

SUMIDA CORPORATION

- Consolidated Results of the 2nd Quarter FY 2008 -

7th August, 2008

Shigeyuki Yawata, CEO
Saburo Matsuda, CFO

Summary of the 2. Quarter 2008

Net Sales vs. plan lower by about 800 M yen (5%)

Operating Income vs. plan lower by about 200 M yen

Reasons:

1. Impact of sales decrease	200 M yen	
2. Cost increases		
① Personnel costs	270 M yen	} 350 Mio JPY
② Material costs	80 M yen	
3. Effects of Profitability		
<u>Improvements</u>	<u>-350 M yen</u>	
	200 M yen	

Impact of increased personnel and material costs have been offset by profitability improvements

*Factors which led to profitability improvements

① VOGT : Restructuring measures in the previous half year

② SECL : Selling of the Inverter unit

Consolidated Financial Statement:

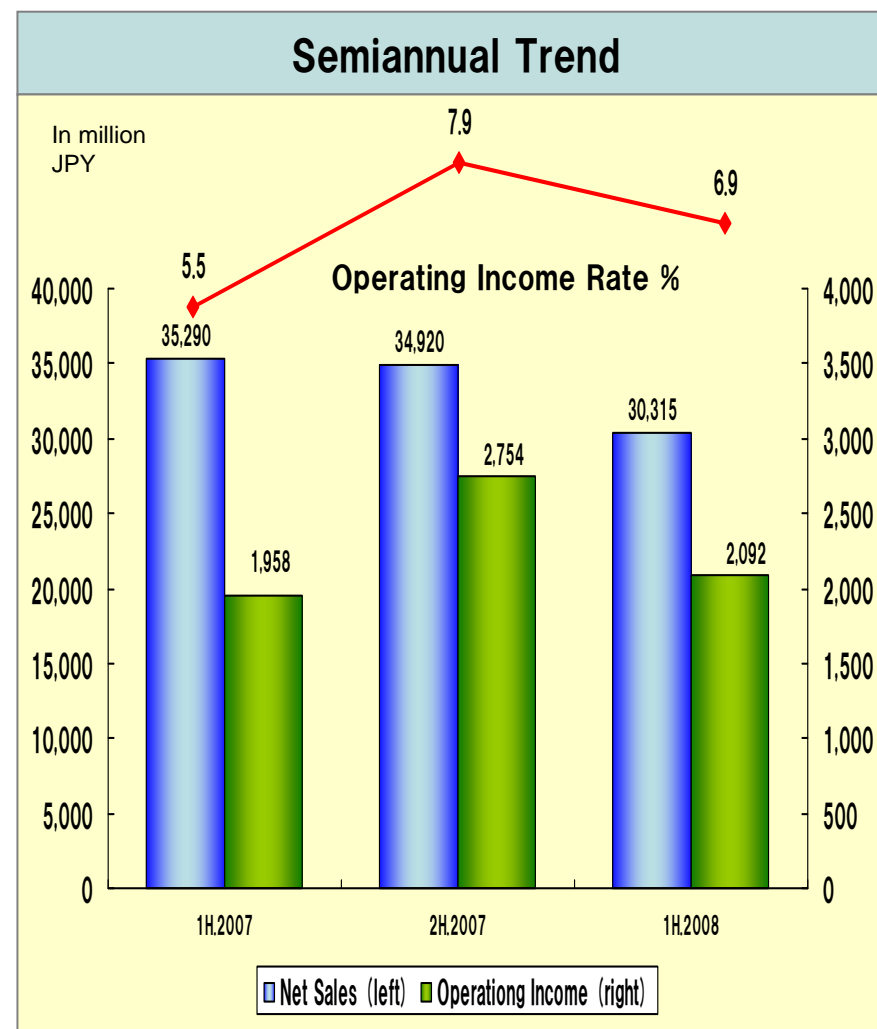
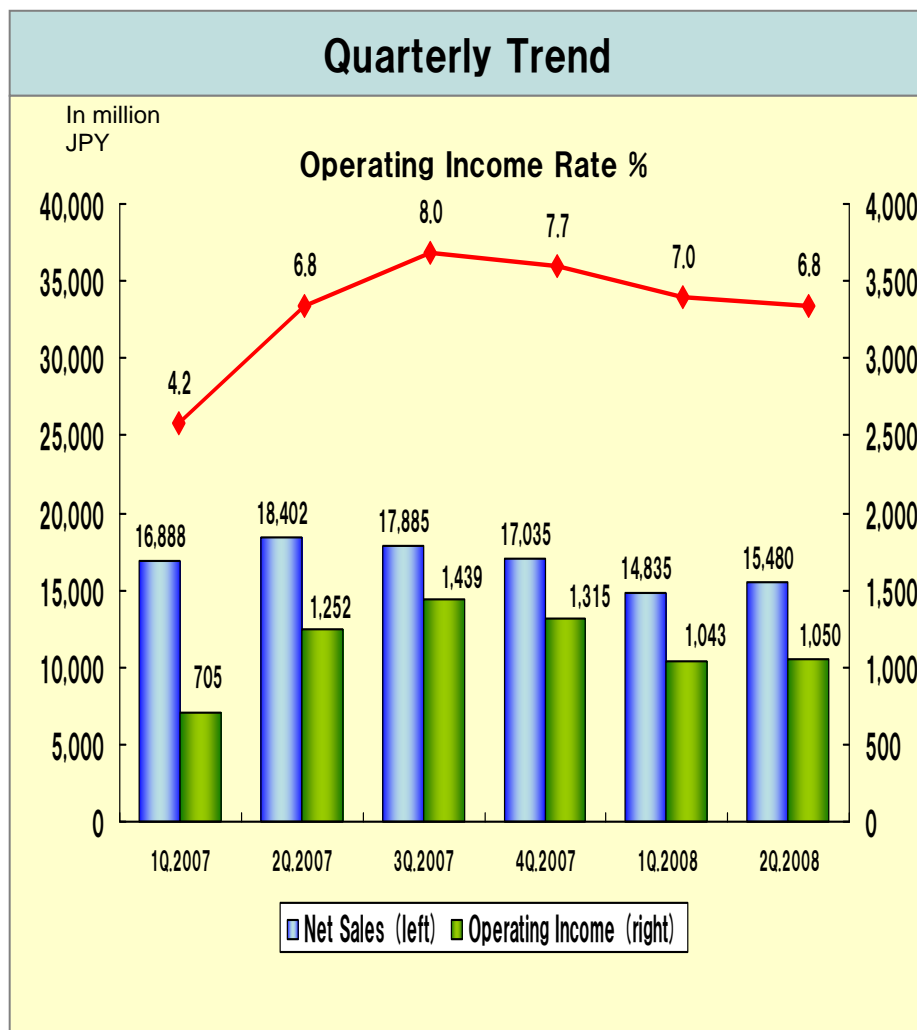
Summary of the 2nd Quarter and 1st Half Year of FY2008

Reasons for the Deviations from Plan	Short-term countermeasures	Long-term countermeasures
<p>Sales General stagnation of the market, especially in the USA</p> <p>Operating Income 1. Impact of declining sales 2. Personnel costs ① Increase of minimum wages ② Increased amount of overtime 3. Material costs price increase of copper ⇒ higher prices for copper wires</p> <p>Ordinary Income Impact of currency exchange rates Impact of increased RMB vs. HK\$ (differences in the processing fees to commissioned factories in China came up)</p>	<p>Sales Compensate the stagnation of sales for consumer electronics with products directed non-consumer electronics</p> <p>Operating Income • Negotiate for price increases • Drop unprofitable products ⇒ improve profitability • <u>Personnel costs:</u> ① ⇒ Start operation of the 1st satellite factory where basic salaries cheaper ② ⇒ reduce <u>20% overtime</u> (July) • <u>Material costs:</u> ⇒ Continue search for additional suppliers to bring down material prices</p> <p>Ordinary Income • Negotiate to share RMB/HK\$ risks with factories</p>	<p>• Focus on sales of high-profit/non-consumer electronic related product</p> <p>• Speed up setting up of the 2nd, 3rd satellite factory</p> <p>• Increase productivity/semi-automation ⇒ bring down overtime hours</p> <p>Increase RMB sales to offset RMB costs</p>

Consolidated Financial Statement:



Summary of the 2nd Quarter and 1st Half Year of FY2008



1. Forex



	2007				2008				
	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>	<u>1Q</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>2Q</u>
¥/US\$	118.1	123.3	115.6	112.4	105.4	102.5	104.3	106.8	104.5
	1 st Half 120.70				1 st Half 104.95				
¥/€	157.2	165.8	163.7	165.6	157.7	161.6	162.4	166.0	163.3
	1 st Half 161.50				1 st half 160.50				
¥/HK\$	15.1	15.8	14.9	14.4	13.5	13.2	13.4	13.7	13.4

2. Consolidated Results 2nd Quarter 2008



(Unit : Millions of yen)

	2Q 2008				2Q 2007		
	Actual	Plan	Difference	Achievement ratio	Actual	Difference	Comparison with 2Q 2008
Net sales	15,479	16,300	(821)	95.0%	18,402	(2,923)	84.1%
Operating income	1,051	1,280	(229)	82.1%	1,253	(202)	83.9%
O.I.R.	6.8%	7.9%	/		6.8%	/	
Ordinary income	517	1,000	(483)	51.7%	1,750	(1,233)	29.5%
Net income	(17)	600	(617)	—	679	(696)	—

3. Consolidated Result 1st Half 2008



(Unit Millions of yen)

	1 st half 2008		1 st half 2007	Achievement ratio	Comparison with 1 st Half
	Actual	Plan	Actual		
Net sale	30,314	31,100	35,290	97.5%	85.9%
Operating income	2,093	2,320	1,958	90.2%	106.9%
O.I.R	6.9%	7.5%	5.5%	/	
Ordinary income	1,327	1,810	2,313	73.3%	57.4%
Net income	485	1,100	1,034	44.1%	46.9%

3-1. Analysis of sales 1st half 2008



(Unit : Millions of yen)

	1 st half 2007	1 st half 2008	Difference
Inverter unit business	2,480	—	(2,480)
VOGT Components	947	—	(947)
Sub-con. (no free)			
EMS—Letron	693	—	(693)
Other	31,170	30,314	(856)
Total	<u>35,290</u>	<u>30,314</u>	<u>(4,976)</u>

3-2. Analysis of Forex



(Unit : Millions of yen)

Sales	1 st half 2007	1 st half 2008	Convert Exchange rate of 1 st half 2007	
Euro	13,139	13,093>	13,175 +0.3%
Yen	4,702	4,584>	4,584 (2.5%)
Non- yen	13,329	12,637>	14,533 +9.0%
Total	31,170	30,314>	32,292 +3.6%

4. Forex



Exchange loss 1st Half 2008

①	Revaluation of RMB	(200M yen)
②	Exchange contracts	(200M yen)
③	VOGT(€ vs. US\$)	(100M yen)
④	Other(Unrealized)	(127M yen)
<hr/>		(627M yen)
1Q 114.48 2Q 117.57 3Q 111.61 4Q 109.14		

5. Operating income Analysis



(Unit : Millions of yen, %)

	2Q 2008	2Q 2007	Difference
Coil	1,583	1,651	(65)
O.I.R (%)	15.8	13.7	—
VOGT Components	268	220	48
O.I.R (%)	5.1	3.7	—
VOGT EMS	20	45	(25)
O.I.R (%)	4.6	6.7	—
Elimination	(820)	(663)	(157)
Total	1,051	1,253	(202)
O.I.R (%)	6.8	6.8	—

6. Taxes



(Unit : Millions of yen)

FY2001-FY2003	Tax Haven	Tax suspense payment	628
FY2004-FY2006	Tax Haven	} (Tax effect)	Δ228
	Transfer pricing		
	Total		<u>400</u>

Transfer pricing — Profit Sprit Method

7. Consolidated Balance Sheet



(Unit : Millions of yen)

	End of FY2007	End of 2Q 2008
Short-term Loan	16,196	14,982
Bond (Alpine)	8,000	7,830
Long-term Loan+Bond	3,563	4,313
Total	27,759	27,125
Cash	9,181	8,066
Cash equivalent		2,500
Net Loan	18,579	16,659

8. Global Tax Strategy



Global Tax Strategy

Maximization of cash flow
in consolidated base

Tax Haven
Transfer Pricing

SUMIDA CORPORATION
(Pure holding company)

Reduction of effective tax rate
in consolidated base

Dividend from subsidiaries

Dividend (for coil business)
consolidated by the intermediate
holding company in Japan



Shift the dividend to low
effective tax rate country

9. Estimation for 3rd Quarter 2008



	3Q 2008 Estimate (¥Million)	3Q 2007 Actual (¥Million)	Difference	
			(¥Million)	%
Net sales	16,000	17,885	(1,855)	89.5
Operating income	1,100	1,439	(339)	76.4
O.I.R.	6.9%	8.0%		
Ordinary income	870	1,023	(153)	85.0
Net income	530	872	(342)	60.1

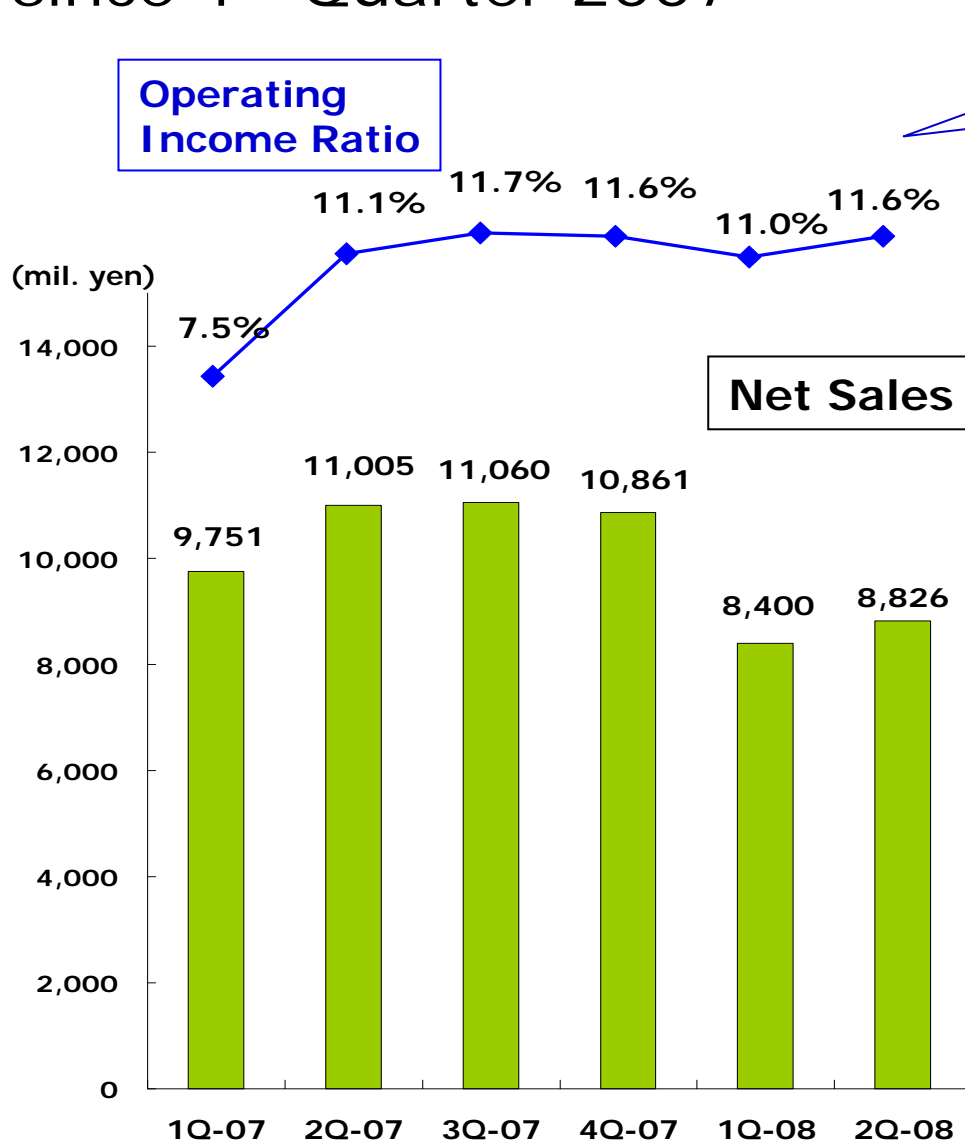
10. Revision of Forecast for FY2008



(Unit : Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Previous Forecast (Released on 7 th May, '08) (A)	65,300	5,230	4,830	3,380
Revised Forecast (Released on 6 th Aug. '08) (B)	62,000	4,200	3,000	2,200
Variance (B) - (A)	(3,300)	(1,030)	(1,830)	(1,180)
% of Variance (%)	(5.1)	(19.7)	(37.9)	(34.9)
(Reference) Actual FY 2007	70,210	4,712	4,368	2,855

SECL: Quarterly Sales & EBIT Performance since 1st Quarter 2007



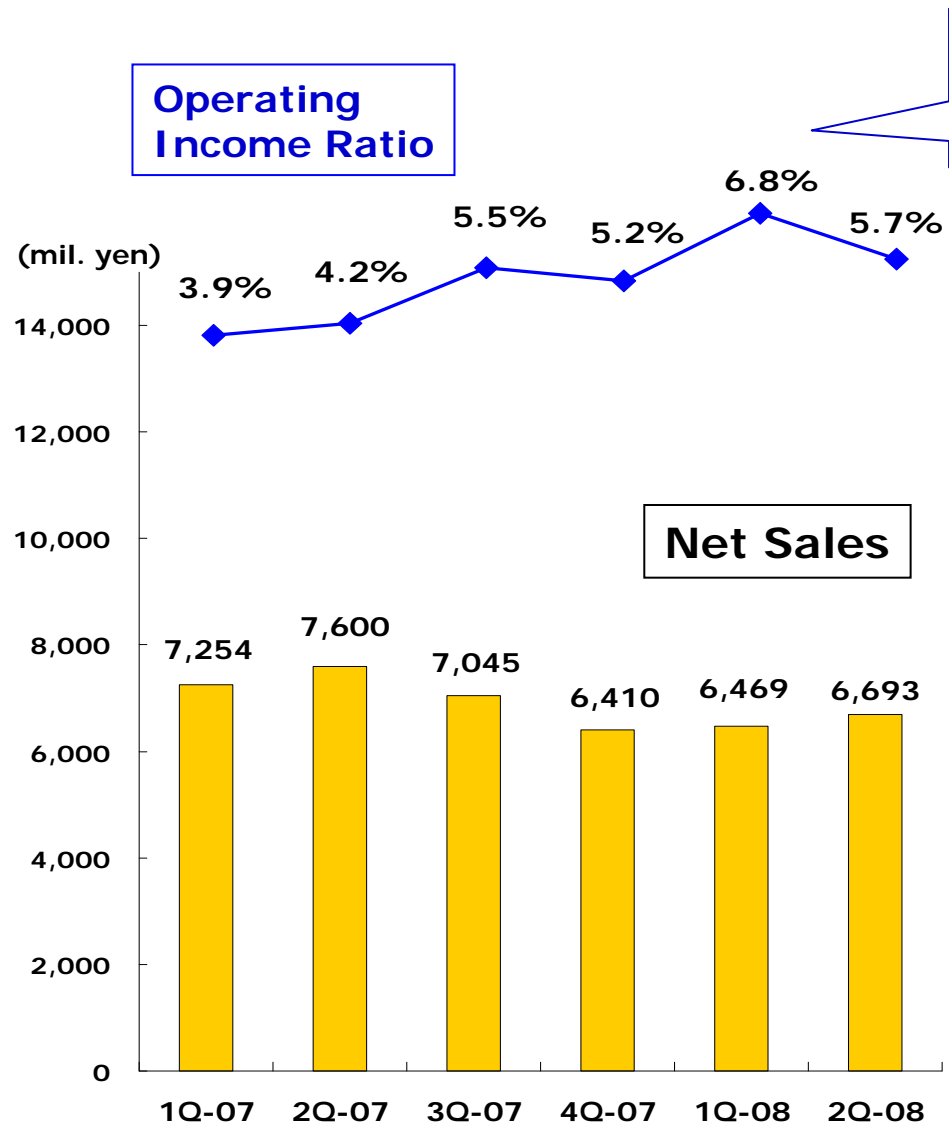
Steady improvement of profitability

- Automotive business and sales for Europe were favorable
- Appreciation of RMB
- Soaring of minimum wage in China
- Increase of overtime due to high turnover ratio



- Improvement of price/cost ratio
- Product price negotiation with customers
- Review of low profit products
- Propose new products

SVG: Quarterly Sales & EBIT Performance since 1st Quarter 2007



Profitability affected by fluctuation of Euro and USD

- Weaker consumer electronics sales were partially compensated by stable performance in automotive and industry markets.
- Impact of foreign exchange rates were higher compared to last year, especially for sales in North America.



- Measures to improve price/cost ratio have been initiated e.g. ramping up production in Eastern Europe and China

Exchange Rate: 1Euro = 163.34 yen

Achievements and Challenges in the first half of FY2008

1. Sales performance for the automotive sector was strong, in particular in Europe

Increased number of vehicles installed and equipped with our products

2. Weak sales for consumer electronics

General fall in the electronic parts market

3. Increased Material costs

Due to the worldwide increase of raw material costs, keep margins through ensuring alternative suppliers and sales price increases

4. Increased Labor costs

Continuous increase of minimum wages:
Panyu District:
690 Yuan -> 770 Yuan (April)
-> 800 Yuan (May)

Approach and Prospects from 3rd quarter and onward

1. Firm sales in the automotive sector also in the 2nd half of FY2008

In view of declining demand in the short term, marketing of new products to leading manufacturers is planned. Sales channels of existing products are being extended; target also Chinese manufacturers

2. Greater efforts in Marketing

Even though market conditions will be difficult also in the 2. half of FY2008, focus on Marketing targeting the Entertainment sector and Industrial devices

3. Reduce impact by ensuring alternative suppliers

By extending the production base in China, potential suppliers within China can be increased

4. Mitigate impact of labor cost increases

Control labor time (proper overtime), improve productivity continuously, promote semi-automation, continue implementation of the Silk Road Structure

Achievements and Challenges in the first half of FY2008

5. Steady improvement of the European operations

Although sales decreased by (5.1%) vs. previous year, profitability improved as an effect of restructuring measures carried out last year.



Operating Income Ratios:

2nd Quarter: 6.8%

1st Half Year: 6.9%

6. Shift production of unprofitable products to China

Unprofitable products have been transferred to China, where lower production costs allow profit targets to be achieved.

Approach and Prospects from 3rd quarter and onward

5. Further improvement of the effectiveness of European operations

Focus on the improvement of the production structure by increasing profitability of VOGT EMS and Stelco

6. Continue to shift production to China

Continue to transfer production of products where a shift is feasible

• Profit decreased (about 200M yen in the 2Q) due to low sales volume, whereas impact of increased personnel and material costs have been offset by profitability improvements.

• Although the forecast of 2nd half year is cautious (sales forecast is about the same of 1st half) considering variable factors of world economy, in the mid-long term, we plan to further expand and strengthen our high profitable business basis through accelerate integration with VOGT and execute our current business plan, Triple Ex.

New mid-term Business Plan Triple Ex

- Progress of the 5 main themes



Main Themes	Target	Activities carried out in the 1 st Half-Year
		Planned activities for the 2 nd Half-Year
"Sumida Production Silk Road" Concept	<ul style="list-style-type: none"> Strengthen/extend low-cost mass production scheme in Asia 	<ul style="list-style-type: none"> First satellite factory in Nanning (Guangxi) set-up Start operation of the Nanning factory => reduce production costs Advanced feasibility studies on further potential areas to set-up 2nd, 3rd satellite factory
<u>Utilization of Capabilities to respond to customer's needs</u>	<ul style="list-style-type: none"> Provide the 2 following capabilities of SUMIDA globally to respond to customers' needs: <ul style="list-style-type: none"> Capability to respond to customers' demands on performance, lead times and prices Capability to develop products in order to quickly implement new applications 	<ul style="list-style-type: none"> Fully leverage the capability of the operation of the new R&D center in China (C-Lab) Speed up transfer of Know-How of Japanese engineers to C-Lab
<u>Invest in pioneering technologies and in stimulating environment to motivate innovative research of our engineers</u>	<ul style="list-style-type: none"> Market & customer oriented R&D activities in Germany and Japan / the new R&D Center in China (C-Lab) will coordinate and facilitate the collaboration among engineers within the entire Group so as to develop existing new products 	<ul style="list-style-type: none"> Prioritize the identified promising technologies / products Speed up development through additional investment (3 billion JPY in R&D projects)

New mid-term Business Plan Triple Ex

- Progress of the 5 main themes



Main Themes	Contents	Activities carried out in the 1 st Half-Year
		Planned activities for the 2 nd Half-Year
<u>Implementation of global systems in R&D, production and sales aspects</u>	<p>◎Seek opportunities to horizontally and vertically integrate our operations (R&D, procurement, manufacturing, marketing, sales) through M&A activities in order to further enhance and expand our current business operations.</p>	<p>◎Shift production (passive products of coil) from VOGT in Germany to China (VCM) ->enabled significant cost reduction</p> <p>◎Select of M&A projects</p> <p>◎Further accelerate production shift from VOGT to China (VCM)</p> <p>◎Further investigation of M&A projects and start</p>
<u>Develop and strengthen the Global Management System</u>	<p>◎Further improve and strengthen our Global Management System and strive to make the most of our synergies that derive from the diverse cultures and experiences of Sumida Group.</p> <p>Take action more efficiently and more swiftly as we achieve unification and synergy across the diverse corporate cultures of the companies.</p>	<p>◎Formulate individual HR plans by Sumida Academy</p> <p>◎Enter into domination agreement with VOGT ->enables closer integration within the Group and increases scope for synergy</p>

1st Half: Global unification in Sumida Group improved steadily
2nd Half: Utilize satellite factories and promote innovative R&D

Progress of "Sumida Silk Road"



Progress of "Sumida Silk Road"



Outside of the Factory

Key Data of Nanning Factory

Name :
Sumida Electric (Guangxi) Co., Ltd.

Capital : 20 mil. HKD

Address :
China-ASEAN Advanced
Business Park in Nanning City
(Other Japanese electronics enterprises are also in the area)

Operation starts: End of August

No. of workers: 1,500 (max)

**Minimum wage
in Nanning ... 580 RMB
(800 RMB in Panyu)**

**Favorable treatments for
foreign enterprise (tax etc.)**



**Lower
manufacturing cost**

For positive growth through proactive technology investment



Expected growth in coil market and Sumida

Sumida's steady growth together with expansion in electric/electronics-related industry

- Long term growth owing to the promotion of digitalization, ubiquitous society, increase demand in sensor, energy saving
- Energy shift from internal-combustion to electric motor due to soaring fuel cost also accelerate Sumida's growth

③ Industry devices, new energy related

Market size: 200 bil. yen
Sumida share: 2.1%, 4.2 bil yen

Energy shift (e.g. oil pressure control -> electric power control)

↓
Most promising segment in a long term

② Automotive

Market size: 500 bil. yen
Sumida share: 4.4%, 22 bil. yen

/Accelerate hybrid, electric power
/Further improvement of automotive electric components

① Consumer

Market size: 500 bil. yen
Sumida share: 7.7%, 38.3 bil. yen

/Further development in digitalization
/Ubiquitous digital society (communication function)

/Sensor function
/Products with smaller form factor
/Noise suppression in high density products

Expected total market size in 2008: 1200 bil. yen
Sumida's share: 5.4%, 64.2 bil. yen

SVG: Possesses high security and high voltage coil technology / Superior experience in industry, energy and automotive business

+

SECL: Superior experience in consumer, automotive device business / agile production and customer correspondence capability in Asia

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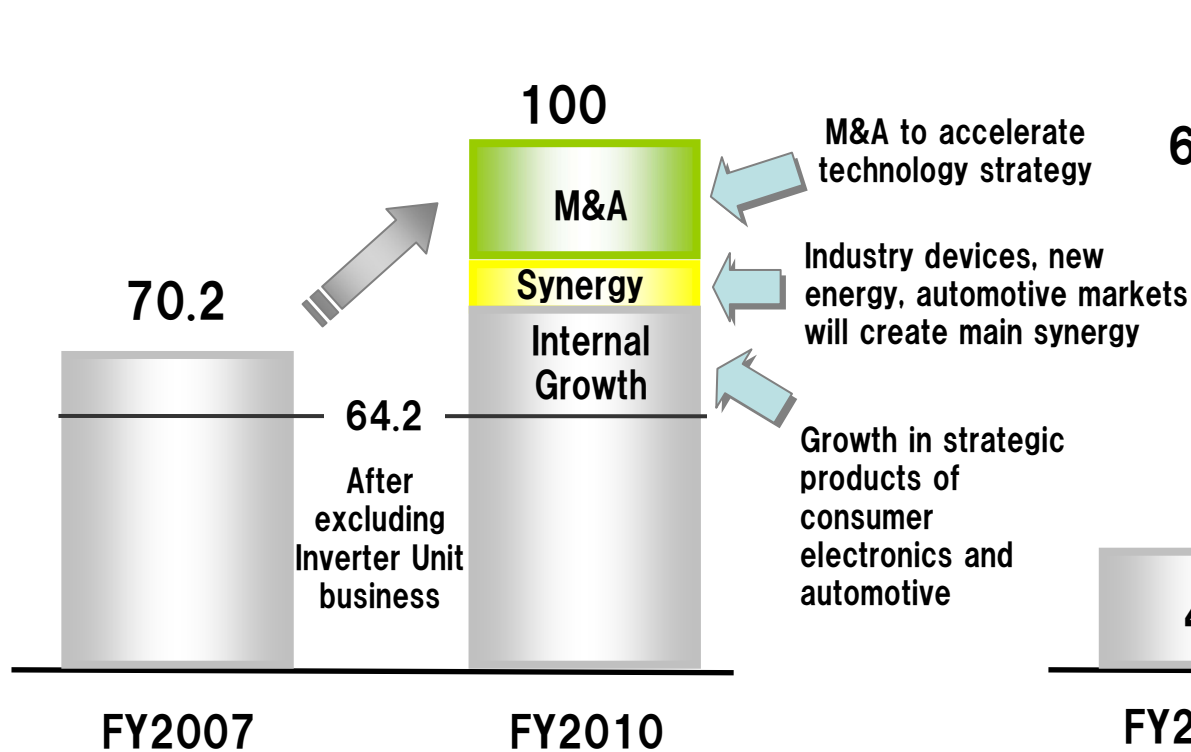
Global company with net sales 100B yen who appreciates increased opportunities for coil business

R&D Contribution for further growth

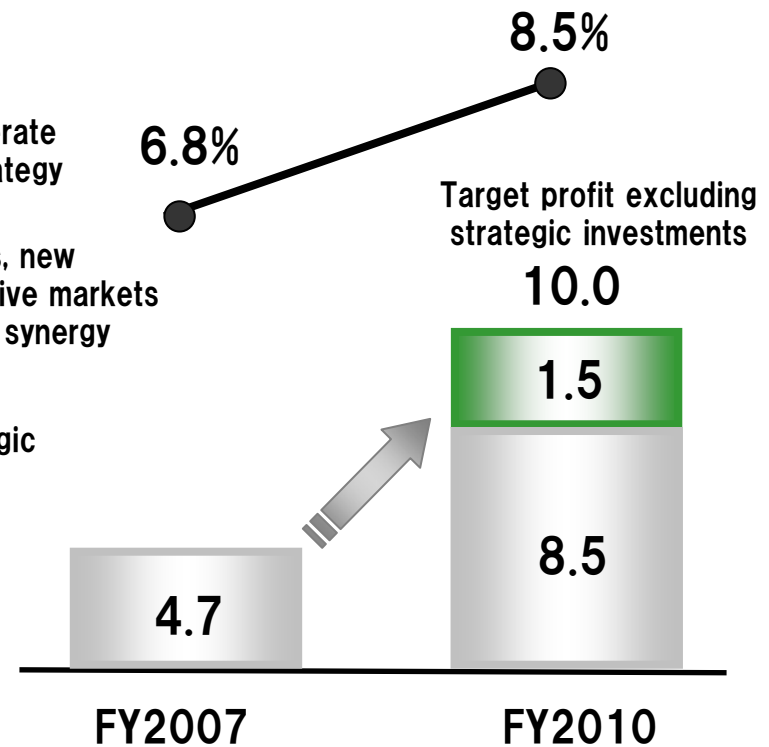


(Unit: billion yen)

Net Sales



Operating Profit



Promote strategic R&D, pursue synergy effect and M&A in order to achieve "Triple Ex" profitability target

End of the Report

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