VOGT in Germany, which joined the Sumida Group in the beginning of 2006, and two, the former Sumida Group (pre-VOGT acquisition). The following shows the profit margin on sales of Sumida Group in 2006 according to each entity.

<Table 1>

	Former Sumida	VOGT	Cost Center	TOTAL
EBITDA Ratio	14.7%	11.5%	-1.9%*	11.4%
Operating Profit Ratio	10.0%	5.2%	-1.9%*	6.6%

\*ratio based on net sales of Sumida Group

Based on these results, considering the anticipated market and business environment for 2007, and forecasting 10% net sales increase, the forecasted sales and profitability for the Sumida Group are shown in the following table.

<Table 2>

Net Sales	69,000 million yen	(100.0%)
EBITDA	7,800 million yen	(11.3%)
Operating Income	4,500 million yen	(6.5%)
Ordinary Income	4,000 million yen	(5.8%)
Net Income	2,400 million yen	(3.5%)

We manage our profit performance primarily by using the EBITDA and EBIT ratios, but we will explain the performance in terms of operating income and ordinary income, which is more commonly used in Japan. When we indicate our goal of 1B7 (EBITDA 14% and Business EBIT 10% <Business EBIT excludes cost center EBIT>) in operating income ratio and ordinary income ratio, they are at 8.5% and 8.1% respectively. Meanwhile, the operating income ratio in Table 2, which indicates our in-house goal for the full fiscal year, is 6.5%. So our goal of 1B7 cannot be reached if nothing is done besides organic growth. Although we continue to work on possible M&A deals, we may not reach our 1B7 target with respect to net sales; however, we have every intention to achieve the 1B7 target with respect to profitability to conclude finalizing 1B7. We therefore continue to restructure the organisational and financial structure of the Sumida Group during the 1<sup>st</sup> to 3<sup>rd</sup> quarter of 2007 to attain an operating income ratio 8.5% at the end of 4<sup>th</sup> quarter of 2007.

What needs to be done in order to achieve 1B7 is clear: i) to increase the operating income ratio of

VOGT profit center from 5.2% to 10.0%; ii) to exit from unprofitable businesses; and iii) to increase the current net sales operating income ratio 10% of the profit center of the former Sumida group (pre-VOGT acquisition).

With regard to the specific measures need to achieve the target at the end of the 4<sup>th</sup> quarter of 2007, we plan to cut-down unprofitable business and properties. The costs for these measures up to and including the 3<sup>rd</sup> quarter are expected to amount to a maximum of about 3,500 million. Half of these costs will be allocated to extraordinary expenses during 1<sup>st</sup> to 3<sup>rd</sup> quarters of 2007, while the other half will be allocated to ordinary business expenses during the same period. Included within the extraordinary expenses is a one-time provisional charge for the depreciation of the expense related to anti-tax haven regulations (this is currently the subject of an appeal to the tax authorities) – this amounts to 800 million yen. In the meantime, we plan to record about the same amount of extraordinary capital gain obtained from revaluation of our holding properties. These measures are intended to restructure and improve the balance sheet of the Sumida Group, in preparation for the full-scale introduction of market-value accounting.

On the other hand, we have currently 18,000 million yen liabilities (outstanding loan for 25,000 million yen – current cash balance for 7,000 million yen). Substantial amount outstanding may in the end be about 10,000 million yen as about 8,000 million yen among the liabilities is convertible bonds and they may be converted to shares depending on the future appreciation of the Sumida share price. This is based on the idea to allocate the selling price of our holding properties obtained from revaluation and develop a balance sheet with no-debit nature. With this we can achieve a solid financial foundation which will facilitate positive investments. We intend to have approximately equal even between extraordinary expense and extraordinary capital gain; however, we would like to seek your understanding that the timing for these may not coincide. These structural improvements will be completed during the 1<sup>st</sup> to 3<sup>rd</sup> quarter, and in the 4<sup>th</sup> quarter, we plan to achieve our 1B7 target of operating income ratio 8.5% (EBITDA 14%).

<Table 3>

### FY2007 Extraordinary Profit and Restructuring Cost

IN	OUT
<p>Sales of unused asset</p> <p>Sales of business and other</p>	<p>Mainly restructuring cost</p> <p>– Review of production sites</p> <p>– Consolidation of production sites</p>
<p>Approximately 3~4 billion yen capital gain</p>	<p>Approximately 3.3~3.5 billion yen (of which approximately 50% is extraordinary loss)</p>



Let us now explain to you about the detailed results for the 1<sup>st</sup> quarter of 2007. The net sales showed a year-on-year increase of 14% to 16,900 million yen; however, the operating profit was 705 million yen which is 195 million yen below the forecast of 900 million yen (-21.7%). The main reason for this is that our Chinese production factories had a long Chinese New Year holiday in February. Our productivity was lower during this period because of the high turnover of workers during this period which resulted in additional costs. We are currently working on stabilising the worker turnover and expect quick improvements in this issue. This tendency is a problem particular to the Chinese New Year period, and we therefore do not expect that this situation will last long. The restructuring plan in 1<sup>st</sup> quarter is progressing as planned.

<Table 4>

## Completion of 1B7

**FY2007** (Unit: million yen)

	FY2007 Q1 result (Profit Sales Ratio)	FY2007 Q2 forecast (Profit Sales Ratio)	FY2007 Q4 forecast (Profit Sales Ratio)
Net Sales	16,888(100.0%)	17,300(100.0%)	17,200(100.0%)
Operating income	705(4.2%)	1,000(5.8%)	1,460(8.5%)
Ordinary income	563(3.3%)	800(4.6%)	1,400(8.1%)
Net income	355(2.1%)	480(2.8%)	840(4.9%)

**FY2006~FY2008**

	FY2006	FY2007 forecast	FY2008 forecast	08/07(%)
Net Sales	63,500(100.0%)	69,000(100.0%)	75,000(100.0%)	108.7
Operating income	4,171(6.6%)	4,500(6.5%)	6,370(8.5%)	141.5
Ordinary income	4,505(7.1%)	4,000(5.8%)	6,200(8.3%)	155.0
Net income	2,182(3.4%)	2,400(3.5%)	3,700(4.9%)	154.2

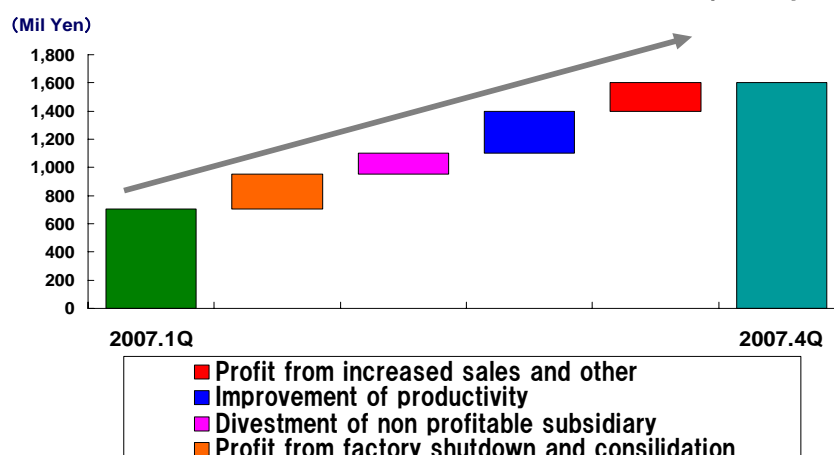


Lastly, we like to emphasise that we will make every effort to achieve the 2007 targets in the 4<sup>th</sup> quarter; i.e. net sales 17,200 million yen, EBITDA 2,400 million yen (14.0%), operating income 1,460 million yen (8.5%), ordinary income 1,400 million yen (8.1%), net income 840 million yen (4.9%). We will also strive to sustain the performance of the 4<sup>th</sup> quarter for the following year. In the financial year 2008, we plan to achieve net sales 75,000 million yen, operating income 63,700 million yen (8.5%), ordinary income 6,200 million yen (8.3%), net income 3,700 million yen (4.9%), and as a whole we intend to build the basis for group net sales of 1 billion yen with 2 digit profitability ratio.

<Table 5>

## Improvement of Operating income toward Q4

Target  
EBITDA 10%~14% on  
quarterly basis



In the past years, we have disclosed the business forecast for the following quarter in order to secure the accuracy of the business figures due to such reason that it is difficult to make a forecast of whole fiscal year because of the changeable environment surrounding the electronic parts industry. The environment is still changeable; however, we saw it would be more beneficial for the long-term investment decisions if we disclose the forecast of whole fiscal year, we decided to change the disclosure policy of the business forecast.

A handwritten signature in black ink, appearing to read 'S. Yawata', with a large, stylized 'S' and 'Y'.

Shigeyuki Yawata  
Sumida Group CEO

## Consolidated Financial Highlights for the 1st Quarter ended 31 March 2007

### 1. Consolidated Results of Operations

(Millions of yen, %)

Category \ Period	1st Quarter				
	2007	% of Total	2006	% of Total	% Change
Net sales	16,888	100.0	14,806	100.0	14.1
Operating income	705	4.2	1,082	7.3	(34.8)
Ordinary income	563	3.3	1,206	8.1	(53.3)
Income before income taxes	594	3.5	1,206	8.1	(50.7)
Net income	355	2.1	727	4.9	(51.2)
Net income per common share (yen)					
(Basic)	18.75	—	37.44	—	—
(Fully diluted)	15.88	—	31.67	—	—

### 2. Consolidated Financial Conditions

(Millions of yen)

Period	1st Quarter		
	2007	2006	Increase/Decrease
Total assets	70,747	62,267	8,480
Paid in capital	6,964	6,874	90
Net assets	27,098	25,458	1,640
Total numbers of stock issued (thousand shares)	18,912	19,508	(596)
Net assets per share (yen)	1,381	1,305	76
Equity ratio (%)	37	41	—

### 3. Consolidated Statements of Cash Flows

(Millions of yen)

Period	1st Quarter		
	2007	2006	Increase/Decrease
Cash flows from operating activities	794	577	217
Cash flows from investing activities	(559)	(4,667)	4,108
Cash flows from financing activities	149	(6,639)	6,788
Cash and cash equivalents, end of period	6,886	7,704	(818)

### 4. Estimation of 2nd Quarter 2007

Category \ Period	2007 2Q (Estimation)	2006 2Q (Actual)	% Change
Net sales (millions of yen)	17,300	14,953	15.7
Operating income (millions of yen)	1,000	1,125	(11.1)
Ordinary income (millions of yen)	800	1,234	(35.2)
Net income (millions of yen)	480	586	(18.1)
Net income per share (yen)	25.38	29.96	—

## 5. Consolidated Quarterly Business Results

(Millions of yen)

Category \ Period	2007	2006				2005			
	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net sales	16,888	17,162	16,587	14,953	14,806	10,317	10,225	9,700	9,424
Operating income	705	608	1,356	1,125	1,082	926	845	704	708
Ordinary income	563	492	1,574	1,234	1,206	997	733	513	610
Income before income taxes	594	(94)	1,493	1,520	1,206	1,964	814	610	541
Net income	355	(55)	924	586	727	1,153	590	318	374

## 6. Consolidated Yearly Business Results

(Millions of yen)

	2006	2005	2004	2003	2002
Net sales	63,058	39,666	36,246	30,537	34,796
Operating income	4,171	3,183	3,611	2,394	2,171
Ordinary income	4,505	2,853	3,128	1,960	2,116
Income before income taxes	4,126	3,929	2,625	73	1,653
Net income	2,182	2,435	1,807	315	1,118
Shareholders' equity	27,151	24,920	20,511	18,809	18,910
Total assets	70,161	51,701	34,170	29,941	30,666
Per share (yen)					
EPS	111.88	126.54	104.25	21.21	83.64
Shareholders' equity	1,383.75	1,285.44	1,175.67	1,220.14	1,408.72

## Consolidated Balance Sheets

(Unit : millions of yen)

Account	Period	1Q 2007	%	1Q 2006	%	Dec. 2006	%
<b>ASSETS</b>							
I	Current assets						
	1. Cash and cash equivalents	6,902		7,704		6,417	
	2. Trade receivables	15,844		14,568		16,220	
	3. Inventories	9,545		7,970		9,383	
	4. Deferred tax assets	832		1,493		832	
	5. Others	3,849		2,878		3,206	
	6. Allowance for doubtful accounts	(63)		(39)		(65)	
	Total current assets	36,909	52.2	34,574	55.5	35,993	51.3
II	Fixed assets						
	(1) Tangible fixed assets						
	1. Buildings	13,115		8,376		13,062	
	2. Machinery and equipment	23,583		15,584		23,320	
	3. Furniture and fixture	7,687		3,796		7,579	
	4. Land	2,553		2,076		2,543	
	5. Construction in progress	2,105		1,520		1,782	
	6. Accumulated depreciation	(26,518)		(13,007)		(25,843)	
	Total tangible fixed assets	22,525	31.8	18,345	29.5	22,443	32.0
	(2) Intangible fixed assets						
	1. Goodwill	5,581		870		5,360	
	2. Leasehold rights	483		488		490	
	3. Software	200		129		213	
	4. Others	786		95		651	
	Total intangible fixed assets	7,050	10.0	1,582	2.5	6,714	9.6
	(3) Investments and other assets						
	1. Investments in securities	225		251		819	
	2. Deferred tax assets	2,499		4,447		2,489	
	3. Others	1,539		3,068		1,703	
	Total investments and other assets	4,263	6.0	7,766	12.5	5,011	7.1
	Total fixed assets	33,838	47.8	27,693	44.5	34,168	48.7
	<b>TOTAL ASSETS</b>	70,747	100.0	62,267	100.0	70,161	100.0

(Unit : millions of yen)

Account	Period	1Q 2007	%	1Q 2006	%	Dec. 2006	%
<b>LIABILITIES</b>							
I	Current liabilities						
1.	Trade payables	5,254		5,122		5,353	
2.	Short-term loans	11,247		6,953		10,531	
3.	Bond	1,200		---		1,200	
4.	Current portion of long term loan	1,513		1,438		1,500	
5.	Others	6,571		5,248		7,200	
	Total current liabilities	25,785	36.4	18,761	30.1	25,784	36.7
II	Fixed liabilities						
1.	Bond	8,000		9,200		8,000	
2.	Long-term loans	4,727		4,750		5,107	
3.	Deferred tax liabilities	1,485		295		1,525	
4.	Others	3,652		2,178		2,594	
	Total fixed liabilities	17,864	25.3	16,423	26.4	17,226	24.6
	Total liabilities	43,649	61.7	35,184	56.5	43,010	61.3
				1,625	2.6		
<b>MINORITY INTEREST</b>							
<b>SHAREHOLDERS' EQUITY</b>							
I	Paid in capital			6,874	11.0		
II	Capital reserve			6,687	10.7		
III	Retained earnings			12,774	20.5		
IV	Unrealized gains/losses on securities at market valuation			58	0.1		
V	Cumulative translation adjustments			(867)	(1.3)		
VI	Treasury stock			(68)	(0.1)		
	Total shareholders' equity			25,458	40.9		
				62,267	100.0		
<b>TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY</b>							
<b>SHAREHOLDERS' EQUITY</b>							
I	Shareholders' equity						
1.	Paid in capital	6,964	9.8			6,961	9.9
2.	Capital reserve	6,777	9.6			6,775	9.7
3.	Retained earnings	13,807	19.5			13,642	19.4
4.	Treasury stock	(1,523)	(2.1)			(1,522)	(2.2)
	Total shareholders' equity	26,025	36.8			25,856	36.8
II	Revaluation, translation adjustments and others						
1.	Unrealized gains/losses on securities at market valuation	35	0.0			29	0.1
2.	Gains/losses on hedging	61	0.1			96	0.1
3.	Cumulative translation adjustments	6	0.0			186	0.3
	Total revaluation, translation adjustments and others	102	0.1			311	0.5
III	Minority interest	971	1.4			984	1.4
	Total shareholders' equity	27,098	38.3			27,151	38.7
<b>TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY</b>							
		70,747	100.0			70,161	100.0

### Consolidated Statements of Income

(Unit : millions of yen)

Account	Period		1st Quarter		Change	
	2007		2006			
	Amount	% of Sales	Amount	% of Sales	Amount	%
I Net sales	16,888	100.0	14,806	100.0	2,082	14.1
II Cost of sales	12,979	76.9	10,724	72.4	2,255	21.0
Gross profit	3,909	23.1	4,082	27.6	(173)	(4.3)
III Selling, general & administrative expenses	3,204	18.9	3,000	20.3	204	6.8
Operating income	705	4.2	1,082	7.3	(377)	(34.8)
IV Non-operating income (expenses)						
Interest and dividends received	21		40		(19)	
Interest paid	(68)		(35)		(33)	
Exchange gain (loss)	59		242		(183)	
Investment loss on equity method	(145)		(78)		(67)	
Other non-operating income (expenses)	(9)		(45)		36	
Non-operating income (expenses)	(142)	(0.9)	124	0.8	(266)	---
Ordinary income	563	3.3	1,206	8.1	(643)	(53.3)
V Extraordinary income (losses)						
Gain on sales of fixed assets	1		0		1	
Gain on sales of securities	32		---		32	
Loss on disposal of fixed assets	(2)		(0)		(2)	
Extraordinary income (losses)	31	0.2	0	0.0	31	---
Income before income taxes	594	3.5	1,206	8.1	(612)	(50.7)
Income taxes	237	1.4	403	2.7	(166)	(41.1)
Minority interest	2	0.0	76	0.5	(74)	(97.4)
Net income	355	2.1	727	4.9	(372)	(51.2)

## Consolidated Statements of Cash Flows

(Unit : millions of yen)

Account	Period	1st Quarter	
		2007	2006
I. Cash flows from operating activities			
Net income		355	727
Depreciation and amortization		848	639
Gain on sales of fixed assets		(1)	(0)
Loss on disposal of fixed assets		2	0
Changes in account receivable		319	547
Changes in inventories		(185)	4
Changes in account payable		(70)	(648)
Others		(474)	(692)
Cash flows from operating activities		794	577
II. Cash flows from investing activities			
Purchase of tangible fixed assets		(844)	(568)
Proceeds from sales of tangible fixed assets		1	1
Acquisition of new subsidiary		(209)	(1,750)
Profit Participation Right		---	(658)
Investment in affiliated company		---	(1,678)
Investment in securities		(0)	(3)
Sales of investment in securities		498	---
Others		(5)	(11)
Cash flows from investing activities		(559)	(4,667)
III. Cash flows from financing activities			
Changes in short-term borrowings		715	(7,390)
Changes in long-term borrowings		(380)	1,033
Cash dividends paid		(190)	(485)
Revenue from issuance of stocks		5	205
Others		(1)	(2)
Cash flows from financing activities		149	(6,639)
IV. Effect of exchange rate changes on cash and cash equivalents		(35)	91
V. Net increase (decrease) in cash and cash equivalents		349	(10,638)
VI. Cash and cash equivalents at beginning of year		6,537	18,342
VII. Cash and cash equivalents at end of year		6,886	7,704

### Sales by Segment

(unit:millions of yen, %)

Business \ Period	1st quarter				
	FY2007	% of Total	FY2006	% of Total	% Change
Coil	10,700	63.4	9,544	64.5	12.1
VOGT Components	5,563	32.9	4,661	31.5	19.4
VOGT EMS	625	3.7	601	4.0	4.0
Total	16,888	100.0	14,806	100.0	14.1

### Quarterly Sales by Segment

(unit:millions of yen)

Business \ Period	FY2007	FY2006					FY2005				FY2004
	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	
Coil	10,700	11,637	11,194	9,874	9,544	10,317	10,225	9,700	9,424	9,361	
VOGT Components	5,563	5,059	4,667	4,491	4,661	-	-	-	-	-	
VOGT EMS	625	466	726	588	601	-	-	-	-	-	
Total	16,888	17,162	16,587	14,953	14,806	10,317	10,225	9,700	9,424	9,361	

### Sales by Region

(unit:million yen, %)

Area \ Period	4th quarter					12-month period (January-December)				
	FY2006	% of Total	FY2005	% of Total	% Change	FY2006	% of Total	FY2005	% of Total	% Change
Japan	2,583	15.1	2,264	21.9	14.1	9,663	15.2	9,148	23.1	5.6
Hong Kong/China	3,544	20.7	2,494	24.2	42.1	11,029	17.4	7,796	19.6	41.5
ASEAN	892	5.2	814	7.9	9.6	3,163	5.0	3,016	7.6	4.9
Taiwan/Korea	1,510	8.8	2,048	19.8	(26.3)	6,031	9.5	9,082	22.9	(33.6)
NAFTA	1,675	9.8	627	6.1	167.1	5,866	9.2	2,619	6.6	124.0
EU	6,885	40.1	2,070	20.1	232.6	27,683	43.6	8,005	20.2	245.8
Others	73	0.4	-	0.0	-	73	0.1	-	0.0	-
Total	17,162	100.0	9,700	100.0	66.3	63,508	100.0	39,666	100.0	60.1

## Segment Information

	1st quarter FY2007					
	Coils (millions of yen)	VOGTComponents (millions of yen)	VOGT EMS (millions of yen)	Total (millions of yen)	Elimination (millions of yen)	Consolidated (millions of yen)
Sales						
(1) Sales to third parties	10,700	5,563	625	16,888	-	16,888
(2) Inter-segment sales or transfers	79	39	-	118	(118)	-
Total	10,779	5,602	625	17,006	(118)	16,888
Operating expenses	9,618	5,364	632	15,614	569	16,183
Operating income	1,161	238	(7)	1,392	(687)	705
(%)	10.8	4.2	(1.1)	8.2	-	4.2

	1st quarter FY2006					
	Coils (millions of yen)	VOGTComponents (millions of yen)	VOGT EMS (millions of yen)	Total (millions of yen)	Elimination (millions of yen)	Consolidated (millions of yen)
Sales						
(1) Sales to third parties	9,544	4,661	601	14,806	-	14,806
(2) Inter-segment sales or transfers	-	-	-	-	-	-
Total	9,544	4,661	601	14,806	-	14,806
Operating expenses	8,042	4,408	539	12,989	735	13,724
Operating income	1,502	253	62	1,817	(735)	1,082
(%)	15.7	5.4	10.3	12.3	-	7.3

## **Overview of Consolidated Business Results for the First Quarter of 2007**

In 2007, along with better employment around the non-manufacturing sector and sustainable GDP growth of which consumer spending accounts for about 70%, the U.S. saw a stable growth in the economy going forward despite concerns over the cooling residential market and blunted corporate investments. The forecast of real GDP growth for 2007 in Europe has been adjusted upward by 0.3 point to 2.4% from its initial estimate. In Japan, the performance of non-manufacturing sector was perceived to outperform the manufacturing sector for the first time in 6.5 years, suggested the active economy evolving all over from manufacturing to non-manufacturing sector. On the strength of growing capital investments with the non-manufacturing sector and improving labor market, the economic growth rate is expected to maintain at slightly higher than 2% in 2007.

In Asia, China appeared to achieve a real growth rate of 11.1% in the 1<sup>st</sup> quarter thanks to the robust exports and vigorous investments. China is expected to post an annual growth rate as high as of 10.0% and India of 8%. The entire Asia excluding developed nations like Japan is seeing a year-round growth at 7.6%, the 5<sup>th</sup> straight year reporting a growth of more than 7%. With stable growth in the developed nations like the U.S., Europe and Japan and rapid growth in BRICs and other emerging countries, the global economy is projected to report a real growth at about 5%.

The global market for electronic products has been expanding on the back of the growing economy worldwide with full penetration of digital home appliances, replacement demands for sophisticated models of PCs and PC peripherals and cellular phones in developed countries in addition to mounting new purchases in the emerging regions.

Shipment for audiovisual equipment like digital home appliances including liquid crystal display (LCD) TVs and PDP-TVs has been trending favorably up. Shipment for personal computers, after 13.0% up to 113 million sets in the first half of 2006 as compared with the corresponding term of 2005, though posted a relatively blunted growth at 7.6% to 127 million sets in the latter half of 2006, slightly recovered and climbed 8.9% to 63 million sets in the 1<sup>st</sup> quarter of 2007. Shipment volume for cellular phones increased 21.1% to 454 million sets in the first half and 21.2% to 536 million sets in the 2<sup>nd</sup> half of 2006, and is estimated to have added 10.3% to about 247 million sets in the 1<sup>st</sup> quarter of 2007 compared with same term last year. As the new car sales worldwide are going through high-level expansion, demand for automotive electronic parts and peripherals that optimize safety, comfort and fuel-economy for cars has been continually prospering.

Under such circumstances, the mid-term goal for our annual sales has been set at ¥100 billion on the basis of the consolidation of both VOGT and PANTA beginning from the 1<sup>st</sup> quarter and July of 2006 respectively. All less profitable production bases including Jensen, Mexico and Taiwan are now undergone structural reforms in an effort to lifting the gain of the entire Group.

Overall sales of the First Quarter of 2007 added 14.1% to ¥16,888 million from the same term last year as a result of the keen expansion in Power Inductor, Power Solution and Signal, in addition to the increase of Automotive and Other Companies accompanied by the contribution of the VOGT Component Company and VOGT EMS Company despite the downturn in the sales of Inverter Company.

Operating income fell 34.8% year-on-year to ¥705 million by reason partly of the dramatic sales reduction in Inverter Company and partly of the declined profit margin in Legacy Company followed by negative impact from the incomplete scale of production at our PRC plants during the Lunar New Year holidays, in addition to the decrease in the automotive-related-equipment sales of higher profit margin from VOGT EMS Company.

Ordinary income reduced 53.3% to ¥563 million. This was explained by the additional interest payables, reduced exchange gain and increased investment loss stemmed from the equity method. Net income dropped 51.2% year-on-year to ¥355 million.

## **Business Segment Information**

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

### **I. COIL BUSINESS**

Sales for Coil Business were up 12.1% to ¥10,700 million following significant increase in Other Company and strong growth in Legacy Company and Automotive Company despite substantial reduction in Inverter Company.

Operating income decreased 22.7% year-on-year to ¥1,161 million due to the declined sales in Inverter Company in addition to the lower profit margin in Legacy Company led by a short-term impact from the incomplete scale of production during the Lunar New Year holidays. This is despite the upward sales of Automotive Company and the increased margin of Other Company driven by the expanded sales.

#### 1. Legacy Company

Sales in our Legacy Company increased 16.2% year-on-year to ¥5,964 million supported by the favorable growth of Power Inductor and Signal plus the drastic expansion of Power Solution.

##### a) Power Solution

Sales of Power Solution soared 38.8% to ¥1,062 million from the same term last year.

In terms of area, sales increased greatly in the U.S and Hong Kong/China and gently in Singapore but declined in Japan, Taiwan and Europe. For sales by product used, data processing equipments, recreational devices, automotive-related equipments, 4V coils for switching between cooling and heating and AV equipments expanded whereas industrial equipments, medical instruments, and communication devices dropped.

##### b) Power Inductor

Sales of Power Inductors gained 10.4% year-on-year to ¥3,690 million.

In terms of area, sales were up in Hong Kong/China, Europe, Singapore and Taiwan and but decreased in the U.S. and Japan. For sales by product used, AV equipments, phone sets, automotive-related equipments, recreational devices and power-supply-related devices expanded while PC & PC peripherals and industrial equipments shrank.

##### c) Signal

Sales of Signal added 18.2% to ¥1,212 million from the corresponding term last year.

In terms of area, sales climbed in Europe, Hong Kong/China and Japan but reduced in the U.S., Singapore and Taiwan. For sales by product used, AV equipments, automotive and tag-related devices were on the upside whereas OA equipments and industrial devices declined.

#### 2. Inverter Company

Sales of Inverter Company lost 22.5% year-on-year to ¥1,412 million.

In terms of area, sales rose in the U.S., Japan and Singapore but dropped in Taiwan, Hong Kong/China and Europe. For sales by product used, transformers, recreational devices and other monitors (excluding for PCs) though increased, liquid crystal TVs remained and notebook-sized PCs and liquid crystal monitors decreased.

#### 3. Automotive Company

Sales in Automotive Company lifted 17.6% to ¥2,294 million from a year earlier.

In terms of area, sales trended stably upward in Europe, the U.S. and Hong Kong/China but down in Japan and Singapore. For sales by product used, ABS, keyless entry, car air-conditioners, coils for the direct-injection engines and suspension systems increased.

#### 4. Other Company

Sales in Other Company gained 61.2% year-on-year to ¥1,030 million.

Other Company is made up of STELCO, JENSEN and PANTA. Sales though reduced in STELCO and JENSEN, PANTA which was acquired in the last 3<sup>rd</sup> quarter has been making great contribution to the turnover of the Company.

### II. VOGT COMPONENT COMPANY

Sales in VOGT Component Company increased 19.4% year-on-year to ¥5,563 million.

Sales increased for communication equipments, automotive, industrial and medical devices but decreased for home appliances, illumination devices and recreational equipments. Operating Profit reduced 5.9% year-on-year to ¥238 million because of the increased depreciation accounted for the production equipments in response to the additional orders.

### III. VOGT EMS COMPANY

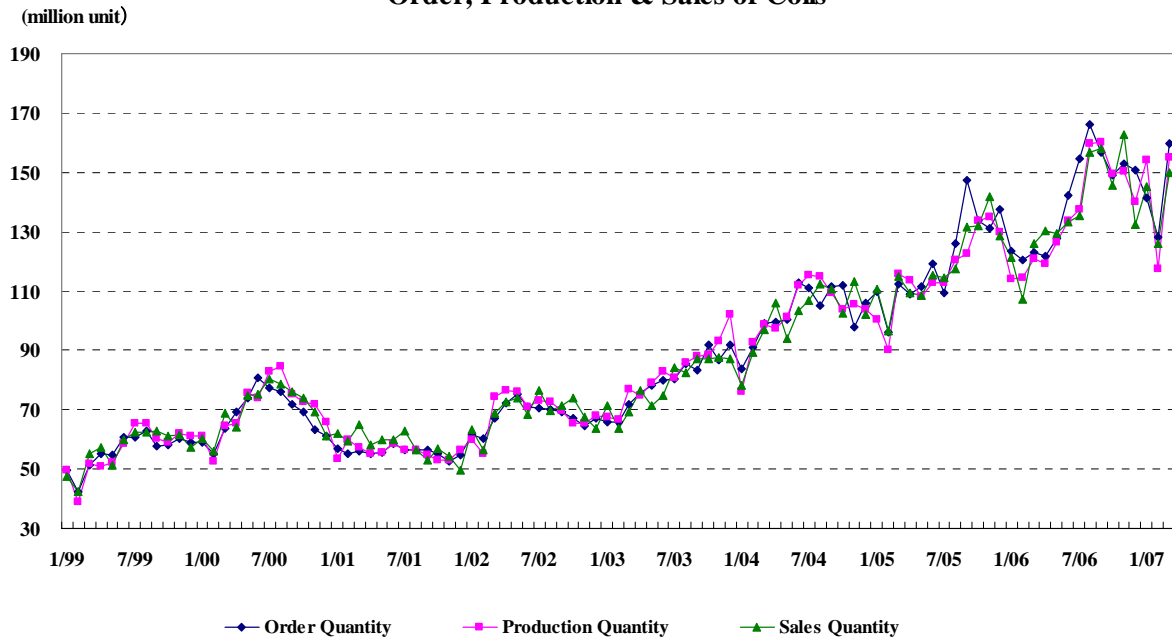
Sales in VOGT EMS Company were up 4% year-on-year to ¥625 million. Sales surged sharply for home and illumination appliances but pulled back for automotive-related equipments, communication devices, industrial and medical equipments. Operating income reported a loss of ¥7 million as compared with the profit of ¥62 million for the same term last year due to decrease of automotive-related products bearing relatively higher margin.

### **The Future Management Environment and Business Development Policy**

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

Orders for coils received by Sumida Group after the 2<sup>nd</sup> quarter of 2006 have remained at a high level. The monthly volume of orders received for coils (orders received during the current month and scheduled to sell during the current month exclude STELCO, JENSEN, PANTA and VOGT), after a record high of 159 million pieces on average per month in the 3<sup>rd</sup> quarter of 2006, reported 151 million pieces in the 4<sup>th</sup> quarter and 143 million pieces in the 1<sup>st</sup> quarter of 2007. The order volume was 12.7% up in the 4<sup>th</sup> quarter of 2006 and 17.2% up in the 1<sup>st</sup> quarter of 2007 as compared with the previous terms and has been maintained on the upside.

## Order, Production & Sales of Coils



The global electronic parts market is expected to resume and expand in the latter half of 2007, although the growth for semiconductors had weakened from the latter half of last year through the first half of this year. Production volume of personal computers in the globe is expected to put on 8.4% to 233 million sets in 2007 and go on with a stable growth, after an increase of 10.6% to 215 million sets in 2006 from 2005, attributable to the replacement demand for Windows Vista as well as new demand of the emerging countries. On the other hand, notebook-sized PCs grew 25.6% to 74 million sets in 2006 and are projected to add 18.0% to 87 million sets in 2007 as compared with the preceding years. Production volume of cellular phones jumped 24.5% year-on-year to 985 million sets in 2006 and is anticipated to keep up a mild growth though blunted at 9.6% to 1,080 million pieces in 2007. Production volume for liquid-crystal display (LCD) TVs [10 types and above] increased 106.9% year-on-year to 42 million sets in 2006 and saw a 51.2% growth to 63 million sets in 2007; PDP TVs grew 64.2% to 10 million sets in 2006 and saw another 40.0% up year-on-year to 14 million sets in 2007; DVD recorders climbed 22.4% to 18 million sets in 2006 and saw a further 21.6% increase to 22 million sets in 2007; DSCs added 12.5% to 98 million sets in 2006 and saw an addition of 7.6% to 105 million sets in 2007.

Sales of new cars in the globe are estimated to have gained close to 5% in 2006 as sales expanded notably in China, India and Eastern Europe despite stagnancy in Japan, the U.S. and Europe. Although the growth in the U.S., Japan and Europe was gentle in the beginning of 2007, the great expansion in China, India and other emerging countries is foreseen to sustain leading to a stable growth in the globe. The tendency that stresses on safety and comfortable cruising as well as fuel-economy for cars has ever increased in a globe wide. Japan has a policy in force that sets a target to cut the present automotive fuel consumption by 20% by 2015. Besides, the U.S. that has been behind with the environmental measures would also tighten the regulations due to increasing pressure on crises prevention in the world. The demand for electronic parts leading to the safety, comfort, fuel-economy and other features for automotive is expected to result in a mid to long term growth.

Amid such business environment, Sumida group focuses not only on expansion of the existing Coil Business and VOGT Business in excess of the global electronic market but also aims towards improvement of profitability. We are committed to structural reforms in full force at our less profitable divisions like the Mexican plant producing automotive parts, Taiwan factory for inverter and JENSEN.

## **I. COIL BUSINESS**

### **1. Legacy Company**

For power solution, sales remained strong in the 1<sup>st</sup> quarter of 2007 following a record high in the 4<sup>th</sup> quarter of 2006 as a result of the robust growth for AV and recreational-related equipments as well as the input of 4V coils. Sumida is committed to exploring sales of networking devices for ADSL or ISDN, digital cameras, recreational-related equipments, HID Lamps.

For power inductor, more effort will be extended to push sales on cellular phones, digital cameras, HDD, notebook-sized computers, automotive-mounted parts, recreational devices, printers and portable music players. We scheduled not only to reinforce the sales of cellular phones in Japan, Europe and the U.S. but also to explore new customers for HDD related parts following the increased production of personal computers. Portable music players had reduced since the 4<sup>th</sup> quarter of 2006 due to the change of new model and full effort had been devoted to the development of the new type.

For signal, the business intends to bolster sales of printer, ADSL, digital TVs, TPMS, FA devices, fish-finder equipments and tags in addition to the major sales of toner sensors.

### **2. Inverter Company**

The Inverter Company deals with the inverter transformers and inverter units used for of notebook-sized PCs, LCD monitors, liquid-crystal display (LCD) TVs and recreational devices. Sales of notebook-sized PCs slowed down due to the change of new models by the major customer but orders for old models has increased from the 1st quarter. While speeding up the development of new models, the Company is exploring at the same time new customers. For LCD monitors, the Business is endeavoring to enhance its R&D development on the two-in-one system with the aim of grasping more market shares. Meanwhile, the team has devoted to reinforce sales of inverters and transformers used for LCD TVs mainly in Taiwan, Japan and Korea. Besides, the production currently in Taiwan is being transferred shortly to Suzhou in China in order to minimize the overall manufacturing costs.

### **3. Automotive Company**

For ABS coil, we are continuing making all-out efforts to grow the sales. Besides, we have developed three customers for Keyless Entry and widened the applications to more car models. Apart from struggling for new customers, the business also stresses to expand shares from existing clients. Our aims towards the development of Keyless Entry as the second pillar product next to ABS coils is close to achieve. New product for injection coil used for the direct-injection engine has been scheduled with the full-grown production. Various activities have started to reinforce sales of coils for immobilizer, transmission, navigation system, and EPS (electronic power steering) in the worldwide market. Products with comparatively lower margin will be shifted from Mexico to China to optimize the gain.

### **4. Other Company**

STELCO is striving orders for portable telephone terminals through its widespread sales network cultivated in Europe. The Company aims to boost the total sales of the Group by inclusion of products originated from Sumida and VOGT. It also dedicates resources to reinforce OEM production in China to assure its competitiveness on the cost structure.

JENSEN currently sells mainly surge arresters, and gap tubes used for projectors in Europe. The Business will focus its efforts on acquiring orders for HID used for automotive in future.

PANTA which has been acquired in July of 2006 bases in Germany engaging in the manufacture and sale of Flat Cables for automotive equipment, measuring instruments and other electronic manufacturers in Europe. The future direction of the Company is to develop and enhance sales both in Asia and the U.S.

## **II. VOGT COMPONENT COMPANY**

The VOGT Component Company engages in sales of coils, various modules, sensors and the

like for a wide variety of applications such as automotive devices, communication equipment, industrial & medical equipment, recreational equipment, home appliances and lighting devices mainly to Europe, America and China. Low-margin products are being shifted to our factories in PRC with lower manufacturing costs to strengthen our competitiveness, which lead to our actualization of plowing up our base in the China Market.

### **III. VOGT EMS BUSINESS COMPANY**

The VOGT EMS Company sells power steering control units, GPS antennas, theft-prevention control units, diesel-engine control units, power supplies and etc. to mainly European customers. The Company would make every endeavor to improve productivity to heighten as much possible the profit margin in future.

#### **Forecast of Business Results in the Second Quarter of 2007**

Sumida group is publishing the forecast of business results by compiling commitments submitted from each of our divisions covering the following quarter.

The following is our forecast at this point of business results in the second quarter of 2007.

Forecast of consolidated business results in the 2nd quarter of 2007 (from Apr. 1 to Jun. 30, 2007)		Actual figures of consolidated business results in the 2nd quarter of 2006 (from Apr. 1 to Jun.30, 2006)	
Sales	¥17,300M	Sales	¥14,953M
Operating income	1,000M	Operating income	1,125M
Ordinary income	800M	Ordinary income	1,234M
Current term net income	480M	Current term net income	586M

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