



Financial Results for the 2<sup>nd</sup> Quarter  
ended 30 June 2008

**SUMIDA CORPORATION**

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## CEO's Message for the Second Quarter of Fiscal 2008

As entering into the second half year of 2008, the world economic outlook has been becoming more mixed than the first half. Due to the declining domestic consumption and soaring oil and food prices, it shows the downturn in the US and some slow down in Europe and Japan; while the financial markets in the North America and Europe have still been vulnerable and uncertain with the tightening in credit worldwide.

On the other hand, China, India and other emerging economies have still been demonstrating their strong growth and their expansion of domestic demand also underpins developed economies to some extent as exports to these emerging countries from the US and other developed countries increase. Those countries are expected to uptrend in development owing to continuous increase in infrastructure-related investments and expanding domestic consumption. Nevertheless, there seems to be a sign of slow down even in these economies due to the even higher volatility in raw material prices as well as a concern about increasing inflationary pressure.

As there is more uncertainty observed about economic growth, companies' profit growth, interest rates and inflation, it makes the outlook even more difficult and we are facing the business environment which requires more careful management.

Under such circumstances, there has also been a sign of the decreasing demand in the electronics components industry, particularly in the North American market, which influences more or less on the order amount in the electronic devices industry. Cautiousness of the demand trend is still prevailing in the short term, accordingly the future business situation is not clear enough.

While it is generally observed, some differences are also shown depending on individual products and regions. For example, demand for notebook PC and mobile phone is still expected to increase at double digit growth rate and one for such automotive components as ABS is also expected to grow because of expanding demand for hybrid cars, commercialization of electric cars, and more stringent safety requirements which tend to be put in place by regulatory authorities. Taking into account of these aspects, further demand in the electronic devices are expected to grow in the mid-long term.

Regarding the business in the 2<sup>nd</sup> Quarter in 2008, net sales decreased by 15.9% year-on-year to 15,480 million yen due to the sale of unprofitable businesses which were carried out last year and declining of order amount for the North America market. Operating income also underachieved by 16.9% year-on-year to 1,040 million yen. As a result, in the 1<sup>st</sup> Half in 2008, although net sales decreased by 14.1% to 30,315 million yen, operating profit increased by 6.3% to 2,083 million yen owing to the improvement of profitability mainly in VOGT's Europe business.

We have set various measures for our mid-term business plan, "Triple Ex" and made steady progress. We aim to achieve the targets set respectively in manufacturing, R&D, marketing and in M&A, focusing on further improving our core strengths such as low cost manufacturing and correspondence capability to the global customer needs and putting more efforts to R&D activities which create innovative and leading product groups. Especially in the manufacturing aspect, as a countermeasure of the rising labour cost which affects our short term business result, we have established the first satellite factory in Nanning City, Guangxi in China in order to control stable labour cost from the mid-long term view point. As to the R&D aspect, we held a global meeting between top management members and senior engineers in order to actively find new potential R&D items and have started some projects which mainly focus on automotive, industry and medical areas.

The world economy is facing a turning point and is changing drastically. Under such circumstances, the electronic technology and devices are also evolving limitless and their usage is further more expanding in future. We will continue to challenge these changes and strive to achieve steady growth under any circumstances.



Shigeyuki Yawata  
Sumida Group CEO

## Consolidated Financial Highlights for the 2nd Quarter ended 30 June 2008

### 1. Consolidated Results of Operations

(Millions of yen, %)

Category \ Period	2nd Quarter					6-month period (January - June)				
	2008	% of Total	2007	% of Total	% Change	2008	% of Total	2007	% of Total	% Change
Net sales	15,479	100.0	18,402	100.0	(15.9)	30,314	100.0	35,290	100.0	(14.1)
Operating income	1,051	6.8	1,253	6.8	(16.1)	2,093	6.9	1,958	5.5	6.9
Ordinary income	517	3.3	1,750	9.5	(70.5)	1,327	4.4	2,313	6.6	(42.6)
Income before income taxes	427	2.8	1,001	5.4	(57.3)	1,181	3.9	1,595	4.5	(26.0)
Net income	(17)	(0.1)	679	3.7	(102.5)	485	1.6	1,034	2.9	(53.2)
Net income per common share (yen)										
(Basic)	(0.93)	—	35.95	—	—	25.22	—	54.70	—	—
(Fully diluted)	—	—	30.46	—	—	21.62	—	46.35	—	—

### 2. Consolidated Financial Conditions

(Millions of yen)

Category \ Period	2nd Quarter		
	2008	2007	Increase/Decrease
Total assets	68,507	74,323	(5,816)
Paid in capital	7,217	6,964	253
Net assets	29,128	29,582	(454)
Total numbers of stock issued (thousand shares)	19,213	18,912	301
Net assets per share (yen)	1,448.78	1,512.01	(63.23)
Equity ratio (%)	40.6	38.5	—

### 3. Consolidated Statements of Cash Flows

(Millions of yen)

Category \ Period	2nd Quarter			6-month period (January - June)		
	2008	2007	Increase/Decrease	2008	2007	Increase/Decrease
Cash flows from operating activities	1,098	1,050	48	672	1,844	(1,172)
Cash flows from investing activities	(886)	(1,584)	698	(407)	(2,143)	1,736
Cash flows from financing activities	(798)	(636)	(162)	(1,375)	(487)	(888)
Cash and cash equivalents, end of period	8,060	5,966	2,094	8,060	5,966	2,094

### 4. Estimation of 3rd Quarter 2008

Category \ Period	2008 3Q (Estimation)	2007 3Q (Actual)	% Change
Net sales (millions of yen)	16,000	17,885	(10.5)
Operating income (millions of yen)	1,100	1,438	(23.5)
Ordinary income (millions of yen)	870	1,023	(15.0)
Net income (millions of yen)	530	872	(39.2)
Net income per share (yen)	27.59	45.60	—

### 5. Consolidated Quarterly Business Results

(Millions of yen)

Category \ Period	2008		2007				2006		
	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
Net sales	15,479	14,835	17,035	17,885	18,402	16,888	17,162	16,587	14,953
Operating income	1,051	1,042	1,316	1,438	1,253	705	608	1,356	1,125
Ordinary income	518	810	1,032	1,023	1,750	563	492	1,574	1,234
Income before income taxes	427	754	767	1,252	1,001	594	(94)	1,493	1,520
Net income	(17)	502	949	872	679	355	(55)	924	586

## 6. Consolidated Yearly Business Results

(Millions of yen)

	2007	2006	2005	2004	2003
Net sales	70,210	63,508	39,666	36,246	30,537
Operating income	4,712	4,171	3,183	3,611	2,394
Ordinary income	4,368	4,505	2,853	3,128	1,960
Income before income taxes	3,614	4,126	3,929	2,625	73
Net income	2,855	2,182	2,435	1,807	315
Shareholders' equity	29,919	27,151	24,920	20,511	18,809
Total assets	71,510	70,161	51,701	34,170	29,941
Per share (yen)					
EPS	149.96	111.88	126.54	104.25	21.21
Shareholders' equity	1,486.13	1,383.75	1,285.44	1,175.67	1,220.14

## Consolidated Balance Sheets

(Unit : millions of yen)

Account	Period	2Q 2008	%	2Q 2007	%	Dec. 2007	%
<b>ASSETS</b>							
I	Current assets						
	1. Cash and cash equivalents	8,066		5,815		9,181	
	2. Trade receivables	13,002		16,972		12,597	
	3. Inventories	9,189		10,547		9,814	
	4. Deferred tax assets	1,952		646		1,894	
	5. Others	4,335		4,684		6,207	
	6. Allowance for doubtful accounts	(44)		(57)		(35)	
	Total current assets	36,500	53.3	38,607	51.9	39,658	55.5
II	Fixed assets						
	(1) Tangible fixed assets						
	1. Buildings	11,397		13,505		11,450	
	2. Machinery and equipment	24,772		25,225		24,017	
	3. Furniture and fixture	8,106		8,035		7,881	
	4. Land	1,372		2,717		1,367	
	5. Construction in progress	1,630		2,515		2,282	
	6. Accumulated depreciation	(28,076)		(28,287)		(27,121)	
	Total tangible fixed assets	19,201	28.0	23,710	31.9	19,876	27.8
	(2) Intangible fixed assets						
	1. Goodwill	6,602		5,886		6,495	
	2. Leasehold rights	432		504		458	
	3. Software	296		236		290	
	4. Others	601		653		630	
	Total intangible fixed assets	7,931	11.6	7,279	9.8	7,873	11.0
	(3) Investments and other assets						
	1. Investments in securities	1,199		774		881	
	2. Deferred tax assets	2,306		3,333		1,852	
	3. Others	1,347		620		1,370	
	Total investments and other assets	4,852	7.1	4,727	6.4	4,103	5.7
	Total fixed assets	31,984	46.7	35,716	48.1	31,852	44.5
III	Deferred assets	23		---		---	
	Total deferred assets	23	0.0	---	---	---	---
	<b>TOTAL ASSETS</b>	<b>68,507</b>	<b>100.0</b>	<b>74,323</b>	<b>100.0</b>	<b>71,510</b>	<b>100.0</b>

(Unit : millions of yen)

Period	2Q 2008		2Q 2007		Dec. 2007	
Account		%		%		%
<b>LIABILITIES</b>						
I Current liabilities						
1. Trade payables	3,857		6,186		4,433	
2. Short-term loans	13,482		11,230		14,673	
3. Current portion of convertible bond payable	---		1,200		---	
4. Convertible bonds with stock acquisition rights (with remaining) maturities of less than a year	7,830		---		---	
5. Current portion of long term loan	1,500		1,526		1,523	
6. Others	4,809		6,346		5,210	
Total current liabilities	31,478	45.9	26,488	35.6	25,839	36.2
II Fixed liabilities						
1. Convertible Bond	1,200		---		---	
2. Convertible bonds with stock acquisition rights	---		8,000		8,000	
3. Long-term loans	2,813		4,323		3,563	
4. Deferred tax liabilities	482		1,943		566	
5. Others	3,406		3,987		3,623	
Total fixed liabilities	7,901	11.5	18,253	24.6	15,752	22.0
Total liabilities	39,379	57.4	44,741	60.2	41,591	58.2
<b>SHAREHOLDERS' EQUITY</b>						
I Shareholders' equity						
1. Paid in capital	7,217	10.5	6,964	9.4	7,217	10.1
2. Capital reserve	7,030	10.3	6,777	9.1	7,030	9.8
3. Retained earnings	16,035	23.4	14,465	19.4	15,934	22.2
4. Treasury stock	(1,524)	(2.2)	(1,523)	(2.0)	(1,524)	(2.1)
Total shareholders' equity	28,758	42.0	26,683	35.9	28,657	40.0
II Revaluation, translation adjustments and others						
1. Unrealized gains/losses on securities at market valuation	(88)	(0.1)	52	0.1	(82)	(0.1)
2. Gains/losses on hedging	(17)	(0.0)	114	0.2	(27)	(0.0)
3. Cumulative translation adjustments	(817)	(1.2)	1,747	2.3	6	0.0
Total revaluation, translation adjustments and others	(922)	(1.3)	1,913	2.6	(103)	(0.1)
	1,292	1.9	986	1.3	1,365	1.9
III Minority interest						
Total shareholders' equity	29,128	42.6	29,582	39.8	29,919	41.8
<b>TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY</b>	68,507	100.0	74,323	100.0	71,510	100.0

## Consolidated Statements of Income

(Unit : millions of yen)

Account	Period	2nd Quarter				6-month Period (January - June)			
		2008		2007		2008		2007	
		Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
I Net sales		15,479	100.0	18,402	100.0	30,314	100.0	35,290	100.0
II Cost of sales		11,695	75.6	13,996	76.1	22,564	74.4	26,975	76.4
Gross profit		3,784	24.4	4,406	23.9	7,750	25.6	8,315	23.6
III Selling, general & administrative expenses		2,733	17.6	3,153	17.1	5,657	18.7	6,357	18.1
Operating income		1,051	6.8	1,253	6.8	2,093	6.9	1,958	5.5
IV Non-operating income (expenses)									
Interest and dividends received		41		38		72		59	
Interest paid		(126)		(123)		(232)		(191)	
Exchange gain (loss)		(445)		455		(627)		514	
Investment loss on equity method		---		86		---		(59)	
Other non-operating income (expenses)		(4)		41		21		32	
Non-operating income (expenses)		(534)	(3.4)	497	2.7	(766)	(2.5)	355	1.1
Ordinary income		517	3.4	1,750	9.5	1,327	4.4	2,313	6.6
V Extraordinary income (losses)									
Gain on sales of fixed assets		(7)		994		10		995	
Gain on sales of securities		1		---		1		32	
Loss on disposal of fixed assets		(3)		(22)		(19)		(24)	
Structural reorganization expenses		(37)		(613)		(85)		(613)	
Valuation loss of investment securities		---		(946)		---		(946)	
Loss on sales of securities of affiliated company		---		(162)		---		(162)	
Other extraordinary income (losses)		(44)		---		(53)		---	
Extraordinary income (losses)		(90)	(0.5)	(749)	(4.1)	(146)	(0.5)	(718)	(2.1)
Income before income taxes		427	2.8	1,001	5.4	1,181	3.9	1,595	4.5
Income taxes		445	2.9	287	1.5	683	2.3	524	1.5
Minority interest		(1)	(0.0)	35	0.2	13	0.0	37	0.1
Net income		(17)	(0.1)	679	3.7	485	1.6	1,034	2.9

## Consolidated Statements of Cash Flows

(Unit : millions of yen)

Account	Period	2nd Quarter		6-month Period (Jan. - Jun.)	
		2008	2007	2008	2007
I. Cash flows from operating activities					
Income before income taxes		427	1,001	1,181	1,595
Depreciation and amortization		878	1,022	1,688	1,870
Gain on sales of fixed assets		7	(994)	(10)	(995)
Loss on disposal of fixed assets		3	22	19	24
Changes in account receivable		(188)	(479)	(530)	(160)
Changes in inventories		384	(535)	437	(720)
Changes in account payable		16	668	(443)	598
Others		(429)	345	(1,670)	(368)
Cash flows from operating activities		1,098	1,050	672	1,844
II. Cash flows from investing activities					
Purchase of tangible fixed assets		(778)	(1,369)	(1,549)	(2,213)
Proceeds from sales of tangible fixed assets		87	10	175	11
Investment in affiliated company		(62)	(169)	(62)	(378)
Investment in securities		(556)	(10)	(704)	(10)
Sales of investment in securities		162	---	201	498
Sales of subsidiary		309	---	1,743	---
Others		(48)	(46)	(211)	(51)
Cash flows from investing activities		(886)	(1,584)	(407)	(2,143)
III. Cash flows from financing activities					
Changes in short-term borrowings		(1,208)	(16)	(1,195)	699
Changes in long-term borrowings		(376)	(382)	(773)	(762)
Cash dividends paid		(190)	(238)	(383)	(428)
Revenue from issuance of stocks		---	---	---	5
Others		976	---	976	(1)
Cash flows from financing activities		(798)	(636)	(1,375)	(487)
IV. Effect of exchange rate changes on cash and cash equivalents		394	250	(186)	215
V. Net increase (decrease) in cash and cash equivalents		(192)	(920)	(1,296)	(571)
VI. Cash and cash equivalents at beginning of year		8,252	6,886	9,356	6,537
VIII. Cash and cash equivalents at end of year		8,060	5,966	8,060	5,966

### Sales by Segment

(Unit: millions of yen, %)

Business \ Period	2nd Quarter					6-month period (January - June)				
	2008	% of Total	2007	% of Total	% Change	2008	% of Total	2007	% of Total	% Change
Coil	9,856	63.7	11,855	64.4	(16.9)	19,269	63.6	22,555	63.9	(14.6)
VOGT Components	5,193	33.5	5,872	31.9	(11.6)	10,197	33.6	11,435	32.4	(10.8)
VOGT EMS	430	2.8	675	3.7	(36.3)	848	2.8	1,300	3.7	(34.8)
Total	15,479	100.0	18,402	100.0	(15.9)	30,314	100.0	35,290	100.0	(14.1)

### Quarterly Sales by Segment

(Unit: millions of yen)

Business \ Period	2008		2007				2006		
	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
Coil	9,856	9,413	11,613	11,836	11,855	10,700	11,637	11,194	9,874
VOGT Components	5,193	5,004	4,905	5,359	5,872	5,563	5,059	4,667	4,491
VOGT EMS	430	418	517	690	675	625	466	726	588
Total	15,479	14,835	17,035	17,885	18,402	16,888	17,162	16,587	14,953

### Sales by Region

(Unit: millions of yen, %)

Area \ Period	2nd Quarter					6-month period (January - June)				
	2008	% of Total	2007	% of Total	% Change	2008	% of Total	2007	% of Total	% Change
Japan	2,317	15.0	2,355	12.8	(1.6)	4,591	15.1	4,702	13.3	(2.4)
Hong Kong / China	2,722	17.6	3,528	19.2	(22.8)	5,228	17.2	6,551	18.6	(20.2)
ASEAN	749	4.8	798	4.3	(6.1)	1,427	4.7	1,536	4.3	(7.1)
Taiwan / Korea	384	2.5	1,315	7.1	(70.8)	773	2.6	2,317	6.6	(66.6)
NAFTA	1,919	12.4	1,960	10.7	(2.1)	4,015	13.2	3,601	10.2	11.5
EU	7,334	47.4	8,429	45.8	(13.0)	14,174	46.8	16,542	46.9	(14.3)
Other	54	0.3	17	0.1	217.6	106	0.4	41	0.1	158.5
Total	15,479	100.0	18,402	100.0	(15.9)	30,314	100.0	35,290	100.0	(14.1)

## Segment Information

	2nd quarter FY2008					
	Coil (millions of yen)	VOGT Components (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	9,856	5,193	430	15,479	-	15,479
(2)Inter-segment sales of transfers	184	41	2	227	(227)	-
Total	10,040	5,234	432	15,706	(227)	15,479
Operating expenses	8,457	4,966	412	13,835	593	14,428
Operating income	1,583	268	20	1,871	(820)	1,051
(%)	15.8	5.1	4.6	11.9	-	6.8

	2nd quarter FY2007					
	Coil (millions of yen)	VOGT Components (millions of yen)	VOGT EMS (millions of yen)	Total (millions of yen)	Elimination (millions of yen)	Consolidated (millions of yen)
Sales						
(1)Sales to third parties	11,855	5,872	675	18,402	-	18,402
(2)Inter-segment sales of transfers	159	42	-	201	(201)	-
Total	12,014	5,914	675	18,603	(201)	18,402
Operating expenses	10,363	5,694	630	16,687	462	17,149
Operating income	1,651	220	45	1,916	(663)	1,253
(%)	13.7	3.7	6.7	10.3	-	6.8

	6-month period (January - June) FY2008					
	Coil (millions of yen)	VOGT Components (millions of yen)	VOGT EMS (millions of yen)	Total (millions of yen)	Elimination (millions of yen)	Consolidated (millions of yen)
Sales						
(1)Sales to third parties	19,269	10,197	848	30,314	-	30,314
(2)Inter-segment sales of transfers	395	84	3	482	(482)	-
Total	19,664	10,281	851	30,796	(482)	30,314
Operating expenses	16,705	9,617	835	27,157	1,064	28,221
Operating income	2,959	664	16	3,639	(1,546)	2,093
(%)	15.0	6.5	1.9	11.8	-	6.9

	6-month period (January - June) FY2007					
	Coil (millions of yen)	VOGT Components (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	22,555	11,435	1,300	35,290	-	35,290
(2)Inter-segment sales of transfers	238	81	-	319	(319)	-
Total	22,793	11,516	1,300	35,609	(319)	35,290
Operating expenses	19,981	11,058	1,262	32,301	1,031	33,332
Operating income	2,812	458	38	3,308	(1,350)	1,958
(%)	12.3	4.0	2.9	9.3	-	5.5

## **Overview of Consolidated Business Results for the Second Quarter of 2008**

In 2008, the likelihood leading to financial crisis and market collapse seemed less imminent as a result of the buyout of Bear Stearns organized by JP Morgan Chase and the Federal Reserve Board, and the US Government's statement to bail out two more public corporations of mortgage-backed securities at risk, the real economy like personal spending inevitably deteriorated because of the high prices of the grains and crude oil. The economic growth in the US is expected to range from 1.5 to 2.0% due to the domestic demand in the emerging countries and weak-dollar urge exports. The economy of the Euro zone that continued to increase exports to the oil producing countries like the Old Soviet sphere and the Middle East though contracted due to the repeated interest rises, the deceleration of the economy in advanced nations may stabilize the resource prices which may in turn grant access to interest cuts to avoid stagflation, bringing about an estimate of 1.5% real GDP growth. In Japan, the demand was suppressed during the course of implementation of the strict earthquake-proof Construction Standard Act last year, the housing investment and personal spending achieved good growth in this 1<sup>st</sup> quarter on the rebound for a leap day but the economy is expected to slow down in view of the stagnant export, inflation along with the deteriorating employment environment. Nevertheless, improvement is foreseen in this 4<sup>th</sup> quarter on the strength of the growing export from the Middle East and Russia, stabilization of the US economy on top of the relief of inflationary pressure.

China is expected for a growth rate of close to 10% this year despite its decelerating economy from its declined export, inflation and government's continual tightening policy while India is estimated to post 8%. According to the latest IMF announcement, the real GDP growth worldwide reported 4.1% in 2008, saw 3.9% in 2009 and further continual growth even though not as much of 5% as in 2006-2007.

The worldwide demand for electronic equipment like notebook-sized PCs, cellular phones and DSC has though on the upside, the set manufacturers squeezed desperately the stock level in the 1<sup>st</sup> quarter in light of the increasing uncertainty followed by the financial instability and rising prices of the grains and crude oil. The tendency has lasted in the 2<sup>nd</sup> quarter where the orders were restrained to the minimum.

Shipment for personal computers gained 15.5% year-on-year to 266 million sets in 2007, climbed 14.6% to 69 million sets in the 1st quarter and 15.3% to 71 million sets in the 2<sup>nd</sup> quarter as compared the corresponding terms last year. Shipment volume for cellular phones, after a record high of 12.5% year-on-year to 1,144 million pieces in 2007, added 14.3% to 292 million pieces in the 1st quarter and 15.3% to 306 million pieces in the 2<sup>nd</sup> quarter of 2008. Shipment for DSC rose 27.1% year-on-year to 100 million sets in 2007, increased 33.0% to 24 million sets in the 1st quarter and 29.5% to 32 million sets in the 2<sup>nd</sup> quarter which had already achieved growth of about 30%. In addition to the various new electronic parts and peripherals through research and development in pursuit of safety, comfort and fuel-economy for cars; ABS coils that first designed for prevention from wheel lock at emergency braking can also be used for prevention from sideslip of tires. The number of electronic parts to be deployed in each automobile would sustain the expansion.

Under such circumstances, Sumida Group, with the enlarged business scale in Automotive Company and improved productivity in Legacy Company under Coil Business, and with the production footholds and management resources focused on Romania and Slovenia since last year under Vogt Component Company, has been devoting efforts and making all out to improve the corporate value.

Overall sales of the Second Quarter of 2008 fell 15.9% year-on-year to ¥15,479 million. It was partly explained by the appreciation of Japanese Yen which inflated year-on-year from 120.63 to 104.53 Yen to a US dollar causing an inevitably twin-digit sales decrease in Legacy Company, and partly due to the sales decline from the restructuring of Inverter Company and Vogt EMS Company and from the different accounting treatment in which the materials to subcontractor had been changed to free of charge since this year in Vogt Component Company, despite the expansion in Automotive Company and Other Company.

Operating income dropped 16.1% year-on-year to ¥1,051 million, resulted from the production adjustment by the leading customer in Vogt EMS Company and the declined profit margin in Coil Business led by the declined sales in Legacy Company, despite improved profit benefited from the restructuring last year in Vogt Component Company.

Ordinary income reduced 70.5% year-on-year to ¥517 million down to the increase of interest payables and exchange loss despite the absence of investment loss from the equity-method. Net income slid 102.5% year-on-year to ¥17 million loss due to the payment of provisional tax for prior years in spite of decreasing extraordinary loss from the completion of restructuring.

### **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 dipped 16.9% to ¥9,856 million due to sales reduction in of Inverter Company and Legacy Company despite increase in Automotive Company and moderate growth in Other Company.

Operating income fell 4.1% year-on-year to ¥1,583 million. The profit lost from the declined sales in Legacy Company was made up by the increased revenue and improved profit margin in Automotive Company and Other Company.

##### 1. Legacy Company

Sales in our Legacy Company shed 12.8% year-on-year to ¥5,712 million with the overall reduction in Power Solution, Power Inductor and Signal.

##### a) Power Solution

Sales of Power Solution decreased 20.1% to ¥989 million from the same term last year.

In terms of area, sales climbed in Europe and Singapore but reduced in the U.S., Hong Kong/China, Taiwan and Japan. For sales by product used, industrial devices and medical instruments increased whereas automotive-related equipments, recreational devices, AV equipments, PC & PC peripherals and 4V coils for witching between cooling and heating reduced.

##### b) Power Inductor

Sales of Power Inductors were down 12.9% year-on-year to ¥3,495 million.

In terms of area, sales decreased in all areas such as Hong Kong/China, Taiwan, the U.S., Singapore and Europe except Japan. For sales by product used, recreational devices, industrial devices and medical instruments expanded while AV equipments, PC & PC peripherals, phone sets, automotive-related equipments and power-supply-related devices reduced.

##### c) Signal

Sales of Signal dropped 5.5% year-on-year to ¥1,228 million.

In terms of area, sales lost in the U.S., Singapore, Hong Kong/China, Taiwan and Europe except Japan. For sales by product used, AV equipments, Industrial devices and medical instruments expanded whereas tags, OA equipments, PC & PC peripherals and automotive-related devices declined.

##### 2. Inverter Company

Sales of Inverter Company slipped 83.7% year-on-year to ¥299 million.

In terms of area, sales increased in the U.S. and Singapore but withdrew in Taiwan Hong Kong/China, Japan and Europe. For sales by product used, liquid crystal TVs increased but notebook-sized PCs and liquid crystal monitors decreased.

##### 3. Automotive Company

Sales in Automotive Company gained 14.2% year-on-year to ¥2,811 million.

In terms of area, sales were on the upside in Europe and Singapore but reduced in the U.S., Hong Kong/China and Japan. For sales by product used, ABS and coils for the direct-injection engines increased while coils for keyless entry and car air conditioner were stagnant.

##### 4. Other Company

Sales in Other Company were up 2.0% year-on-year to ¥1,034 million and on the moderate upward trend.

Other Company is made up of STELCO and PANTA and both companies contributed with increased revenue.

## **II. VOGT COMPONENT COMPANY**

Sales in VOGT Component Company declined 11.6% year-on-year to ¥5,193 million.

The sales decline was explained by the different treatment on materials to subcontractor. Materials supplied to subcontractors were accounted as sales last year but had been provided free of charge this year. Operating income climbed 21.8% year-on-year to ¥268 million attributable to the effect from the business restructuring in last year.

## **III. VOGT EMS COMPANY**

Sales in VOGT EMS Company decreased 36.3% year-on-year to ¥430 million.

Sales grew orderly for industrial and medical devices but reduced for home and illumination appliances and communication devices following the disposal of Letron in the 4<sup>th</sup> quarter of last year. Operating income reduced 55.6% year-on-year to ¥20 million due to production adjustment imposed by the leading customer.

### **Consolidated Business Results for January to June of 2008**

Overall sales of the first half of 2008 fell 14.1% from the same term last year to ¥30,314 million. It was partly explained by the appreciation of Japanese Yen which inflated year-on-year from 120.05 to 104.99 Yen to a US dollar causing an inevitably twin-digit sales decrease in Legacy Company, and partly due to the sales decline from the restructuring of Inverter Company and VOGT EMS Company and from the different accounting treatment in which the materials to subcontractor had been changed to free of charge since this year in VOGT Component Company, despite the expansion in Automotive Company and Other Company.

Operating income gained 6.9% year-on-year to ¥2,093 million due to the improved profitability benefited from the restructuring last year in VOGT Component Company, and the increased revenue and profit margin in Automotive and Other Companies added to the effective control of the selling and administration expenses in Coil Business despite the reduced profit resulted from the production adjustment by the leading customer in Vogt EMS Company.

Ordinary income lost 42.6% year-on-year to ¥1,327 million down to the increased interest payables and exchange loss despite the absence of investment loss from the equity-method. Net income dropped 53.2% year-on-year to ¥485 million ending the interim fiscal period due to the payment of provisional tax for prior years in spite of decreasing extraordinary loss from the completion of restructuring.

### **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, has sneaked out from the provisional stagnation and been back on the recovery fundamentals.

The monthly volume of orders received for coils (orders received during the current month and scheduled to sell during the current month exclude STELCO, PANTA and VOGT) in the 1<sup>st</sup> quarter of 2008 were adjusted to 153 million pieces on average per month but climbed to 161 million pieces in the 2<sup>nd</sup> quarter after the record high of 178 million pieces on average per month in the 4<sup>th</sup> quarter of 2007. The monthly order volume was 163 million in April, 161 million in May, 160 million pieces in June and remained stably at 160 millions.

## Order, Production & Sales of Coils



The global electronic parts market has been surprisingly adjusted in the face of the imminent Beijing Olympics. However, with the mounting demand for major products from the budding countries, the running out of the inventory from lengthy adjustment, the relief of anxiety to financial crisis and market collapse, the stabilization of the prices for grains and crude oil which gave rise to deceleration of the advanced nations as well as the promising environment for interest cuts, the pessimistic outlook might be swept away and the market be possibly back on the track of expansion.

Shipment volume of liquid-crystal monitors in the globe achieved a growth of 25.4% year-on-year to 163 million sets in 2007 and is expected to go on with a blunted growth of 7.4% to 175 million sets in 2008. Shipment volume of notebook-sized PCs grew 37.8% year-on-year to 102 million sets in 2007 and is estimated to swell 29.4% to 132 million sets in 2008. Shipment volume of cellular phones increased 13.3% year-on-year to 1,148 million sets in 2007 and is anticipated to grow, similar to preliminary estimate, 7.0% to 1,228 million pieces in 2008 and may be subject to an upward correction. Shipment volume for digital home appliances, such as liquid-crystal display (LCD) TVs increased 53.2% year-on-year to 72 million sets in 2007 and is expected to continue a high growth of 41.7% to 102 million sets in 2008; DSCs went through a rapid growth of 27.1% year-on-year to 100 million sets in 2007 and sees a continual increase of 20.0% to 120 million sets in 2008 judging from the result of the first half. Shipment volume for HDDs was up 16.8% year-on-year to 501 million sets in 2007 and is estimated to add 13.0% to 566 million sets in 2008.

Production Volume of new cars worldwide increased 4.3% year-on-year to 69 million units in 2006 and 5.4% to 73 million units in 2007, the growing demand in Europe, China, Russia and the Asian Pacific nations had made up the deficiency in the stagnant markets like U.S. and Japan. Demand is expected to trend upward in China, India, Brazil, Thailand, Russia, the Middle East, Africa and other emerging countries. As a result of further introduction of the high-performance electronic control technologies that aims towards safety, comfort, fuel-economy and other features for automotive, the number of electronic parts to be fitted in each automobile is expected to sustain the expansion.

Amid such business environment, Sumida group devoted to re-align and remove all less-profitable divisions. Jensen in Sweden has been sold, production has been moved from Mexico to Panyu factory in China, VOGT has been undergone restructuring and Inverter Company at Taiwan and Suzhou of China has been disposed in 2007. We are committed to concentrating resources on the remaining profit-making sections to continue the optimization of the corporate value of the Group.

## **I. COIL BUSINESS**

### **1. Legacy Company**

For power solution, the business is weakened except DSCs, HID lamps and telephone sets. When the demand recovers in the latter half of the year, the Company targets to extend all out effort in driving sales for PCs, ADSLs, DSCs, recreational-related equipments, LCD-TVs, HID lamps and telephone related equipments.

For power inductor, the entire field is influenced by production adjustment by the set manufacturers except DSCs, industrial & medical equipment. Aiming toward the inquiry activation in the coming 3<sup>rd</sup> quarter, we are devoted to focus more resources on intensifying the sales for PCs, HDDs, LCD TVs, DSCs, and telephone sets.

For signal, the business intends to reinforce sales in ADSLs, toner sensors, LCD TVs, immobilizers, keyless entry, TPMS, cellular phones and tags.

### **2. Inverter Company**

The Inverter Company has sold its production bases and sales divisions in Taiwan and Suzhou of China at the end of last year. Inverter Company from then on is committed to sales of inverter transformers as well as of re-sales of inverter units for Crystal TVs and recreational-related devices.

### **3. Automotive Company**

ABS coils, the mainstay of Automotive Company, which first designed for prevention from wheel lock at emergency braking can also be used for prevention from sideslip of tires. With the increasing number of coils to each automobile, the production has been set out for expansion. For keyless entry coils, apart from striving for new customers, the business also stresses to expand shares from existing clients with the aim of nurturing the 2<sup>nd</sup> large project after ABS Coil. Injection coil used for the direct-injection engine ranks as the 3<sup>rd</sup>-pillar product immediate following ABS and Keyless Entry in the Automotive Company. With request from the major customer to enlarge production volume, full-fledged production has been scheduled. In the meantime, various activities have started to strengthen sales of coils for car air conditioner, suspension and transmission.

### **4. Other Company**

STELCO was temporarily restrained due partly to the inventory adjustment by the major customer and partly to the delay in acquiring new orders for portable telephone terminals. The Company is in hope to enlarge market shares with the existing customers on one hand and develop new customers at the same time.

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. With the well-developed new customers, the business is keeping up well. 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, industrial & medical equipment, home and illumination appliances mainly to Europe, America and China. The Company would focus increasing resources on automotive-related, industrial and medical devices with growing potential. Further, upon completion of the reorganization to consolidate production mainly in Romania and Slovenia, we strive to shifting low-margin products to China to optimize the profit margin.

## **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 division in Letron with lower margin has been disposed to secure the competitiveness of the Company with the remaining high-yield sections.

### **Forecast of Business Results in the Third Quarter of 2008**

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 third quarter of 2008.

Forecast of consolidated business results in the 3rd quarter of 2008 (from Jul. 1 to Sep. 30, 2008)		Actual figures of consolidated business results in the 3rd quarter of 2007 (from Jul. 1 to Sep.30, 2007)	
Sales	16,000M	Sales	17,885M
Operating income	1,100M	Operating income	1,438M
Ordinary income	870M	Ordinary income	1,023M
Current term net income	530M	Current term net income	872M

(Exchange rate is premised at ¥105 per U.S. \$1)